

Company Registration No. 01727326 (England and Wales)

A & A ELECTRICAL DISTRIBUTORS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2014



A & A ELECTRICAL DISTRIBUTORS LIMITED

COMPANY INFORMATION

Directors	Mr A M Warren Mrs A K Warren
Secretary	Mrs A K Warren
Company number	01727326
Registered office	Crown House 151 High Road Loughton Essex IG10 4LG
Auditors	Alwyns LLP Crown House 151 High Road Loughton Essex IG10 4LG

A & A ELECTRICAL DISTRIBUTORS LIMITED

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A & A ELECTRICAL DISTRIBUTORS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

The Directors present the Annual Report for the year ended 31 October 2014.

Review of the business

During the year, turnover decreased to £12,803,118 (2013 - £13,307,373). This performance was achieved in a highly competitive market where the directors feel that the reputation for quality and service engendered by the company has helped to retain existing customers and attract new business.

The directors consider that the overall financial performance has been satisfactory given current market conditions.

The core business remains stable and the directors consider that the on-going development of new products and markets will lead to revenue growth. In addition, the focus on research and development will leave the company well placed to meet the future needs of its customers and continue to evolve.

Principal risks and uncertainties facing the business

The directors continually monitor the key risks facing the company.

At the present time the directors believe that the key risks facing the business relate to the current economic situation, retention of key staff, competitiveness in the sector and the development of new and exciting new products.

The company continues to develop and sell a wide range of electrical products to an established customer base. It enjoys long standing relationships with both customers and suppliers, as well as having an experienced and knowledgeable workforce. It continues to expand its customer base, research and develop new products, and modernise its distribution and management processes.

Key performance indicators

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, profit and cash reserves. The key non-financial performance indicators continue to be customer gains and retention.

On behalf of the board



Mrs A K Warren

Director

10 July 2015

A & A ELECTRICAL DISTRIBUTORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

Principal activities

The principal activity of the company continued to be that of electrical component distributors.

Results and dividends

The results for the year are set out on page 6.

Directors

The following directors have held office since 1 November 2013:

Mr A M Warren

Mrs A K Warren

Financial instruments

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the businesses.

Foreign currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditors

Alwyns LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

A & A ELECTRICAL DISTRIBUTORS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mrs A K Warren

Director

10 July 2015

A & A ELECTRICAL DISTRIBUTORS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF A & A ELECTRICAL DISTRIBUTORS LIMITED

We have audited the financial statements of A & A Electrical Distributors Limited for the year ended 31 October 2014 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

A & A ELECTRICAL DISTRIBUTORS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF A & A ELECTRICAL DISTRIBUTORS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alwyns LLP

David Stanley (Senior Statutory Auditor)
for and on behalf of Alwyns LLP

10 July 2015

Chartered Accountants
Statutory Auditor

Crown House
151 High Road
Loughton
Essex
IG10 4LG

A & A ELECTRICAL DISTRIBUTORS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2014

	Notes	2014 £	2013 £
Turnover	2	12,803,118	13,307,373
Cost of sales		(7,086,773)	(7,447,784)
Gross profit		5,716,345	5,859,589
Administrative expenses		(5,591,246)	(7,070,510)
Operating profit/(loss)	3	125,099	(1,210,921)
Other interest receivable and similar income	4	17,474	56,115
Interest payable and similar charges	5	(48)	1,180,232
Profit on ordinary activities before taxation		142,525	25,426
Tax on profit on ordinary activities	6	1,029,133	97,066
Profit for the year	15	1,171,658	122,492

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

A & A ELECTRICAL DISTRIBUTORS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 OCTOBER 2014

	Notes	2014 £	2013 £
Profit for the financial year		1,171,658	122,492
Amounts written off SIP's holding in parent company shares		-	(50,043)
Deferred tax on amounts written of SIP's holding in parent company shares		-	14,012
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		<u>1,171,658</u>	<u>86,461</u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7	118,337		89,515	
Investments	8	12,973,268		12,973,268	
		<u>13,091,605</u>		<u>13,062,783</u>	
Current assets					
Stocks	9	493,354		505,675	
Debtors	10	3,850,742		4,030,996	
Cash at bank and in hand		3,836,613		4,803,054	
		<u>8,180,709</u>		<u>9,339,725</u>	
Creditors: amounts falling due within one year	11	(7,656,899)		(8,893,618)	
Net current assets		<u>523,810</u>		<u>446,107</u>	
Total assets less current liabilities		<u>13,615,415</u>		<u>13,508,890</u>	
Provisions for liabilities	12	(2,550,977)		(3,616,110)	
		<u>11,064,438</u>		<u>9,892,780</u>	
Capital and reserves					
Called up share capital	14	100		100	
Other reserves	15	60,300		60,300	
Profit and loss account	15	11,004,038		9,832,380	
Shareholders' funds	16	<u>11,064,438</u>		<u>9,892,780</u>	

