



Financial Statements Heating Plumbing Supplies Limited

For the year ended 31 December 2011



Registered number: 04171695

Heating Plumbing Supplies Limited

Company Information

Directors	R Walker A Curneen P Wilson A Meadows R Swindale (resigned 28 April 2011)
Company secretary	CJ Hewer
Company number	04171695
Registered office	Unit W Rich Industrial Estate Avis Way NEWHAVEN East Sussex BN9 0DU
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Kettering Parkway Kettering Venture Park Kettering Northamptonshire NN15 6XR
Bankers	Lloyd TSB Bank Plc
Solicitors	emw law

Heating Plumbing Supplies Limited

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Heating Plumbing Supplies Limited

Directors' report

For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Directors' responsibilities statement

The directors are responsible for preparing the 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 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 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.

Principal activities

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

Business review

No new branches were opened in 2011.

Following a management buyout in April 2011 the shares of the holding Company were owned by employees only with 50% of staff purchasing shares.

Results and dividends

The profit for the year, after taxation, amounted to £1,222,639 (2010 - £1,276,689).

The directors did not recommend a dividend (2010 - £120,164).

Heating Plumbing Supplies Limited

Directors' report

For the year ended 31 December 2011

Directors

The directors who served during the year were

R Walker
A Curneen
P Wilson
A Meadows
R Swindale (resigned 28 April 2011)

Financial risk management objectives and policies

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, a 5 year term loan (commencing April 2011 by Heating Plumbing Supplies Group Limited) and invoice discounting. Cash is managed to minimise interest costs 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

Growth in turnover is a key measure of the company's success in winning new business and retaining existing customers. There was no growth in turnover between 2010 and 2011 with sales remaining static. 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 2,209 in December 2010 to 2,231 in December 2011

The company measures its financial performance using the following measures

- Operating profit of £1,474,705 is stated after bad debt charges of £385k yielding a return to turnover of 3.8% (2010 - 4.6%)
- Debtor days were 38 in 2011 and 38 for 2010
- Stock days reduced from 58 to 57

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

Heating Plumbing Supplies Limited

Directors' report

For the year ended 31 December 2011

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 2 March 2012 and signed on its behalf



A Curneen
Director



Independent auditor's report to the members of Heating Plumbing Supplies Limited

We have audited the financial statements of Heating Plumbing Supplies Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet and the related notes. 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 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

As explained more fully in the Directors' responsibilities statement, 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

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 December 2011 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Heating Plumbing Supplies 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

A handwritten signature in black ink, appearing to read "Steve Robinson".

Steve Robinson (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Kettering

2 March 2012

Heating Plumbing Supplies Limited

Profit and loss account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	38,656,178	38,960,654
Cost of sales		(28,284,015)	(28,719,286)
Gross profit		<u>10,372,163</u>	<u>10,241,368</u>
Administrative expenses		(8,897,458)	(8,431,262)
Operating profit	3	<u>1,474,705</u>	<u>1,810,106</u>
Interest receivable and similar income	6	10,036	8,000
Interest payable and similar charges	7	(13,633)	(377)
Profit on ordinary activities before taxation		<u>1,471,108</u>	<u>1,817,729</u>
Tax on profit on ordinary activities	8	(248,469)	(541,040)
Profit for the financial year	16	<u><u>1,222,639</u></u>	<u><u>1,276,689</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 17 form part of these financial statements

Balance sheet

As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	9		934,706		1,165,072
Investments	10		2,550		2,550
			<u>937,256</u>		<u>1,167,622</u>
Current assets					
Stocks	11	4,390,126		4,535,255	
Debtors	12	8,877,148		5,182,687	
Cash in hand		546,644		3,153,367	
		<u>13,813,918</u>		<u>12,871,309</u>	
Creditors: amounts falling due within one year	13	(5,184,759)		(5,816,197)	
Net current assets			<u>8,629,159</u>		<u>7,055,112</u>
Total assets less current liabilities			<u>9,566,415</u>		<u>8,222,734</u>
Provisions for liabilities					
Deferred tax	14		(67,312)		(90,270)
Net assets			<u>9,499,103</u>		<u>8,132,464</u>
Capital and reserves					
Called up share capital	15		1,646,050		1,502,050
Share premium account	16		3,250		3,250
Profit and loss account	16		7,849,803		6,627,164
Shareholders' funds	17		<u>9,499,103</u>		<u>8,132,464</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 March 2012



