



**HOME HARDWARE  
SOUTHWEST LIMITED**

**DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2011**

**REGISTRATION NUMBER  
00716921**

# HOME HARDWARE SOUTHWEST LIMITED

## COMPANY INFORMATION

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|                   |                                                                                                                                                                                        |                                                                                                                                                                                                    |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors         | Mr J R Fewings<br>Mr P F Slee<br>Mr D C Adams<br>Mr M B Elliott<br>Mr S L Davey<br>Mr N G Pedlar<br>Mr C M Blanchard<br>Mr I Follett<br>Mr E G Bunce<br>Mr R W Watson<br>Mrs A Serrett | Executive chairman<br>(deceased 31 August 2010)<br>Deputy chairman<br>Managing director<br>Finance director<br><br><br><br><br><br>(resigned 18 November 2010)<br><br>(appointed 18 November 2010) |
| Secretary         | Mr S L Davey                                                                                                                                                                           |                                                                                                                                                                                                    |
| Company number    | 00716921                                                                                                                                                                               |                                                                                                                                                                                                    |
| Registered office | Upcott Avenue<br>Pottington Business Park<br>Barnstaple<br>Devon<br>EX31 1NZ                                                                                                           |                                                                                                                                                                                                    |
| Auditors          | Thomas Westcott<br>26-28 Southernhay East<br>Exeter<br>Devon<br>EX1 1NS                                                                                                                |                                                                                                                                                                                                    |
| Business address  | Upcott Avenue<br>Pottington Business Park<br>Barnstaple<br>Devon EX31 1NZ                                                                                                              |                                                                                                                                                                                                    |
| Bankers           | National Westminster Bank plc<br>41 High Street<br>Barnstaple<br>Devon EX31 1DA                                                                                                        |                                                                                                                                                                                                    |
| Solicitors        | Ashfords<br>Ashford House<br>Grenadier Road<br>Exeter<br>EX1 3LH                                                                                                                       |                                                                                                                                                                                                    |

# HOME HARDWARE SOUTHWEST LIMITED

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# HOME HARDWARE SOUTHWEST LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2011

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The directors present their report and the financial statements for the year ended 30 June 2011

#### Principal activity and review of the business

The principal activities of the group are the provision of an extensive range of wholesale services to independent hardware retailers as a dealer owned organisation, and the distribution of housewares, hardware and horticultural goods

#### Business review

Home Hardware Distribution Limited had a challenging year with sales virtually static compared to 2010

Continued sales growth was achieved at the Bedford Distribution Centre and a new delivery run to the North of England was successfully introduced during the year. The maintenance of gross margins and operating cost control, despite external inflationary pressures, meant that the net result achieved was comparable to 2010

The stronger Direct sales performance in the year together with ongoing Head Office cost control produced a better than projected net result for Home Hardware Southwest Limited which was also higher than in 2010

Mallett and Son Limited experienced a further 2% average decrease in customer transactions (2010 - 2.9%) which was offset by an increase in the average customer spend of 5.1% largely due to the ongoing development of the Toy department. Trading has proved particularly challenging since 1st January, however ongoing control over operating expenditure particularly wages meant that the net result was comparable to 2010. The directors consider in light of the difficult trading conditions during the year and the significant contribution made by Malletts Home Hardware to the group activities this to be a satisfactory result

The directors believe that the company is in a good position at the year end and strategically well placed to meet the challenges ahead. The directors therefore are optimistic about the company's prospect for the next year and beyond

#### Results and dividends

The group profit for the year, after taxation, amounted to £149,478. Particulars of dividends paid and proposed are detailed in the notes to the financial statements

#### Financial risk management objectives and policies

The Directors consider the principal risks of the business and the necessary steps to mitigate them as follows

##### 1 Information Technology

The company's trade and in particular sales and purchase ledger processing is heavily dependent upon its computer systems. These systems are supported by a combination of in house staff familiar with operational issues and external IT specialists under formal support contracts. This is supported by off site data backup routines which would enable systems to be up and running within an acceptable time scale if required

Mallett & Son Ltd's Electronic Point of Sale system makes it heavily dependent upon its computer systems. These systems are supported by a combination of in-house staff familiar with the operational issues and external IT specialists under formal support contracts. This is supported by off site data backup routines which would enable systems to be up and running within an acceptable time scale if required

# HOME HARDWARE SOUTHWEST LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2011

continued

#### 2 Credit Risk

The group has ongoing formal systems to manage its exposure to credit risk from members. Amounts not received within normal trading terms are carefully monitored by the relevant staff and officers and are regularly reviewed in detail by the board of directors. In preparing the accounts full provision is made for debts considered irrecoverable.

#### Directors and their interests

The directors who served during the year and their respective interests in the company are stated below

|                  |                              | Class of share      | 30/06/11 | 01/07/10<br>or date of<br>appointment |
|------------------|------------------------------|---------------------|----------|---------------------------------------|
| Mr J R Fewings   | Executive chairman           | Ordinary "A" shares | 2,250    | 2,250                                 |
|                  |                              | Ordinary "B" shares | 76,119   | 76,119                                |
| Mr P F Slee      | (deceased 31 August 2010)    | Ordinary "A" shares | -        | 1,500                                 |
|                  |                              | Ordinary "B" shares | -        | 80,955                                |
| Mr D C Adams     | Deputy chairman              | Ordinary "A" shares | 1,500    | 1,500                                 |
|                  |                              | Ordinary "B" shares | 9,555    | 9,555                                 |
| Mr M B Elliott   | Managing director            | Ordinary "A" shares | 1,500    | 1,500                                 |
|                  |                              | Ordinary "B" shares | 9,060    | 9,060                                 |
| Mr S L Davey     | Finance director             | Ordinary "A" shares | -        | -                                     |
| Mr N G Pedlar    |                              | Ordinary "A" shares | 1,500    | 1,500                                 |
| Mr C M Blanchard |                              | Ordinary "B" shares | 50,748   | 50,748                                |
|                  |                              | Ordinary "A" shares | 1,500    | 1,500                                 |
| Mr I Follett     |                              | Ordinary "B" shares | 19,005   | 19,005                                |
|                  |                              | Ordinary "A" shares | 1,500    | 1,500                                 |
| Mr E G Bunce     | (resigned 18 November 2010)  | Ordinary "A" shares | -        | 1,500                                 |
| Mr R W Watson    |                              | Ordinary "A" shares | 1,500    | 1,500                                 |
| Mrs A Serrett    | (appointed 18 November 2010) | Ordinary "A" shares | 1,500    | 1,500                                 |
|                  |                              | Ordinary "B" shares | 29,115   | 29,115                                |

#### Remuneration policy for Executive Directors

There is a duly appointed sub-committee of the non executive members of the Board, which is responsible for the policy on executive directors pay and remuneration. It recommends the actual levels of all elements of the remuneration of all Executive Directors of the Company to the full Board for approval.

# HOME HARDWARE SOUTHWEST LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

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continued

The committee aims to ensure that the executive directors are rewarded for their contribution to Home Hardware and are motivated to enhance service to members and returns to shareholders. The executive remuneration is formally reviewed periodically taking into account factors such as market conditions, affordability, the level of increases awarded to staff generally and the individual's contribution.

