Grant Thornton

Financial Statements Heating Plumbing Supplies Limited

For the year ended 31 December 2008

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Company No. 04171695

Company information

Company registration number:	04171695
Registered office:	Unit W Rich Industrial Estate Avis Way NEWHAVEN East Sussex BN9 0DU
Directors:	R Walker A Curneen P Wilson A Meadows R Swindale
Secretary:	A Curneen
Bankers:	Lloyds TSB Bank Plc
Solicitors:	emw law
Auditor:	Grant Thornton UK LLP Grant Thornton House Kettering Parkway Kettering Venture Park KETTERING Northants NN15 6XR

Index to the financial statements

Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2008.

Principal activities

The company's principal activity is the wholesale distribution of domestic heating and plumbing appliances and supplies.

Business review

The company continued its growth strategy by opening three new start up sites at Epsom on 25 February 2008, at Sittingbourne on 14 July and at Wandsworth on 17 November. A further branch opened at Lymington on 2 January 2009. This brings the number of outlets to 22. This was a tough trading year due to the effect of the credit crunch on businesses generally.

There was a profit for the year after taxation amounting to £1,126,092 (2007 - £1,448,393). The directors recommend dividends absorbing £119,364.

Financial risk management objectives and policies

Growth in turnover is a key measure of the company's success in winning new business and retaining existing customers. The growth in turnover between 2007 and 2008 was 10%, which was 2% below target. The securing of new business is a critical area if the business is to continue to grow. The number of live trading accounts increased from 1,328 in December 2007 to 1407 in December 2008.

The company uses various financial instruments including cash, trade debtors, bank overdraft and trade creditors that arise directly from the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Liquidity risk
The company seeks to manage finance risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Interest rate risk
The company finances its operations through a mixture of retained profits and cash balances. Cash is managed to maximise income from interest while avoiding inherent risk.

Credit risk
The company's principal financial assets are stock, cash and trade debtors.

In order to manage credit risk the directors set limits for customers based on payment history and third party credit references. Credit limits are reviewed by the credit controller and sales director on a regular basis in conjunction with debt ageing and collection history.

Key performance indicators

Financial

The company measures its financial performance using the following measures:

- Operating profit of £1,605k is stated after bad debt charges of £459k yielding a return to turnover of 5.2% (2007 - 7.5%)
- Debtor days decreased from 66 in 2007 to 57 in 2008
- Stock days increased from 53 to 56.

Both stock and debtor days have remained consistent and are within the acceptable range set by the company.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

R Walker
A Curneen
P Wilson
A Meadows
R Swindale

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records that 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 1985. 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 directors' responsibilities (continued)

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

R Swindale
Director

20 March 2009

Grant Thornton

Report of the independent auditor to the members of Heating Plumbing Supplies Limited

We have audited the financial statements of company name for the year ended 31 December 2008 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Grant Thornton

Report of the independent auditor to the members of Heating Plumbing Supplies Limited

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Kettering 20 March 2009

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year.

Turnover

Turnover is the revenue arising from the sales of goods. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Computer equipment	33$^1/_3$%
Racking	10%
Premises improvements	10%
Telecommunications	20%

Investments

Investments are included at cost less amounts written off.

The company as lessee

Operating lease agreements
Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable.

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis.

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis.

Cost of work in progress and finished goods is based on the cost of direct materials and labour plus attributable overheads based on normal level of activity, on a first-in, first-out basis.

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Retirement benefits

Defined contribution pension scheme
The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period. The company accounts for its contributions to the company pension scheme as a defined contribution scheme.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Profit and loss account

	Note	2008 £	2007 £
Turnover	1	**30,880,558**	28,036,888
Cost of sales		**(22,675,531)**	(20,541,042)
Gross profit		**8,205,027**	7,495,846
Other operating charges	2	**(6,599,645)**	(5,407,836)
Operating profit		**1,605,382**	2,088,010
Interest (payable) / receivable	3	**(4,050)**	12,206
Profit on ordinary activities before taxation	1	**1,601,332**	2,100,216
Tax on profit on ordinary activities	5	**(475,240)**	(651,823)
Profit for the financial year	16	**1,126,092**	1,448,393

All of the activities of the company in the current year are classed as continuing.

The company has no recognised gains or losses other than the profits for the year as set out above.