A Curneen
Director

The notes on pages 8 to 17 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

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

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade 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

1.3 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Premises improvements	-	10%
Telecommunications	-	20%
Computer equipment	-	33 3%
Racking	-	10%

1.4 Investments

Investments are included at cost less amounts written off

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

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

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

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Pensions

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

1.9 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 costs 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

2. Turnover

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

All turnover arose within the United Kingdom

Notes to the financial statements

For the year ended 31 December 2011

3. Operating profit

The operating profit is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company	268,614	269,047
Auditors' remuneration	149,750	24,000
Operating lease rentals		
- plant and machinery	200,523	195,995
- other operating leases	652,078	635,176

Included within auditors' remuneration are fees for taxation services of £4,700 and fees for corporate finance transaction services of £124,500

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	5,267,707	5,132,059
Social security costs	583,757	555,107
Other pension costs	173,208	155,130
	<u>6,024,672</u>	<u>5,842,296</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No.	2010 No.
Sales and distribution	136	129
Administration	9	9
	<u>145</u>	<u>138</u>

5. Directors' remuneration

	2011 £	2010 £
Emoluments	<u>663,252</u>	<u>681,891</u>
Company pension contributions to defined contribution pension schemes	<u>54,067</u>	<u>47,948</u>

During the year retirement benefits were accruing to 4 directors (2010 - 4) in respect of defined contribution pension schemes

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

The highest paid director received remuneration of £163,831 (2010 - £163,566)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,701 (2010 - £12,166)

6. Interest receivable

	2011	2010
	£	£
Other interest receivable	10,036	8,000

7. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	323	377
Other interest payable	13,310	-
	13,633	377

8. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	246,561	481,111
Adjustments in respect of prior periods	(8,400)	-
	238,161	481,111
Group taxation relief	33,266	-
Total current tax	271,427	481,111
Deferred tax		
Origination and reversal of timing differences	(15,505)	(68)
Effect of change in tax rate on opening liability	(7,453)	-
Accelerated capital allowances	-	59,997
Total deferred tax (see note 14)	(22,958)	59,929
Tax on profit on ordinary activities	248,469	541,040

Notes to the financial statements

For the year ended 31 December 2011

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26.49% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>1,471,108</u>	<u>1,817,729</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 - 28%)	389,743	508,964
Effects of:		
Expenses not deductible for tax purposes	9,491	34,651
Depreciation in excess of capital allowances	15,931	(3,090)
Adjustments to tax charge in respect of prior periods	(8,400)	(2,991)
Short term timing difference leading to an increase in taxation	500	-
Other timing differences leading to an increase (decrease) in taxation	-	(56,423)
Non-taxable income	(135,838)	-
Group relief claimed	(33,266)	-
Payment for group relief	33,266	-
Current tax charge for the year (see note above)	<u>271,427</u>	<u>481,111</u>

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

9. Tangible fixed assets

	Office Equipment Fixtures and fittings £
Cost	
At 1 January 2011	2,505,334
Additions	38,248
At 31 December 2011	<u>2,543,582</u>
Depreciation	
At 1 January 2011	1,340,262
Charge for the year	268,614
At 31 December 2011	<u>1,608,876</u>
Net book value	
At 31 December 2011	<u>934,706</u>
At 31 December 2010	<u>1,165,072</u>

10. Fixed asset investments

	Trade investments £
Cost and net book value	
At 1 January 2011 and 31 December 2011	<u>2,550</u>

11. Stocks

	2011 £	2010 £
Finished goods and goods for resale	<u>4,390,126</u>	<u>4,535,255</u>