The Committee intends that the remuneration, both in terms of base salary and total remuneration should be competitive by reference to the individual experience and qualifications of the executive concerned, the role fulfilled, internal relativities and the market in which the company competes. This is designed to encourage business success through the retention and motivation of the executives.

### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

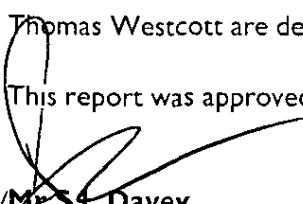
In so far as the directors are aware

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

Thomas Westcott are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

This report was approved by the Board on 3 October 2011 and signed on its behalf by

  
**Mrs S E Davey**  
Company Secretary

## HOME HARDWARE SOUTHWEST LIMITED

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### Independent auditors' report to the members of Home Hardware Southwest Limited

We have audited the financial statements of Home Hardware Southwest Limited for the year ended 30 June 2011 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and (United Kingdom Generally Accepted Accounting )

This report is made solely to the group'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 group'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 group and the group'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 page 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 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 group's and the parent 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.

#### Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 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.

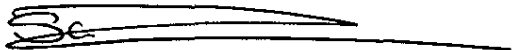
## HOME HARDWARE SOUTHWEST LIMITED

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### 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



**Shona Godefroy FCCA (Senior Statutory Auditor)**  
For and on behalf of Thomas Westcott  
Chartered Accountants and Registered Auditors  
26-28 Southernhay East  
Exeter  
Devon  
EX1 1NS

3 October 2011

# HOME HARDWARE SOUTHWEST LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2011

|                                                      |       | Continuing operations |                  |
|------------------------------------------------------|-------|-----------------------|------------------|
|                                                      |       | 2011                  | 2010             |
|                                                      | Notes | £                     | £                |
| Turnover                                             | 2     | 25,463,873            | 25,236,943       |
| Cost of sales                                        |       | (20,385,799)          | (20,198,737)     |
| <b>Gross profit</b>                                  |       | <b>5,078,074</b>      | <b>5,038,206</b> |
| Distribution costs                                   |       | (1,670,868)           | (1,584,008)      |
| Administrative expenses                              |       | (3,400,518)           | (3,449,338)      |
| Other operating income                               |       | 337,291               | 329,185          |
| <b>Operating profit</b>                              | 3     | <b>343,979</b>        | <b>334,045</b>   |
| Interest receivable and similar income               | 5     | 25,711                | 12,868           |
| Interest payable and similar charges                 | 6     |                       |                  |
| - Other interest payable                             |       | (89,276)              | (79,552)         |
| - "B" dividend classed as finance charge             |       | (35,601)              | (36,141)         |
| <b>Profit on ordinary activities before taxation</b> |       | <b>244,813</b>        | <b>231,220</b>   |
| Tax on profit on ordinary activities                 | 9     | (57,518)              | (64,543)         |
| <b>Profit/(loss) for the year</b>                    |       | <b>187,295</b>        | <b>166,677</b>   |
| Minority interests - Equity                          |       | (37,817)              | (44,283)         |
| <b>Profit/Loss for the group</b>                     |       | <b>149,478</b>        | <b>122,394</b>   |
| Retained profit brought forward                      | 23    | 247,590               | 178,175          |
| Reserve movements                                    |       | (52,169)              | (52,979)         |
| <b>Retained profit carried forward</b>               |       | <b>344,899</b>        | <b>247,590</b>   |

There are no recognised gains or losses other than the profit or loss for the above two financial years

None of the group's activities was acquired or discontinued during the above two financial years

The company has taken advantage of the exemptions conferred in s408 of The Companies Act 2006, regarding the preparation of the Parent company profit and loss account

The notes on pages 11 to 34 form an integral part of these financial statements.

**HOME HARDWARE SOUTHWEST LIMITED**

**GROUP PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 30 JUNE 2011**

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**Note of historical cost profits and losses**

|                                                                                                                                            |                |                |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Profit on ordinary activities before taxation</b>                                                                                       | 244,813        | 231,220        |
| Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | <u>1,322</u>   | <u>1,322</u>   |
| <b>Historical cost profit on ordinary activities before taxation</b>                                                                       | <u>246,135</u> | <u>232,542</u> |
| <b>Historic cost profit/(loss) for the year retained after taxation and minority interests and dividends</b>                               | <u>150,800</u> | <u>123,716</u> |

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The notes on pages 11 to 34 form an integral part of these financial statements.

# HOME HARDWARE SOUTHWEST LIMITED

## GROUP BALANCE SHEET

AS AT 30 JUNE 2011

|                                                                |       | 2011             |                  | 2010             |                  |
|----------------------------------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                                                | Notes | £                | £                | £                | £                |
| <b>Fixed assets</b>                                            |       |                  |                  |                  |                  |
| Intangible assets                                              | 12    |                  | 79,535           |                  | 88,891           |
| Tangible assets                                                | 13    |                  | 1,365,642        |                  | 1,403,639        |
| Investments                                                    | 14    |                  | 19,740           |                  | 19,740           |
|                                                                |       |                  | <u>1,464,917</u> |                  | <u>1,512,270</u> |
| <b>Current assets</b>                                          |       |                  |                  |                  |                  |
| Stocks                                                         | 15    | 4,166,602        |                  | 3,562,716        |                  |
| Debtors                                                        | 16    | 3,357,667        |                  | 2,912,415        |                  |
| Cash at bank and in hand                                       |       | 50,760           |                  | 11,142           |                  |
|                                                                |       | <u>7,575,029</u> |                  | <u>6,486,273</u> |                  |
| <b>Creditors: amounts falling due within one year</b>          | 17    | (5,008,529)      |                  | (4,076,161)      |                  |
| <b>Net current liabilities</b>                                 |       |                  | 2,566,500        |                  | 2,410,112        |
| <b>Total assets less current liabilities</b>                   |       |                  | 4,031,417        |                  | 3,922,382        |
| <b>Creditors: amounts falling due after more than one year</b> |       |                  |                  |                  |                  |
| - Other loans                                                  |       | (1,552,456)      |                  | (1,634,032)      |                  |
| - "B" shares classed as financial liabilities                  |       | (445,761)        |                  | (452,511)        |                  |
|                                                                | 18    |                  | (1,998,217)      |                  | (2,086,543)      |
| <b>Provisions for liabilities and Charges</b>                  |       |                  |                  |                  |                  |
| Deferred taxation                                              | 20    |                  | (67,676)         |                  | (71,428)         |
| Minority interest                                              | 21    |                  | (395,306)        |                  | (357,489)        |
| <b>Net assets</b>                                              |       |                  | <u>1,570,218</u> |                  | <u>1,406,922</u> |
| <b>Capital and reserves</b>                                    |       |                  |                  |                  |                  |
| Called up share capital                                        | 22    |                  | 284,850          |                  | 271,032          |
| Revaluation reserve                                            | 23    |                  | 146,788          |                  | 148,110          |
| Other reserves                                                 | 23    |                  | 14,115           |                  | 7,365            |
| "B" reserve                                                    | 23    |                  | 779,566          |                  | 732,825          |
| Profit and loss account                                        | 23    |                  | 344,899          |                  | 247,590          |
| <b>Equity shareholders' funds</b>                              | 24    |                  | <u>1,570,218</u> |                  | <u>1,406,922</u> |

The financial statements were approved by the Board on 3 October 2011 and signed on its behalf by

Mr J R Fewings (Director)

Mr D C Adams (Director)

The notes on pages 11 to 34 form an integral part of these financial statements.