Balance sheet

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	7		**1,109,544**		810,831
Investments	8		**2,550**		1,250
			1,112,094		812,081
Current assets					
Stocks	9	**3,496,612**		2,970,312	
Debtors	10	**4,648,960**		4,829,948	
Cash at bank and in hand		**1,400,539**		955,450	
		9,546,111		8,755,710	
Creditors: amounts falling due within one year	11	**(4,368,546)**		(4,282,104)	
Net current assets			**5,177,565**		4,473,606
Total assets less current liabilities			**6,289,659**		5,285,687
Provisions for liabilities and charges	12		**(30,558)**		(33,314)
Net assets			**6,259,101**		5,252,373
Capital and reserves					
Called up share capital	15		**1,492,050**		1,492,050
Share premium account	16		**3,250**		3,250
Profit and loss account	16		**4,763,801**		3,757,073
Shareholders' funds	17		**6,259,101**		5,252,373

These financial statements were approved and authorised for issue by the directors on 20 March 2009 ~~and are~~ signed on their behalf by:

R Swindale

R Swindale
Director

Cash flow statement

	Note	2008 £	2007 £
Net cash inflow from operating activities	18	**1,509,297**	866,759
Returns on investments and servicing of finance			
Interest paid		**(4,050)**	-
Interest received		**-**	12,206
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(4,050)**	12,206
Taxation		**(475,602)**	(1,003,297)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(463,892)**	(135,545)
Net cash outflow from capital expenditure and financial investment		**(463,892)**	(135,545)
Acquisitions and disposals			
(Purchase)/sale of investments		**(1,300)**	10,750
Net cash (outflow)/inflow from acquisitions and disposals		**(1,300)**	10,750
Equity dividends paid		**(119,364)**	(89,523)
Increase/(decrease) in cash	19	**445,089**	(338,650)

Notes to the financial statements

1 **Turnover and profit on ordinary activities before taxation**

The turnover and profit on ordinary activities before taxation are attributable to the wholesale distribution of domestic and plumbing appliances and supplies.

The profit on ordinary activities before taxation is stated after:

	2008 £	2007 £
Auditor's remuneration		
- audit	**14,475**	12,450
- non-audit	**3,300**	3,150
Depreciation:		
Tangible fixed assets, owned	**165,179**	139,880
Other operating lease rentals	**647,158**	515,462
Profit on disposal of investment	**-**	2,275

Liability Limitation Agreement with the auditor
The directors propose that the company enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the period ended 31 December 2008. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting on 23 April 2009.

2 **Other operating charges**

	2008 £	2007 £
Distribution costs	**5,758,153**	4,926,267
Administration expenses	**1,103,732**	649,790
Other operating income	**(262,240)**	(168,221)
	6,599,645	5,407,836

3 **Interest payable / (receivable)**

	2008 £	2007 £
Bank interest payable /(receivable)	**4,050**	(12,206)

4 Directors and employees

Staff costs during the year were as follows:

	2008	2007
	£	£
Wages and salaries	**3,881,606**	3,372,909
Social security costs	**427,149**	369,560
Other pension costs	**124,532**	107,284
	4,433,287	3,849,753

The average number of employees of the company during the year was:

	2008	2007
	Number	Number
Sales and distribution	**101**	87
Administration	**8**	7
	109	94

Remuneration in respect of directors was as follows:

	2008	2007
	£	£
Emoluments	**558,101**	515,458
Pension contributions to money purchase pension schemes	**41,430**	40,200
	599,531	555,658

During the year 4 directors (2007 - 4 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2008	2007
	£	£
Emoluments	**132,336**	122,399
Pension contributions to money purchase pension schemes	**10,530**	10,200

5 Tax on profit on ordinary activities

The tax charge represents:

	2008 £	2007 £
Corporation tax at 28.5 % (2008 – 30%) and total current tax	**477,750**	636,470
Adjust tax charge in report of previous year	**246**	(3,792)
	477,996	632,678
Origination and reversal of timing differences	**(16,431)**	10,578
Accelerated capital allowances	**13,675**	8,567
Deferred tax	**(2,756)**	19,145
Tax on profit on ordinary activities	**475,240**	651,823

Factors affecting the tax charge for the year
The tax assessed for the year is different to the standard rate of corporation tax in the UK of 28.5 % (2007 - 30%). The differences are explained as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	**1,601,331**	2,100,216
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	**456,333**	630,065
Effect of:		
Expenses not deductible for tax purposes	**20,873**	23,403
Capital allowances for the period in arrears of depreciation	**(19,169)**	(6,420)
Other timing differences	**19,713**	(10,578)
Adjustments to tax charge in report of the prior year	**246**	(3,792)
Current tax charge for the year	**477,996**	632,678

6 Dividend

	2008 £	2007 £
Dividend on shares classed as equity		
Accrued at the year end:		
Ordinary shares - proposed final dividend of 8p per share (2007 - 8p)	**119,364**	119,364

7 Tangible fixed assets

	Office Equipment Fixtures and fittings £
Cost	
At 1 January 2008	1,483,372
Additions	463,892
At 31 December 2008	1,947,264
Depreciation	
At 1 January 2008	672,541
Provided in the year	165,179
At 31 December 2008	837,720
Net book amount at 31 December 2008	**1,109,544**
Net book amount at 31 December 2007	810,831

8 Fixed asset investments

	Other Investments £
Cost	
At 1 January 2008	1,250
Additions	1,300
At 31 December 2008	2,550
Net book amount at 31 December 2008	**2,250**
Net book amount at 31 December 2007	1,250

9 Stocks

	2008 £	2007 £
Finished goods and goods for resale	**3,496,612**	2,970,312

10 Debtors

	2008 £	2007 £
Trade debtors	**4,251,367**	4,518,313
Prepayments and accrued income	**397,593**	311,635
	4,648,960	4,829,948

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**2,924,436**	2,935,769
Corporation tax	**198,259**	195,865
Other taxation and social security	**567,726**	540,973
Accruals and deferred income	**558,761**	490,133
Dividend payable	**119,364**	119,364
	4,368,546	4,282,104

12 Provisions for liabilities and charges

	Deferred taxation (Note 13) £
At 1 January 2008	33,314
Movement during year	(2,756)
At 31 December 2008	**30,558**

13 Deferred taxation

Deferred taxation provided for in the financial statements is set out below.