Approved by the Board and authorised for issue on 10 July 2015



Mr A M Warren
Director



Mrs A K Warren
Director

Company Registration No. 01727326

A & A ELECTRICAL DISTRIBUTORS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2014

	Notes	£	2014 £	£	2013 £
Net cash outflow from operating activities	22		(414,337)		(1,175,335)
Returns on investments and servicing of finance					
Interest received		17,474		56,115	
Interest paid		(48)		-	
Net cash inflow for returns on investments and servicing of finance			17,426		56,115
Taxation			(501,261)		559,519
Capital expenditure					
Payments to acquire tangible assets		(68,269)		(12,794)	
Net cash outflow for capital expenditure			(68,269)		(12,794)
Net cash outflow before management of liquid resources and financing			(966,441)		(572,495)
Decrease in cash in the year	23, 24		(966,441)		(572,495)

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% on reducing balance
Motor vehicles	25% on reducing balance

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Share-based payments

In accordance with FRS 20, the value determined at the grant date of the shares is expensed on a straight-line basis to the profit and loss account over the vesting period based on the company's estimate of shares that will eventually vest.

The value is calculated using a generally accepted valuation methodology allowing for the lack of an observable market price as the company is an unlisted limited company.

1.11 Contributions to Qualifying Employee Share Ownership Trust (QUEST) and Share Incentive Plan

In accordance with UITF 38 contributions to the QUEST and SIP are not recognised in the profit and loss account until such time as the shares vest unconditionally with the employees. Until that time the investment in the shares of the holding company are shown as an investment.

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

1 Accounting policies (Continued)

1.12 Employee Benefit Trust

The company has an Employee Benefit Trust (EBT) for the benefit of certain employees. In accordance with UITF 32, until such time as the assets of the EBT vest unconditionally with the employees, the assets and liabilities of the EBT are included within the relevant assets and liabilities of the company.

1.13 Employer Financed Retirement Benefit Scheme (EFRBS)

During the current accounting period the Company made an additional contribution to a previously established EFRBS for the benefit of its officers, employees and their wider families, The A & A Electrical Distributors Limited 2011 EFRBS ('the Scheme').

In accordance with UITF Abstract 32 'Employee Benefit Trusts and other intermediate payment arrangements' the Company does not include the assets and liabilities of the Scheme on its balance sheet to the extent that it considers that it will not retain any future economic benefit from the assets of the Scheme and will not have control of the rights or other access to those future economic benefits.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3	Operating profit/(loss)	2014 £	2013 £
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	39,447	29,837
	Operating lease rentals	258,897	258,596
	Auditors' remuneration	10,500	10,500
	Employer Financed Retirement Benefit Scheme Contribution	2,500,000	2,200,200
		<u> </u>	<u> </u>
4	Investment income	2014 £	2013 £
	Bank interest	17,474	56,115
		<u> </u>	<u> </u>
5	Interest payable	2014 £	2013 £
	On bank loans and overdrafts	48	-
	On other loans wholly repayable within five years	-	(1,180,232)
		<u> </u>	<u> </u>
		48	(1,180,232)
		<u> </u>	<u> </u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2014

6 Taxation

	2014 £	2013 £
Domestic current year tax		
U.K. corporation tax	36,000	501,261
Adjustment for prior years	-	(589,336)
Total current tax	<u>36,000</u>	<u>(88,075)</u>
Deferred tax		
Origination and reversal of timing differences	2,990	(8,077)
Deferred tax adjustments arising in previous periods	(1,068,123)	(914)
	<u>(1,065,133)</u>	<u>(8,991)</u>
	<u>(1,029,133)</u>	<u>(97,066)</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>142,525</u>	<u>25,426</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2013 - 23.10%)	<u>28,505</u>	<u>5,873</u>
Effects of:		
Non deductible expenses	3,948	495,218
Depreciation add back	7,889	6,892
Capital allowances	(4,765)	(6,124)
Adjustments to previous periods	-	(589,336)
Other tax adjustments	423	(598)
	<u>7,495</u>	<u>(93,948)</u>
Current tax charge for the year	<u>36,000</u>	<u>(88,075)</u>

The deferred tax charge in the prior year included a credit of £3,377 in respect of the share based payment charge.