# HOME HARDWARE SOUTHWEST LIMITED

## COMPANY BALANCE SHEET

AS AT 30 JUNE 2011

|                                                                | Notes | 2011             |                    | 2010             |                    |
|----------------------------------------------------------------|-------|------------------|--------------------|------------------|--------------------|
|                                                                |       | £                | £                  | £                | £                  |
| <b>Fixed assets</b>                                            |       |                  |                    |                  |                    |
| Intangible assets                                              | 12    |                  | 79,535             |                  | 88,891             |
| Tangible assets                                                | 13    |                  | 885,016            |                  | 884,001            |
| Investments                                                    | 14    |                  | 1,182,034          |                  | 1,182,034          |
|                                                                |       |                  | <u>2,146,585</u>   |                  | <u>2,154,926</u>   |
| <b>Current assets</b>                                          |       |                  |                    |                  |                    |
| Stocks                                                         | 15    | 8,475            |                    | 6,641            |                    |
| Debtors                                                        | 16    | 4,190,584        |                    | 3,610,499        |                    |
| Cash at bank and in hand                                       |       | 71               |                    | 600              |                    |
|                                                                |       | <u>4,199,130</u> |                    | <u>3,617,740</u> |                    |
| <b>Creditors: amounts falling due within one year</b>          | 17    | (3,461,106)      |                    | (2,956,261)      |                    |
| <b>Net current assets</b>                                      |       |                  | <u>738,024</u>     |                  | <u>661,479</u>     |
| <b>Total assets less current liabilities</b>                   |       |                  | <u>2,884,609</u>   |                  | <u>2,816,405</u>   |
| <b>Creditors: amounts falling due after more than one year</b> |       |                  |                    |                  |                    |
| - Other loans                                                  |       | (1,006,107)      |                    | (1,053,816)      |                    |
| - "B" shares classed as financial liabilities                  |       | (445,761)        |                    | (452,511)        |                    |
|                                                                | 18    |                  | <u>(1,451,868)</u> |                  | <u>(1,506,327)</u> |
| <b>Provisions for liabilities and charges</b>                  |       |                  |                    |                  |                    |
| Deferred taxation                                              | 19    |                  | (6,490)            |                  | (1,249)            |
| <b>Net assets</b>                                              |       |                  | <u>1,426,251</u>   |                  | <u>1,308,829</u>   |
| <b>Capital and reserves</b>                                    |       |                  |                    |                  |                    |
| Called up share capital                                        | 22    |                  | 284,850            |                  | 271,032            |
| Revaluation reserve                                            | 23    |                  | 146,788            |                  | 148,110            |
| Other reserves                                                 | 23    |                  | 14,115             |                  | 7,365              |
| "B" reserve                                                    | 23    |                  | 779,566            |                  | 732,825            |
| Profit and loss account                                        | 23    |                  | 200,932            |                  | 149,497            |
| <b>Equity shareholders' funds</b>                              | 24    |                  | <u>1,426,251</u>   |                  | <u>1,308,829</u>   |

The financial statements were approved by the Board on 3 October 2011 and signed on its behalf by

Mr J R Fewings (Director)

Mr D C Adams

The notes on pages 11 to 34 form an integral part of these financial statements.

# HOME HARDWARE SOUTHWEST LIMITED

## GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

|                                                                                         | Notes | 2011<br>£          | 2010<br>£          |
|-----------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| <b>Reconciliation of operating profit to net cash outflow from operating activities</b> |       |                    |                    |
| Operating profit                                                                        |       | 343,979            | 334,045            |
| Depreciation                                                                            |       | 132,777            | 132,872            |
| (Increase) in stocks                                                                    |       | (603,886)          | (28,591)           |
| (Increase) in debtors                                                                   |       | (445,252)          | (154,102)          |
| Increase in creditors                                                                   |       | 521,547            | 322,829            |
| <b>Net cash outflow from operating activities</b>                                       |       | <u>(50,835)</u>    | <u>607,053</u>     |
| <b>Cash flow statement</b>                                                              |       |                    |                    |
| Net cash outflow from operating activities                                              |       | (50,835)           | 607,053            |
| Returns on investments and servicing of finance                                         | 30    | (99,166)           | (102,825)          |
| Taxation                                                                                | 30    | (46,653)           | (27,484)           |
| Capital expenditure                                                                     | 30    | (66,713)           | (87,813)           |
|                                                                                         |       | <u>(263,367)</u>   | <u>388,931</u>     |
| Financing                                                                               | 30    | (93,220)           | 453,906            |
| <b>Decrease in cash in the year</b>                                                     |       | <u>(356,587)</u>   | <u>842,837</u>     |
| <b>Reconciliation of net cash flow to movement in net debt (Note 31)</b>                |       |                    |                    |
| <b>Decrease in cash in the year</b>                                                     |       | (356,587)          | 842,837            |
| Cash inflow from increase in debts and lease financing                                  |       | 100,288            | (448,374)          |
| Change in net debt resulting from cash flows                                            |       | (256,299)          | 394,463            |
| New finance leases and hire purchase contracts                                          |       | (18,711)           | -                  |
| <b>Movement in net debt in the year</b>                                                 |       | <u>(275,010)</u>   | <u>394,463</u>     |
| <b>Net debt at 1 July 2010</b>                                                          |       | <u>(2,206,588)</u> | <u>(2,601,051)</u> |
| <b>Net debt at 30 June 2011</b>                                                         |       | <u>(2,481,598)</u> | <u>(2,206,588)</u> |

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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### 1. Accounting policies

#### 1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and comply with financial reporting standards of the Accounting Standards Board

#### 1.2. Turnover

Turnover represents the total value of goods, excluding value added tax, provided to customers during the year, plus the value of work, excluding value added tax, performed during the year with respect to services

#### 1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 15 years

#### 1.4. Basis of Consolidation

The group financial statements consolidate the accounts of Home Hardware Southwest Limited and all its subsidiary undertakings made up to 30 June each year, the group profit and loss account includes the results of all subsidiary undertakings for the period from the date of their acquisition and up to the date of disposal

Turnover and profits arising on trading between group companies are excluded

#### 1.5. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows

|                                  |   |                                          |
|----------------------------------|---|------------------------------------------|
| Land and buildings               | - | Straight line over 50 years              |
| Leasehold properties             | - | Straight line over the life of the lease |
| Plant and machinery              | - | 10% to 33% straight line                 |
| Fixtures, fittings and equipment | - | 10% to 33% straight line                 |
| Motor vehicles                   | - | 25% reducing balance                     |

No depreciation is provided on freehold land

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

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continued

#### **1.6. Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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

#### **1.7. Investments**

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

#### **1.8. Stock**

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

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### **1.9. Pensions**

The group operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contribution payable by the company during the year.

#### **1.10. Deferred taxation**

Full provision is made for deferred tax liabilities arising from timing differences between the recognition of items in the accounts and their recognition for tax purposes. Deferred tax balances are not discounted.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

#### **1.11 Foreign exchange**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the time of purchase of the asset or liability. When exchange differences arise they are taken into the profit and loss account.

