

COMPANY REGISTRATION NUMBER: 00716921

HOME HARDWARE SOUTHWEST LIMITED

FINANCIAL STATEMENTS

30 JUNE 2017

TUESDAY



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HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

COMPANY INFORMATION

Directors	Mr D C Adams Mr M B Elliott Mr S L Davey Mr N G Pedlar Mr C M Blanchard Mr R W Watson Mrs A M Serret Mrs B Grills Mr A Lyne Mr J Mayo
Secretary	Mr S L Davey
Company number	00716921
Registered office	Upcott Avenue Pottington Business Park Barnstaple Devon EX31 1NZ
Business address	Upcott Avenue Pottington Business Park Barnstaple Devon EX31 1NZ
Auditors	Thomas Westcott 96 High Street Ilfracombe Devon EX34 9NH
Bankers	NatWest Bank plc 41 High Street Barnstaple Devon EX31 1DA
Solicitors	Ashfords Ashford House Grenadier Road Exeter EX1 3LH

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

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HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STRATEGIC REPORT
YEAR ENDED 30 JUNE 2017

Business review

The year ended 30th June 2017 was a challenging period for all three businesses, particularly Home Hardware Distribution and Malletts Home Hardware which were both impacted by increased direct competition, the uncertainty and currency devaluation following the EU referendum and the introduction of and subsequent increase in the National Living Wage. Despite these factors both the members annual rebate and shareholders B dividend were maintained and a small retained total comprehensive income for the year achieved.

We continue to invest in our stock levels, marketing programmes, systems and infrastructure in order that we can continue to provide the best possible service levels and retail support to our members and customers.

Our ongoing success could not be achieved without the support and loyalty of our retail members for which we are very grateful. We also recognise the significant role the service and support of our suppliers fulfils in helping us meet the needs of our members.

Finally, we thank the staff for their vital contribution to the service provided to our members and customers. Their hard work and loyalty is much appreciated.

The performance of the group is detailed in the statement of comprehensive income on page 7. The directors report turnover of £29,691,732 (2016 - £29,736,240). Loss for the year after tax was reported as £23,053, this year compared to a prior year profit after tax of £122,999.

The net assets of the group as at 30 June 2017 are shown on page 8-9 and show a position of £3,294,526 compared to a net position of £3,317,579 as at 30 June 2016.

The directors believe the company is in a sound position and have a suitable and viable future strategy in place.

Particulars of dividends paid and proposed are detailed in the notes to the financial statements.

Principal risks and uncertainties

The directors consider the principle risks of the business to be the information technology systems and credit risk and the necessary steps to mitigate them are as follows:

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 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 operational issues and external IT specialists under formal support contracts. This is supported by off site backup routines which would enable systems to be up and running within an acceptable time scale if required.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STRATEGIC REPORT (CONTINUED)
YEAR ENDED 30 JUNE 2017

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.

Environmental and Social matters

Information about environmental matters, the company's employees, social community and human rights issues has not been provided as the directors do not believe that this is fundamental to gain an understanding of the business.

Financial instruments

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are conducted in sterling. The company does not enter into hedging transactions.

Directors

Of the ten Company Directors, eight are male and two female.

This report was approved by the board of directors on 20 September 2017 and signed on behalf of the board by:



S. Davey
Director

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

DIRECTORS REPORT
YEAR ENDED 30 JUNE 2017

The directors present their report and the financial statements of the company for the year ended 30 June 2017.

Directors

The directors who served the company during the year were as follows:

		Class of share	30/06/17	01/07/16
D C Adams	Chairman	Ordinary "A" shares	1,500	1,500
		Ordinary "B" shares	9,555	9,555
M B Elliott	Chief executive officer	Ordinary "A" shares	1,500	1,500
		Ordinary "B" shares	9,060	9,060
S L Davey	Finance director	Ordinary "A" shares	-	-
N G Pedlar		Ordinary "A" shares	1,500	1,500
		Ordinary "B" shares	50,748	50,748
		Ordinary "A" shares	1,500	1,500
C M Blanchard		Ordinary "B" shares	19,005	19,005
		Ordinary "A" shares	1,500	1,500
R W Watson		Ordinary "A" shares	1,500	1,500
A M Serret		Ordinary "A" shares	1,500	1,500
		Ordinary "B" shares	29,115	29,115
		Ordinary "A" shares	1,500	1,500
A Lyne		Ordinary "A" shares	1,500	1,500
J Mayo		Ordinary "A" shares	1,500	1,500

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.