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

7 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
Cost			
At 1 November 2013	239,438	173,456	412,894
Additions	4,256	64,013	68,269
At 31 October 2014	243,694	237,469	481,163
Depreciation			
At 1 November 2013	218,928	104,451	323,379
Charge for the year	6,192	33,255	39,447
At 31 October 2014	225,120	137,706	362,826
Net book value			
At 31 October 2014	18,574	99,763	118,337
At 31 October 2013	20,510	69,005	89,515

8 Fixed asset investments

QUEST and SIP's holding in parent company shares

	Shares held in trust Number	Nominal value £	Cost £
At 1 November 2013 & at 31 October 2014	691,668	6,916	12,973,268
Held in			
QUEST	57,936	579	2,665,966
SIP	633,732	6,337	10,307,302
At 1 November 2013 & at 31 October 2014	691,668	6,916	12,973,268

The A & A 2000 Limited Qualifying Employee Share Ownership Trust (QUEST) was established to hold shares for the benefit of employees generally. The aim is the shares will be approached to employees on a long term basis when the founder shareholders retire or the business is sold.

The A & A 2000 Limited Share Incentive Plan (SIP) was established to purchase shares for the benefit of employees. On 23 October 2009 shares were awarded as disclosed in note 13.

The value of the shares at the grant date was £60,301. As A & A 2000 Limited is a private company there is no observable market price for the shares granted. Therefore, the value of the shares was measured using generally accepted valuation methodology which allowed for this.

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

9	Stocks	2014 £	2013 £
	Finished goods and goods for resale	493,354	505,675

10	Debtors	2014 £	2013 £
	Trade debtors	2,729,526	2,911,971
	Other debtors	1,063,410	1,062,390
	Prepayments and accrued income	57,806	56,635
		<u>3,850,742</u>	<u>4,030,996</u>

At the year end the Company's Employee Benefit Trust has advanced loans of £1,054,830 (2013: £1,054,830) which are included within other debtors above.

11	Creditors: amounts falling due within one year	2014 £	2013 £
	Trade creditors	1,811,524	1,563,589
	Amounts owed to parent and fellow subsidiary undertakings	1,570,724	1,570,724
	Corporation tax	36,000	501,261
	Other taxes and social security costs	378,307	397,909
	Directors' current accounts	3,345,612	4,820,613
	Accruals and deferred income	514,732	39,522
		<u>7,656,899</u>	<u>8,893,618</u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

12 Provisions for liabilities

Deferred tax liability £

Balance at 1 November 2013	3,616,110
Profit and loss account	(1,065,133)
Balance at 31 October 2014	<u>2,550,977</u>

The deferred tax liability is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	4,383	1,602
Employee share trusts	2,546,594	3,614,508
	<u>2,550,977</u>	<u>3,616,110</u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

13 Share-based payment transactions

The A & A 2000 Limited Share Incentive Plan (SIP) was established to reward employees with shares in the parent company.

On 23 October 2009 19,204 "A" ordinary shares of £0.01 each were awarded to the employees. The terms of the award are as follows:

(a) The shares were awarded to any employee who had been employed by A&A Electrical Distributors Limited for 18 months

(b) The shares were awarded to 58 employees in total

(c) The vesting period is five years

(d) The employee will lose their shares if they cease to be in Relevant Employment within three years from the date of the award, unless the employment ceased for one of the following reasons:

1. injury or disability;
2. redundancy;
3. transfer of employment to which the Transfer of Undertaking (Protection of Employment) Regulations 1981 apply;
4. change of control of other circumstances ending the associated company status of the employer company;
5. retirement on or after reaching retirement age;
6. death.

In accordance with FRS 20, the value of the shares is expensed through the profit and loss account over the vesting period of five years. £12,060 was charged to the profit and loss account in the current year.