#### **1.12 Direct shipment agreements**

Sales under negotiated direct shipment agreements are recognised when invoiced by the company.

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

continued

#### 2. Turnover

Turnover represents the amounts derived from goods and services which fall within the company's ordinary activities net of value added tax

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK

|                          | 2011<br>£         | 2010<br>£         |
|--------------------------|-------------------|-------------------|
| <b>Class of business</b> |                   |                   |
| Warehouse sales          | 14,036,636        | 14,005,652        |
| Direct sales             | 8,730,517         | 8,445,718         |
| Retail sales             | 2,696,720         | 2,785,573         |
|                          | <u>25,463,873</u> | <u>25,236,943</u> |

#### 3. Operating profit

Operating profit is stated after charging

Depreciation and other amounts written off intangible assets

Depreciation and other amounts written off tangible assets

Operating lease rentals

- Land and buildings

- Motor vehicles

Auditors' remuneration (Note 4)

Profit on disposal of tangible fixed assets

Net foreign exchange gain

|  | 2011<br>£    | 2010<br>£    |
|--|--------------|--------------|
|  | 9,356        | 9,356        |
|  | 125,621      | 123,516      |
|  |              |              |
|  | 427,261      | 425,000      |
|  | 220,115      | 198,608      |
|  | 17,196       | 16,426       |
|  | <u>2,200</u> | <u>-</u>     |
|  | <u>6,448</u> | <u>2,222</u> |

#### 4. Auditors' remuneration

|                                                            | 2011<br>£     | 2010<br>£     |
|------------------------------------------------------------|---------------|---------------|
| Auditors' remuneration - audit of the financial statements | <u>16,626</u> | <u>16,426</u> |
| Auditors' remuneration - other fees                        |               |               |
| - Accountancy and payroll                                  | <u>9,090</u>  | <u>8,817</u>  |

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

continued

|                                                                      |                 |                 |
|----------------------------------------------------------------------|-----------------|-----------------|
| <b>5. Interest receivable and similar income</b>                     | <b>2011</b>     | <b>2010</b>     |
|                                                                      | <b>£</b>        | <b>£</b>        |
| Bank interest                                                        | 83              | 81              |
| Other interest                                                       | 25,628          | 12,787          |
|                                                                      | <u>25,711</u>   | <u>12,868</u>   |
| <br><b>6. Interest payable and similar charges</b>                   | <br><b>2011</b> | <br><b>2010</b> |
|                                                                      | <b>£</b>        | <b>£</b>        |
| On loans and overdrafts                                              | 61,354          | 55,039          |
| Members deposit and loan interest                                    | 25,407          | 21,918          |
| Lease finance charges and hire purchase interest                     | 2,339           | 2,595           |
| Other interest                                                       | 176             | -               |
|                                                                      | <u>89,276</u>   | <u>79,552</u>   |
| Finance charges on shares classed as financial liabilities (note 11) | 35,601          | 36,141          |
|                                                                      | <u>124,877</u>  | <u>115,693</u>  |

**7. Pension costs**

The company operates a defined contribution pension scheme in respect of the directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £37,354 (2010 - £51,974)

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**8. Employees**

| <b>Number of employees</b>                                                              | <b>2011</b>      | <b>2010</b>      |
|-----------------------------------------------------------------------------------------|------------------|------------------|
| The average monthly numbers of employees (including the directors) during the year were |                  |                  |
| Distribution, sales and administration                                                  | 132              | 135              |
| Directors                                                                               | 3                | 3                |
| Non executive directors                                                                 | 7                | 7                |
|                                                                                         | <u>142</u>       | <u>145</u>       |
| <b>Employment costs</b>                                                                 | <b>2011</b>      | <b>2010</b>      |
|                                                                                         | <b>£</b>         | <b>£</b>         |
| Wages and salaries                                                                      | 2,287,715        | 2,256,924        |
| Social security costs                                                                   | 198,512          | 197,593          |
| Pension costs - other operating charge                                                  | 37,354           | 51,974           |
|                                                                                         | <u>2,523,581</u> | <u>2,506,491</u> |

**8.1. Directors' remuneration**

|                                   | <b>2011</b>    | <b>2010</b>    |
|-----------------------------------|----------------|----------------|
|                                   | <b>£</b>       | <b>£</b>       |
| Remuneration and other emoluments | 264,661        | 250,147        |
| Pension contributions             | 27,852         | 36,925         |
|                                   | <u>292,513</u> | <u>287,072</u> |

|                                                                                            | <b>Number</b>  | <b>Number</b>  |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| Number of directors to whom retirement benefits are accruing under a money purchase scheme | <u>3</u>       | <u>3</u>       |
| <b>Highest paid director</b>                                                               | <b>£</b>       | <b>£</b>       |
| Amounts included above                                                                     |                |                |
| Emoluments and other benefits                                                              | 101,433        | 100,759        |
| Pension contributions                                                                      | 20,697         | 21,458         |
|                                                                                            | <u>122,130</u> | <u>122,217</u> |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**9. Tax on profit on ordinary activities**

| <b>Analysis of charge in period</b>                    | <b>2011</b>    | <b>2010</b>   |
|--------------------------------------------------------|----------------|---------------|
|                                                        | <b>£</b>       | <b>£</b>      |
| <b>Current tax</b>                                     |                |               |
| UK corporation tax                                     | 61,270         | 43,591        |
| Adjustments in respect of previous periods             | -              | 186           |
|                                                        | <u>61,270</u>  | <u>43,777</u> |
| Total current tax charge                               | <u>61,270</u>  | <u>43,777</u> |
| <b>Deferred tax</b>                                    |                |               |
| Timing differences, origination and reversal (note 19) | (3,752)        | 20,766        |
| Total deferred tax                                     | <u>(3,752)</u> | <u>20,766</u> |
| Tax on profit on ordinary activities                   | <u>57,518</u>  | <u>64,543</u> |

**Factors affecting tax charge for period**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28 per cent). The differences are explained below

|                                                                                                                  | <b>2011</b>    | <b>2010</b>    |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                  | <b>£</b>       | <b>£</b>       |
| Profit on ordinary activities before taxation                                                                    | <u>244,813</u> | <u>231,220</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (30 June 2010 28%) | 68,548         | 64,742         |
| <b>Effects of:</b>                                                                                               |                |                |
| Expenses not deductible for tax purposes                                                                         | 12,541         | 9,931          |
| Capital allowances for period in excess of depreciation                                                          | (6,661)        | (8,744)        |
| Utilisation of losses within the group                                                                           | -              | (8,782)        |
| Adjustments to tax charge in respect of previous periods                                                         | -              | 186            |
| Marginal relief                                                                                                  | (12,358)       | (6,725)        |
| Different tax rates within the group                                                                             | (800)          | (6,831)        |
| Current tax charge for period                                                                                    | <u>61,270</u>  | <u>43,777</u>  |

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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continued

**10. Profit for the year attributable to shareholders**

As permitted by Section 408 of the Companies Act 2006 the Profit and Loss Account of Home Hardware Southwest Limited has not been presented with the financial statements.