	2008 £	2007 £
Accelerated capital allowances	**91,030**	77,355
Other timing differences	**(60,472)**	(44,041)
	30,558	33,314

14 Related party transactions

During the year the company made purchases on normal commercial terms of £4,054,581 (2007 - £2,234,204) from United Merchants PLC, a company of which R Walker is a director. At 31 December 2008 the total amount owing by Heating Plumbing Supplies Limited to United Merchants PLC was £269,821 (2007 - £144,268).

The company also made purchases of £350,261 (2007: £nil) from National Merchant Buying Society Limited, a company of which Heating Plumbing Supplies is a shareholder. At 31 December 2008 the total amount owing by Heating Plumbing Supplies Limited to National Merchant Buying Society Limited was £22,970 (2007: £nil).

15 Share capital

	2008 £	2007 £
Authorised		
Ordinary shares of £1 each	**1,840,000**	1,840,000
'A' ordinary shares of £1 each	**50,000**	50,000
'B' ordinary shares of £1 each	**50,000**	50,000
'C' ordinary shares of £1 each	**50,000**	50,000
'D' ordinary shares of £1 each	**10,000**	10,000
	2,000,000	2,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**1,332,050**	1,332,050
'A' ordinary shares of £1 each	**50,000**	50,000
'B' ordinary shares of £1 each	**50,000**	50,000
'C' ordinary shares of £1 each	**50,000**	50,000
'D' ordinary shares of £1 each	**10,000**	10,000
	1,492,050	1,492,050

Share rights
All of the shares carry equal rights except in certain circumstances connected with a share sale or listing of the company, the 'A', 'B', 'C' and 'D' ordinary shareholders could be allocated consideration based on the achievement of profit targets before consideration is allocated to the ordinary shareholders.

Share capital (continued)

Contingent rights to the allotment of shares
The company has granted options to employees in respect of 240,000 £1 ordinary shares at £1 per share, exercisable on the vesting conditions being met. The options vest subject to the achievement of certain profit targets. At the year end the number of options that had vested and remained unexercised was 154,000 (2007 - 154,000).

16 Share premium account and reserves

	Share premium account £	Profit and loss account £
At 1 January 2008	3,250	3,757,073
Profit for the financial year	-	1,126,092
Equity dividends	-	(119,364)
At 31 December 2008	3,250	4,763,801

The balance on the share premium account may not be distributed legally under Section 263 of the Companies Act 1985.

17 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	1,126,092	1,448,393
Dividends	(119,364)	(119,364)
Net increase in shareholders' funds	1,006,728	1,329,029
Shareholders' funds at 1 January 2008	5,252,373	3,923,344
Shareholders' funds at 31 December 2008	6,259,101	5,252,373

18 Net cash inflow from operating activities

	2008 £	2007 £
Operating profit	1,605,382	2,088,010
Depreciation	165,179	139,880
Profit on sale of fixed assets	-	(2,275)
Increase in stock	(526,300)	(220,340)
(Decrease)/increase in debtors	180,988	(1,110,262)
Increase/(decrease) in creditors	84,048	(28,254)
Net cash inflow from operating activities	1,509,297	866,759

19 Reconciliation of net cash flow to movement in net funds

	2008 £	2007 £
(Increase)/decrease in cash in the year and change in net funds resulting from cash flows	**445,089**	(338,650)
Net funds at 1 January 2008	**955,450**	1,294,100
Net funds at 31 December 2008	**1,400,539**	955,450

20 Analysis of changes in net funds

	At 1 January 2008 £	Cash flow £	At 31 December 2008 £
Cash at bank and in hand	955,450	445,089	**1,400,539**

21 Capital commitments

The company had no capital commitments at 31 December 2008 or 31 December 2007.

22 Contingent liabilities

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

23 Retirement benefits

Defined Contribution Pension Scheme
The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

24 Leasing commitments

Operating lease payments amounting to £683,249 (2007: £511,080) are due within one year. The leases to which these amounts relate expire as follows:

	2008 Land and buildings £	2008 Other £	2007 Land and Buildings £	2007 Other £
Less than one year	-	**59,100**	-	49,897
Between one and five years	**196,642**	**76,758**	179,235	60,059
In five years or more	**350,749**	-	221,889	-
	547,391	**135,858**	401,124	109,956