14 Share capital	2014	2013
	£	£
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2014

15 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 November 2013	60,300	9,832,380
Profit for the year	-	1,171,658
Balance at 31 October 2014	60,300	11,004,038

Other reserves

Share based payment reserve

Balance at 1 November 2013 & at 31 October 2014	60,300
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16 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the financial year	1,171,658	122,492
Amounts written off SIP's holding in parent company shares	-	(50,043)
Movement on share based payment reserve	-	12,060
Deferred tax on amounts written off SIP's holding in parent company shares	-	14,012
Net addition to shareholders' funds	1,171,658	98,521
Opening shareholders' funds	9,892,780	9,794,259
Closing shareholders' funds	11,064,438	9,892,780

17 Contingent liabilities

The company has been in discussions with HM Revenue & Customs in respect of PAYE and NI payable on contributions made to the company's QUEST and SIP schemes. During the year, agreement was reached on the SIP contributions with all the additional costs including interest charged as an expense in the year. The maximum additional provision that may become payable as a result of the ongoing discussions on the QUEST scheme is considered by the directors to be £397,500.

In addition interest and penalties will become payable.

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

18 Financial commitments

At 31 October 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2015:

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
In over five years	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

19 Directors' remuneration

	2014	2013
	£	£
Remuneration for qualifying services	165,240	225,198
	<u>165,240</u>	<u>225,198</u>

The Company, in order to motivate and incentivise its officers and employees, has made contributions to a previously established employer financed retirement benefit scheme for the benefit of the Company's officers, employees and their wider families, the A & A Electrical Distributors Limited 2011 EFRBS ("the Scheme").

Contributions were made to the Scheme during the accounting period and these created value in that Scheme. The amount of such value which is held on terms which are discretionary was £2,475,050. Because no earmarking has yet taken place in respect of this amount, it is not considered that this amount can be regarded as directors' remuneration and, therefore, it has been excluded from the overall figure above and the remuneration of the highest paid director.

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
Administration	17	17
Selling and distribution	43	46
Purchasing	4	5
	<u>64</u>	<u>68</u>

Employment costs

	2014 £	2013 £
Wages and salaries	1,712,960	1,919,066
Contributions and costs of SIP Scheme	475,210	2,084,847
	<u>2,188,170</u>	<u>4,003,913</u>

21 Control

The immediate and ultimate holding company was A & A 2000 Limited in both years. Mr A M Warren and Mrs A K Warren are considered to be the controlling parties.

22 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2014 £	2013 £
Operating profit/(loss)	125,099	(1,210,921)
Depreciation of tangible assets	39,447	29,837
Decrease in stocks	12,321	1,588
Decrease/(increase) in debtors	180,254	(21,486)
(Decrease)/Increase in creditors within one year	(771,458)	13,587
Share based payment charge	-	12,060
Net cash outflow from operating activities	<u>(414,337)</u>	<u>(1,175,335)</u>

A & A ELECTRICAL DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

23	Analysis of net funds	1 November 2013 £	Cash flow £	Other non- cash changes £	31 October 2014 £
	Net cash:				
	Cash at bank and in hand	4,803,054	(966,441)	-	3,836,613
	Net funds	<u>4,803,054</u>	<u>(966,441)</u>	<u>-</u>	<u>3,836,613</u>

24	Reconciliation of net cash flow to movement in net funds	2014 £	2013 £
	Decrease in cash in the year	(966,441)	(572,495)
	Movement in net funds in the year	(966,441)	(572,495)
	Opening net funds	4,803,054	5,375,549
	Closing net funds	<u>3,836,613</u>	<u>4,803,054</u>

25 Related party relationships and transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

At the year end the company owed the holding company £1,570,724 (2013: £1,570,724). The loan is interest free and under no formal terms.

The company leases its premises from its self administered pension scheme paying rent of £200,000 per annum. The lease expires in January 2021.

On 25 March 2014 Mr A M Warren and Mrs A K Warren agreed to become obliged to pay the Trustees of The A & A Electrical Distributors Limited 2011 EFRBS the sum of £1,250,000 each. In consideration, A & A Electrical Distributors Limited became obliged to pay each of Mr A M Warren and Mrs A K Warren the sum of £1,250,000 and A & A Electrical Distributors Limited was released from its obligation to pay the Trustees of The A & A Electrical Distributors Limited 2011 EFRBS the sum of £2,500,000.

At the year end the company owed the directors £3,345,612 (2013: £4,820,613).