The results after taxation of the parent undertaking showed a profit of £103,604 (2010 - £75,435)

**11. Dividends**

|                                                                               | <b>2011</b>   | <b>2010</b>   |
|-------------------------------------------------------------------------------|---------------|---------------|
|                                                                               | <b>£</b>      | <b>£</b>      |
| <b>Dividends paid and proposed on shares classed as financial liabilities</b> |               |               |
| Proposed at the year-end (recognised as a liability)                          |               |               |
| Equity dividends on Ordinary "B" shares                                       | 35,661        | 36,201        |
|                                                                               | <u>35,661</u> | <u>36,201</u> |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**12. Intangible fixed assets**

|                        | <b>Goodwill</b> | <b>Total</b> |
|------------------------|-----------------|--------------|
|                        | <b>£</b>        | <b>£</b>     |
| <b>Group</b>           |                 |              |
| <b>Cost</b>            |                 |              |
| At 1 July 2010         | 140,351         | 140,351      |
| At 30 June 2011        | 140,351         | 140,351      |
| <b>Amortisation</b>    |                 |              |
| At 1 July 2010         | 51,460          | 51,460       |
| Charge for year        | 9,356           | 9,356        |
| At 30 June 2011        | 60,816          | 60,816       |
| <b>Net book values</b> |                 |              |
| At 30 June 2011        | 79,535          | 79,535       |
| At 30 June 2010        | 88,891          | 88,891       |
| <br><b>Company</b>     |                 |              |
| <b>Cost</b>            |                 |              |
| At 1 July 2010         | 140,351         | 140,351      |
| At 30 June 2011        | 140,351         | 140,351      |
| <b>Amortisation</b>    |                 |              |
| At 1 July 2010         | 51,460          | 51,460       |
| Charge for year        | 9,356           | 9,356        |
| At 30 June 2011        | 60,816          | 60,816       |
| <b>Net book values</b> |                 |              |
| At 30 June 2011        | 79,535          | 79,535       |
| At 30 June 2010        | 88,891          | 88,891       |

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

continued

| 13. Tangible fixed assets | Land and<br>buildings<br>freehold<br>£ | Short<br>leasehold<br>property<br>£ | Plant and<br>machinery<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£ |
|---------------------------|----------------------------------------|-------------------------------------|-----------------------------|---------------------------------------------|------------------------|------------|
| <b>Group</b>              |                                        |                                     |                             |                                             |                        |            |
| <b>Cost/revaluation</b>   |                                        |                                     |                             |                                             |                        |            |
| At 1 July 2010            | 937,206                                | 28,750                              | 1,313,990                   | 452,166                                     | 12,200                 | 2,744,312  |
| Additions                 | -                                      | -                                   | 80,146                      | 7,478                                       | -                      | 87,624     |
| Disposals                 | -                                      | -                                   | (17,458)                    | -                                           | -                      | (17,458)   |
| At 30 June 2011           | 937,206                                | 28,750                              | 1,376,678                   | 459,644                                     | 12,200                 | 2,814,478  |
| <b>Depreciation</b>       |                                        |                                     |                             |                                             |                        |            |
| At 1 July 2010            | 88,184                                 | 11,213                              | 930,704                     | 303,090                                     | 7,482                  | 1,340,673  |
| On disposals              | -                                      | -                                   | (17,458)                    | -                                           | -                      | (17,458)   |
| Charge for the year       | 8,500                                  | 1,916                               | 97,593                      | 16,432                                      | 1,180                  | 125,621    |
| At 30 June 2011           | 96,684                                 | 13,129                              | 1,010,839                   | 319,522                                     | 8,662                  | 1,448,836  |
| <b>Net book values</b>    |                                        |                                     |                             |                                             |                        |            |
| At 30 June 2011           | 840,522                                | 15,621                              | 365,839                     | 140,122                                     | 3,538                  | 1,365,642  |
| At 30 June 2010           | 849,022                                | 17,537                              | 383,286                     | 149,076                                     | 4,718                  | 1,403,639  |
| <b>Company</b>            |                                        |                                     |                             |                                             |                        |            |
| <b>Cost/revaluation</b>   |                                        |                                     |                             |                                             |                        |            |
| At 1 July 2010            | 937,206                                | -                                   | 375,842                     | -                                           | -                      | 1,313,048  |
| Additions                 | -                                      | -                                   | 29,877                      | -                                           | -                      | 29,877     |
| At 30 June 2011           | 937,206                                | -                                   | 405,719                     | -                                           | -                      | 1,342,925  |
| <b>Depreciation</b>       |                                        |                                     |                             |                                             |                        |            |
| At 1 July 2010            | 88,184                                 | -                                   | 340,863                     | -                                           | -                      | 429,047    |
| Charge for the year       | 8,500                                  | -                                   | 20,362                      | -                                           | -                      | 28,862     |
| At 30 June 2011           | 96,684                                 | -                                   | 361,225                     | -                                           | -                      | 457,909    |
| <b>Net book values</b>    |                                        |                                     |                             |                                             |                        |            |
| At 30 June 2011           | 840,522                                | -                                   | 44,494                      | -                                           | -                      | 885,016    |
| At 30 June 2010           | 849,022                                | -                                   | 34,979                      | -                                           | -                      | 884,001    |

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

continued

The company's freehold property at Pottington Business Park, Barnstaple was valued by N Facey, Chartered Surveyor, at open market value on 8 March 1996 at £625,000. The company's freehold property at Vellator, Braunton was valued by B N Miles, FCI Arb, FPCS, on an existing use basis on 16 August 1995 at £210,000. The balance of land and buildings freehold comprises £102,207 of subsequent additions at cost. The company is following the transitional provisions of FRS 15 ("Tangible Fixed Assets") and has therefore not revalued the properties since that initial revaluation. Land and Buildings includes freehold land valued at approximately £500,000.

Included above are assets held under finance leases or hire purchase contracts as follows

| Asset description   | 2011                   |                             | 2010                   |                             |
|---------------------|------------------------|-----------------------------|------------------------|-----------------------------|
|                     | Net<br>book value<br>£ | Depreciation<br>charge<br>£ | Net<br>book value<br>£ | Depreciation<br>charge<br>£ |
| <b>Group</b>        |                        |                             |                        |                             |
| Plant and machinery | <u>163,749</u>         | <u>33,000</u>               | <u>173,360</u>         | <u>28,020</u>               |

#### Company

The company holds no assets (2010 - none) on finance leases or under hire purchase agreements

#### Group and company

Tangible fixed assets included at a valuation would have been included on a historical cost basis at

|                | 2011<br>£       | 2010<br>£       |
|----------------|-----------------|-----------------|
| Cost           | 769,353         | 769,353         |
| Depreciation   | <u>(69,762)</u> | <u>(68,440)</u> |
| Net book value | <u>699,591</u>  | <u>700,913</u>  |

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| <b>14. Fixed asset investments</b> | <b>Other<br/>unlisted<br/>investments<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------------|-------------------------------------------------|--------------------|
| <b>Group</b>                       |                                                 |                    |
| <b>Cost</b>                        |                                                 |                    |
| At 1 July 2010                     |                                                 |                    |
| At 30 June 2011                    | 19,740                                          | 19,740             |
| <b>Net book values</b>             |                                                 |                    |
| At 30 June 2011                    | 19,740                                          | 19,740             |
| At 30 June 2010                    | 19,740                                          | 19,740             |