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

12. Debtors

	2011 £	2010 £
Due after more than one year		
Amounts owed by group undertakings	3,630,859	-
Due within one year		
Trade debtors	4,836,835	4,799,367
Prepayments and accrued income	409,454	383,320
	<u>8,877,148</u>	<u>5,182,687</u>

13. Creditors:

Amounts falling due within one year

	2011 £	2010 £
Other loans	297,741	-
Trade creditors	3,289,668	3,689,191
Corporation tax	80,946	484,103
Social security and other taxes	847,136	775,534
Proposed dividend	-	120,164
Accruals and deferred income	669,268	747,205
	<u>5,184,759</u>	<u>5,816,197</u>

Other loans relate to a debt factoring arrangement. The gross amount of trade debtors subject to a factoring arrangement is £2,593,233 (2010 £nil)

14. Deferred taxation

	2011 £	2010 £
At beginning of year	90,270	90,270
Charge for/(released during) year	(22,958)	-
	<u>67,312</u>	<u>90,270</u>
At end of year		

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

14. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	2011 £	2010 £
Accelerated capital allowances	90,239	114,745
Other timing differences	(22,927)	(24,475)
	<u>67,312</u>	<u>90,270</u>

15. Share capital

	2011 £	2010 £
Authorised		
1,840,000 Ordinary shares of £1 each shares of £1 each	1,840,000	1,840,000
50,000 'A' ordinary shares £1 each shares of £1 each	50,000	50,000
50,000 'B' ordinary shares £1 each shares of £1 each	50,000	50,000
50,000 'C' ordinary shares £1 each shares of £1 each	50,000	50,000
10,000 'D' ordinary shares £1 each shares of £1 each	10,000	10,000
	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
1,486,050 (2010 - 1,342,050) Ordinary shares of £1 each shares of £1 each	1,486,050	1,342,050
50,000 'A' ordinary shares £1 each shares of £1 each	50,000	50,000
50,000 'B' ordinary shares £1 each shares of £1 each	50,000	50,000
50,000 'C' ordinary shares £1 each shares of £1 each	50,000	50,000
10,000 'D' ordinary shares £1 each shares of £1 each	10,000	10,000
	<u>1,646,050</u>	<u>1,502,050</u>

Allotments during the year

The company made an allotment of 144,000 ordinary shares (2010 - 10,000) of £1 each at par

Share rights

All shares carry equal rights

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. During the period, 144,000 options were exercised. At the year end the number of options that had vested and remained unexercised was £nil (2010 - £144,000)

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

16. Reserves

	Share premium account £	Profit and loss account £
At 1 January 2011	3,250	6,627,164
Profit for the year		1,222,639
At 31 December 2011	<u>3,250</u>	<u>7,849,803</u>

17. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	8,132,464	6,965,939
Profit for the year	1,222,639	1,276,689
Dividends (Note 18)	-	(120,164)
Shares issued during the year	144,000	10,000
Closing shareholders' funds	<u>9,499,103</u>	<u>8,132,464</u>

18. Dividends

	2011 £	2010 £
Dividends paid on equity capital	<u>-</u>	<u>120,164</u>

19. Contingent liabilities

There were no contingent liabilities at 31 December 2011 or 31 December 2010

20. Capital commitments

The company had no capital commitments at 31 December 2011 or 31 December 2010

21. Pension commitments

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.

Heating Plumbing Supplies Limited

Notes to the financial statements

For the year ended 31 December 2011

22. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2011	2010	2011	2010
	£	£	£	£
Expiry date:				
Within 1 year	43,600	75,700	56,954	46,649
Between 2 and 5 years	138,840	159,940	107,323	118,863
After more than 5 years	481,588	435,718	-	-

23. Related party transactions

The company has taken advantage of the available exemption in Financial Reporting Standard No 8 "Related Party Disclosures" to omit the disclosure of transactions with other members of the group headed by Heating Plumbing Supplies Group Limited as the consolidated financial statements of Heating Plumbing Supplies Group are publicly available

24. Ultimate parent undertaking and controlling party

Heating Plumbing Supplies Limited is a wholly owned subsidiary of Heating Plumbing Supplies Group Limited