Other unlisted investments include a share in Ironside International, a corporation registered in France. The cost of this investment was £14,990, being the exchange rate from Euros to Sterling as at the date of the purchase of the investment.

|                        | <b>Subsidiary<br/>undertakings<br/>shares<br/>£</b> | <b>Subsidiary<br/>undertakings<br/>loans<br/>£</b> | <b>Other<br/>unlisted<br/>investments<br/>£</b> | <b>Total<br/>£</b> |
|------------------------|-----------------------------------------------------|----------------------------------------------------|-------------------------------------------------|--------------------|
| <b>Company</b>         |                                                     |                                                    |                                                 |                    |
| <b>Cost</b>            |                                                     |                                                    |                                                 |                    |
| At 1 July 2010         |                                                     |                                                    |                                                 |                    |
| At 30 June 2011        | 778,628                                             | 383,666                                            | 19,740                                          | 1,182,034          |
| <b>Net book values</b> |                                                     |                                                    |                                                 |                    |
| At 30 June 2011        | 778,628                                             | 383,666                                            | 19,740                                          | 1,182,034          |
| At 30 June 2010        | 778,628                                             | 383,666                                            | 19,740                                          | 1,182,034          |

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

continued

#### 14.1. Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies

| Company                            | Country of registration or incorporation | Nature of business       | Shares held class | Proportion of shares held |
|------------------------------------|------------------------------------------|--------------------------|-------------------|---------------------------|
| <b>Subsidiary undertaking</b>      |                                          |                          |                   |                           |
| Home Hardware Distribution Limited | England and Wales                        | Wholesale distribution   | Ordinary          | 65%                       |
| Home Hardware Distribution Limited | England and Wales                        | Wholesale distribution   | Loan stock        | 65%                       |
| Mallett and Son Limited            | England and Wales                        | Retail of hardware goods | Ordinary          | 100%                      |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

|                                    | Capital and reserves<br>£ | Profit/(loss) for the year<br>£ |
|------------------------------------|---------------------------|---------------------------------|
| Home Hardware Distribution Limited | 1,129,446                 | 111,210                         |
| Mallett and Son Limited            | 188,455                   | (27,519)                        |

The principal business activities of all the above companies are the wholesale and retail distribution of hardware and horticultural goods.

| 15. Stocks       | 2011<br>£        | 2010<br>£        |
|------------------|------------------|------------------|
| <b>Group</b>     |                  |                  |
| Goods for resale | 4,154,731        | 3,552,084        |
| Consumables      | 11,871           | 10,632           |
|                  | <u>4,166,602</u> | <u>3,562,716</u> |
| <b>Company</b>   |                  |                  |
| Consumables      | <u>8,475</u>     | <u>6,641</u>     |

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| <b>16. Debtors</b>                                                       | <b>2011</b>      | <b>2010</b>      |
|--------------------------------------------------------------------------|------------------|------------------|
|                                                                          | <b>£</b>         | <b>£</b>         |
| <b>Group</b>                                                             |                  |                  |
| Trade debtors                                                            | 3,031,900        | 2,547,202        |
| Other debtors                                                            | 16,361           | 16,248           |
| Prepayments and accrued income                                           | 309,406          | 348,965          |
|                                                                          | <u>3,357,667</u> | <u>2,912,415</u> |
| <b>Company</b>                                                           |                  |                  |
| Trade debtors                                                            | 3,000,175        | 2,514,352        |
| Amounts owed by group undertakings                                       | 1,109,471        | 999,337          |
| Prepayments and accrued income                                           | 80,938           | 96,810           |
|                                                                          | <u>4,190,584</u> | <u>3,610,499</u> |
| Amounts falling due after more than one year and included in debtors are |                  |                  |
| <b>Company</b>                                                           |                  |                  |
| Amounts owed by group undertaking                                        | <u>583,375</u>   | <u>583,375</u>   |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| <b>17. Creditors: amounts falling due within one year</b>        | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>Group</b>                                                     |                   |                   |
| Bank overdraft                                                   | 860,337           | 469,979           |
| Bank loan                                                        | 66,667            | 66,667            |
| Net obligations under finance leases and hire purchase contracts | 52,898            | 47,052            |
| Trade creditors                                                  | 2,380,475         | 2,013,129         |
| Corporation tax                                                  | 58,208            | 43,591            |
| Other taxes and social security costs                            | 356,335           | 311,005           |
| Other creditors                                                  | 652,653           | 565,813           |
| Accruals and deferred income                                     | 580,956           | 558,925           |
|                                                                  | <u>5,008,529</u>  | <u>4,076,161</u>  |

The bank overdraft and loans are secured by a mortgage debenture incorporating a fixed and floating charge over all the assets and future assets of the group and a first legal mortgage over the group's freehold land and buildings. The parent company has cross guarantees covering its bank liabilities and those of its subsidiary companies, Home Hardware Distribution Limited and Mallett & Son Limited.

Finance leases and hire purchase contracts are secured on the assets to which they relate.

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>Company</b>                        |                  |                  |
| Bank overdraft                        | 836,134          | 416,967          |
| Bank loan                             | 66,667           | 66,667           |
| Trade creditors                       | 882,732          | 835,120          |
| Amounts owed to group undertaking     | 497,540          | 542,580          |
| Corporation tax                       | 22,871           | 17,915           |
| Other taxes and social security costs | 58,782           | 64,536           |
| Other creditors                       | 633,599          | 541,279          |
| Accruals and deferred income          | 462,781          | 471,197          |
|                                       | <u>3,461,106</u> | <u>2,956,261</u> |

The bank overdraft and loans are secured by a mortgage debenture incorporating a fixed and floating charge over all the assets and future assets of the company and a first legal mortgage over the company's freehold land and buildings. The company has cross guarantees covering its bank liabilities and those of its subsidiary companies, Home Hardware Distribution Limited and Mallett & Son Limited.

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

continued

| 18. Creditors: amounts falling due<br>after more than one year                                                                                                                                                                                                                                                                                                                                                                                                                | 2011<br>£        | 2010<br>£        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Group</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                  |
| Bank loan                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 838,889          | 905,555          |
| "B" shares classed as financial liabilities (note 22)                                                                                                                                                                                                                                                                                                                                                                                                                         | 445,761          | 452,511          |
| Other loans from shareholders                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 314,125          | 314,125          |
| Members' loans and loan stock                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 373,807          | 354,850          |
| Net obligations under finance leases<br>and hire purchase contracts                                                                                                                                                                                                                                                                                                                                                                                                           | 25,635           | 59,502           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>1,998,217</u> | <u>2,086,543</u> |
| <b>Loans</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                  |
| Repayable in one year or less, or on demand (Note 17)                                                                                                                                                                                                                                                                                                                                                                                                                         | 66,667           | 66,667           |
| Repayable between one and two years                                                                                                                                                                                                                                                                                                                                                                                                                                           | 66,667           | 66,667           |
| Repayable between two and five years                                                                                                                                                                                                                                                                                                                                                                                                                                          | 200,001          | 200,001          |
| Repayable in five years or more                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,260,153        | 1,307,862        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>1,593,488</u> | <u>1,641,197</u> |
| Repayable in five years or more                                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |                  |
| Bank loan                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 572,221          | 638,887          |
| Members' loans and loan stock                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 687,932          | 668,975          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>1,260,153</u> | <u>1,307,862</u> |
| The bank loans are secured by a mortgage debenture incorporating a fixed and floating charge over all the assets and future assets of the group and a first legal mortgage over the group's freehold land and buildings. The parent company has cross guarantees covering its bank liabilities and those of its subsidiary companies, Home Hardware Distribution Limited and Mallett & Son Limited. Hire purchase liabilities are secured on the assets to which they relate. |                  |                  |
| <b>Net obligations under finance leases<br/>and hire purchase contracts</b>                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
| Repayable within one year                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 52,898           | 47,052           |
| Repayable between one and five years                                                                                                                                                                                                                                                                                                                                                                                                                                          | 25,635           | 59,502           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>78,533</u>    | <u>106,554</u>   |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**Company**

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
| Bank loan                                   | 838,889          | 905,555          |
| "B" shares classed as financial liabilities | 445,761          | 452,511          |
| Members' loans                              | 167,218          | 148,261          |
|                                             | <u>1,451,868</u> | <u>1,506,327</u> |

**Loans**

|                                                       |                  |                  |
|-------------------------------------------------------|------------------|------------------|
| Repayable in one year or less, or on demand (Note 17) | 66,667           | 66,667           |
| Repayable between one and two years                   | 66,667           | 66,667           |
| Repayable between two and five years                  | 200,001          | 200,001          |
| Repayable in five years or more                       | 739,439          | 787,148          |
|                                                       | <u>1,072,774</u> | <u>1,120,483</u> |

Repayable in five years or more

|                               |                |                |
|-------------------------------|----------------|----------------|
| Bank loan                     | 572,221        | 638,887        |
| Members' loans and loan stock | 167,218        | 148,261        |
|                               | <u>739,439</u> | <u>787,148</u> |

The loan is secured by a first fixed charge on the group's freehold land and buildings

The "B" share capital has been classified as a liability in accordance with FRS25. The "B" shares carry an annual entitlement to dividend. The "B" reserve is distributable to the "B" shareholders on the winding up of the company and is disclosed within capital and reserves. There is no other priority on the "B" reserve (see note 22) nor is there any mechanism for repayment.

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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continued

**19. Provisions for liabilities**

|                       | <b>Deferred<br/>taxation<br/>(Note 20)<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|--------------------------------------------------|--------------------|
| <b>Group</b>          |                                                  |                    |
| At 1 July 2010        | 71,428                                           | 71,428             |
| Movements in the year | (3,752)                                          | 3,752              |
| At 30 June 2011       | <u>67,676</u>                                    | <u>67,676</u>      |
| <b>Company</b>        |                                                  |                    |
| At 1 July 2010        | 1,249                                            | -                  |
| Movements in the year | 5,241                                            | 1,249              |
| At 30 June 2011       | <u>6,490</u>                                     | <u>1,249</u>       |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| <b>20. Provision for deferred taxation</b>     | <b>2011</b>    | <b>2010</b>   |
|------------------------------------------------|----------------|---------------|
|                                                | <b>£</b>       | <b>£</b>      |
| <b>Group</b>                                   |                |               |
| Accelerated capital allowances                 | 67,676         | 71,428        |
| Provision for deferred tax                     | <u>67,676</u>  | <u>71,428</u> |
| Provision at 1 July 2010                       | 71,428         |               |
| Deferred tax credit in profit and loss account | <u>(3,752)</u> |               |
| Provision at 30 June 2011                      | <u>67,676</u>  |               |

No provision has been made for the potential tax liability of approximately £26,000 which would arise if the freehold property was sold for the revalued amount shown in the accounts

|                                                | <b>2011</b>  | <b>2010</b>  |
|------------------------------------------------|--------------|--------------|
|                                                | <b>£</b>     | <b>£</b>     |
| <b>Company</b>                                 |              |              |
| Accelerated capital allowances                 | 6,490        | 1,249        |
| Provision for deferred tax                     | <u>6,490</u> | <u>1,249</u> |
| Provision at 1 July 2010                       | 1,249        |              |
| Deferred tax credit in profit and loss account | <u>5,241</u> |              |
| Provision at 30 June 2011                      | <u>6,490</u> |              |

No provision has been made for the potential tax liability of approximately £26,000 which would arise if the freehold property was sold for the revalued amount shown in the accounts

| <b>21. Minority Interest</b> | <b>2011</b>    | <b>2010</b>    |
|------------------------------|----------------|----------------|
|                              | <b>£</b>       | <b>£</b>       |
| Equity                       | <u>395,306</u> | <u>357,489</u> |

The minority interest represents 35% of the share capital and reserves of Home Hardware Distribution Limited

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| 22. Share capital                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------------------------|------------------|------------------|
| <b>Authorised equity</b>                             |                  |                  |
| 500,000 Ordinary "A" shares of 1 each                | 500,000          | 500,000          |
| 750,000 Ordinary "B" shares of £1 each               | 750,000          | 750,000          |
|                                                      | <u>1,250,000</u> | <u>1,250,000</u> |
| <br><b>Allotted, called up and fully paid equity</b> |                  |                  |
| 284,850 Ordinary "A" shares of 1 each                | <u>284,850</u>   | <u>271,032</u>   |

£13,818 "A" shares were issued at par during the year

During the year, £6,750 "B" shares were repurchased by the company at par

The "A" and "B" shares carry equal voting rights, but differ in the following main respects

"B" shares entitle holders to a 8% cumulative dividend ranking in priority to any other dividends "A" shares carry no fixed right to dividends

An annual appropriation will be made from the profit and loss account to the "B" reserve The appropriation will be a percentage of the nominal value of the "B" shares in issue at the end of the year The percentage applied is 12% (12% - 30 June 2010)

If the company is wound up, the "B" shares rank in preference to "A" shares in the participation of realised assets The participation of the "B" shareholders is limited, however, to the value of their issued share capital plus any arrears or accruals of dividend and any amount standing to the credit of the "B" reserve

On the sale of the company's property at Vellator, a proportion of any net profit, equivalent to that between the nominal value of of issued "B" shares and the total nominal value of issued shares, will be appropriated to the "B" reserve

The "B" shares are classed as a liability in these accounts in accordance with FRS25

# HOME HARDWARE SOUTHWEST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

continued

| 23. Equity Reserves                 | Revaluation<br>reserve<br>£ | "B"<br>reserve<br>£ | Profit<br>and loss<br>account<br>£ | Capital<br>redemption<br>reserve<br>£ | Total<br>£       |
|-------------------------------------|-----------------------------|---------------------|------------------------------------|---------------------------------------|------------------|
| <b>Group</b>                        |                             |                     |                                    |                                       |                  |
| At 1 July 2010                      | 148,110                     | 732,825             | 247,590                            | 7,365                                 | 1,135,890        |
| Transfer of realised profit         | (1,322)                     | -                   | 1,322                              | -                                     | -                |
| Profit for the year                 | -                           | -                   | 149,478                            | -                                     | 149,478          |
| Purchase of own shares              | -                           | (6,750)             | -                                  | 6,750                                 | -                |
| "B" reserve transfer (Note 22)      | -                           | 53,491              | (53,491)                           | -                                     | -                |
| <b>At 30 June 2011</b>              | <u>146,788</u>              | <u>779,566</u>      | <u>344,899</u>                     | <u>14,115</u>                         | <u>1,285,368</u> |
| <b>Company</b>                      |                             |                     |                                    |                                       |                  |
| At 1 July 2010                      | 148,110                     | 732,825             | 149,497                            | 7,365                                 | 1,037,797        |
| Transfer of realised profit         | (1,322)                     | -                   | 1,322                              | -                                     | -                |
| (Loss)/retained profit for the year | -                           | -                   | 103,604                            | -                                     | 103,604          |
| Purchase of own shares              | -                           | (6,750)             | -                                  | 6,750                                 | -                |
| "B" reserve transfer (Note 22)      | -                           | 53,491              | (53,491)                           | -                                     | -                |
| <b>At 30 June 2011</b>              | <u>146,788</u>              | <u>779,566</u>      | <u>200,932</u>                     | <u>14,115</u>                         | <u>1,141,401</u> |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

| <b>24. Reconciliation of movements in shareholders' funds</b> | <b>2011</b>      | <b>2010</b>      |
|---------------------------------------------------------------|------------------|------------------|
|                                                               | <b>£</b>         | <b>£</b>         |
| <b>Group</b>                                                  |                  |                  |
| Profit for the year                                           | 149,478          | 122,394          |
| Net proceeds of equity share issue                            | 13,818           | 7,500            |
| Net addition to shareholders' funds                           | 163,296          | 129,894          |
| Opening shareholders' funds                                   | 1,406,922        | 1,277,028        |
| Closing shareholders' funds                                   | <u>1,570,218</u> | <u>1,406,922</u> |
| <b>Company</b>                                                |                  |                  |
| (Loss)/profit for the year                                    | 103,604          | 75,435           |
| Net proceeds of equity share issue                            | 13,818           | 7,500            |
| Net addition to shareholders' funds                           | 117,422          | 82,935           |
| Opening shareholders' funds                                   | 1,308,829        | 1,225,894        |
|                                                               | <u>1,426,251</u> | <u>1,308,829</u> |

**25. Financial commitments**

At 30 June 2011 the group had annual commitments under non-cancellable operating leases as follows

|                            | <b>Land and buildings</b> |                | <b>Other</b>   |                |
|----------------------------|---------------------------|----------------|----------------|----------------|
|                            | <b>2011</b>               | <b>2010</b>    | <b>2011</b>    | <b>2010</b>    |
|                            | <b>£</b>                  | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>Expiry date:</b>        |                           |                |                |                |
| Within one year            | -                         | -              | 83,841         | 172,846        |
| Between one and five years | -                         | -              | 147,551        | 41,810         |
| In over five years         | 426,500                   | 426,500        | -              | -              |
|                            | <u>426,500</u>            | <u>426,500</u> | <u>231,392</u> | <u>214,656</u> |

**HOME HARDWARE SOUTHWEST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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continued

**26. Contingent liabilities**

At any point in time the company has a contingent liability in respect of orders placed by its members under negotiated Direct Shipment Agreements which have not been invoiced to the company or for which invoices have not been received. Any such liability would be offset by a similar uninvoiced amount owed to the company by the member.

**27. Transactions with directors**

A number of the directors have an interest in businesses which are the company's customers. Sales to these businesses are all on normal commercial terms on an arms length basis.

The aggregate value of these amounted to £1,098,066 (30 June 2010 - £1,800,739) for the year. The amount due to the company at the balance sheet date had an aggregate value of £102,835 (30 June 2010 - £215,859).

**28. Related party transactions**

Toolbank Computer Services is a division of Dormole Limited, a 35% shareholder in Home Hardware Distribution Limited.

During the year £3,860 (30 June 2010 - £4,821) was received from Toolbank Specialist Services in relation to warehousing services.

During the year payments were made to Toolbank Computer Services of £41,250 (30 June 2010 - £41,250) for computer service charges.

At the year-end, Dormole Limited held £206,589 (30 June 2010 - £206,589) of loan stock in Home Hardware Distribution Limited. Included in Other Shareholders Loans was £314,125 (30 June 2010 - £314,125) due to Dormole Limited.

All related party transactions are on normal commercial terms and are conducted on an arms length basis.

**29. Controlling interest**

The company is under the control of the directors who are also major shareholders in the company and whose names are listed at the front of these financial statements.

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**30. Gross cash flows**

|                                                        | 2011<br>£       | 2010<br>£        |
|--------------------------------------------------------|-----------------|------------------|
| <b>Returns on investments and servicing of finance</b> |                 |                  |
| Interest received                                      | 25,711          | 12,868           |
| Interest paid                                          | (87,623)        | (76,957)         |
| Interest element of finance lease rental payments      | (1,653)         | (2,595)          |
| Dividends on shares classed as financial liabilities   | (35,601)        | (36,141)         |
|                                                        | <u>(99,166)</u> | <u>(102,825)</u> |
| <b>Taxation</b>                                        |                 |                  |
| Corporation tax paid                                   | <u>(46,653)</u> | <u>(27,484)</u>  |
| <b>Capital expenditure</b>                             |                 |                  |
| Payments to acquire tangible assets                    | (68,913)        | (87,813)         |
| Receipts from sales of tangible assets                 | 2,200           | -                |
|                                                        | <u>(66,713)</u> | <u>(87,813)</u>  |
| <b>Financing</b>                                       |                 |                  |
| Issue of ordinary share capital                        | 13,818          | 7,500            |
| Purchase of own shares                                 | (6,750)         | (1,968)          |
| New long term bank loan                                | -               | 1,000,000        |
| Issue of unsecured loan stock                          | 18,957          | -                |
| Repayment of short term bank loan                      | (66,667)        | (507,201)        |
| Capital element of finance lease contracts             | (52,578)        | (44,425)         |
|                                                        | <u>(93,220)</u> | <u>453,906</u>   |

**HOME HARDWARE SOUTHWEST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

continued

**31. Analysis of changes in net funds**

|                                            | <b>Opening<br/>balance</b> | <b>Cash<br/>flows</b>   | <b>Other<br/>changes</b> | <b>Closing<br/>balance</b> |
|--------------------------------------------|----------------------------|-------------------------|--------------------------|----------------------------|
|                                            | <b>£</b>                   | <b>£</b>                | <b>£</b>                 | <b>£</b>                   |
| Cash at bank and in hand                   | 11,142                     | 39,618                  |                          | 50,760                     |
| Overdrafts                                 | (469,979)                  | (390,358)               |                          | (860,337)                  |
|                                            | <u>(458,837)</u>           | <u>(350,740)</u>        |                          | <u>(809,577)</u>           |
| Debt due within one year                   | (66,667)                   | 66,667                  | (66,667)                 | (66,667)                   |
| Debt due after one year                    | (1,574,530)                | (18,957)                | 66,667                   | (1,526,820)                |
| Finance leases and hire purchase contracts | (106,554)                  | 52,578                  | (24,558)                 | (78,534)                   |
|                                            | <u>(1,747,751)</u>         | <u>100,288</u>          | <u>(24,558)</u>          | <u>(1,672,021)</u>         |
| <b>Net funds</b>                           | <u><u>(2,206,588)</u></u>  | <u><u>(250,452)</u></u> | <u><u>(24,558)</u></u>   | <u><u>(2,481,598)</u></u>  |