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 relatives and the market in which the company competes. This is designed to encourage business success through the retention and motivation of the executives.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

DIRECTORS REPORT (CONTINUED)
YEAR ENDED 30 JUNE 2017

Statement of directors responsibilities

The directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

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

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 20 September 2017 and signed on behalf of the board by:



S L Davey
Director

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HOME HARDWARE SOUTHWEST LIMITED
YEAR ENDED 30 JUNE 2017

Opinion

We have audited the financial statements of Home Hardware Southwest Limited and its subsidiaries for the year ended 30 June 2017 which comprise the group statement of comprehensive income, the group and company statement of financial position, the group and company statement of changes in equity, the group statement of cash flows and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HOME HARDWARE SOUTHWEST LIMITED (CONTINUED)
YEAR ENDED 30 JUNE 2017

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit;

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and the 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.

Responsibilities of directors

As explained more fully in the Directors responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HOME HARDWARE SOUTHWEST LIMITED (CONTINUED)
YEAR ENDED 30 JUNE 2017

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IASs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Stephen Cresswell BA FCA DChA (Senior Statutory Auditor)

For and on behalf of
Thomas Westcott
Chartered Accountants and Statutory Auditors
96 High Street
Ilfracombe
Devon
EX34 9NH

4 December 2017

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Turnover	3	29,691,732	29,736,240
Cost of sales		(23,651,818)	(23,743,533)
Gross profit		6,039,914	5,992,707
Distribution costs		(2,356,329)	(2,191,631)
Administrative expenses		(4,026,804)	(3,968,111)
Other operating income	4	403,666	397,531
Operating profit	5	60,447	230,496
Other interest receivable and similar income	9	14,842	23,944
Other interest payable		(64,210)	(60,626)
"B" dividend classed as finance charge		(33,392)	(33,392)
(Loss)/profit on ordinary activities before taxation		(22,313)	160,422
Tax on (loss)/profit on ordinary activities	11	(740)	(37,423)
(Loss)/profit for the financial year		<u>(23,053)</u>	<u>122,999</u>
Non-controlling interests		26,157	(18,141)
Total comprehensive income for the year		<u>3,104</u>	<u>104,858</u>

All the activities of the company are from continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

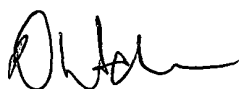
Group	Note	2017 £	2016 £
Fixed assets			
Intangible fixed assets	14	23,387	32,747
Tangible assets	15	1,375,519	1,474,767
Fixed asset investments	16	14,850	14,850
		<u>1,413,756</u>	<u>1,522,364</u>
Current assets			
Stocks	18	4,995,854	4,561,759
Debtors	19	4,378,122	4,291,353
Cash at bank and in hand	20	9,293	9,039
		<u>9,383,269</u>	<u>8,862,151</u>
Creditors: amounts falling due within one year	21	(5,593,760)	(5,090,202)
Net current assets		<u>3,789,509</u>	<u>3,771,949</u>
Total assets less current liabilities		<u>5,203,265</u>	<u>5,294,313</u>
Creditors: amounts falling due after more than one year			
Other loans		(1,391,764)	(1,440,676)
"B" shares classed as financial liabilities		(418,155)	(418,155)
	22	<u>(1,809,919)</u>	<u>(1,858,831)</u>
Provisions for liabilities	25	(98,820)	(117,903)
Net (liabilities)/assets		<u>3,294,526</u>	<u>3,317,579</u>
Capital and reserves			
Called up share capital	28	329,850	328,350
Revaluation reserve	29	138,856	140,178
Capital redemption reserve	29	41,721	43,221
"B" reserve	29	1,009,271	1,006,167
Non-controlling interest	29	726,238	752,395
Profit and loss account	29	1,048,590	1,047,268
Shareholders funds		<u>3,294,526</u>	<u>3,317,579</u>

The notes on pages 17 to 39 form part of these financial statements.

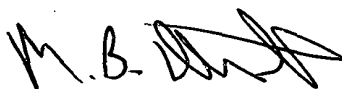
HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

These financial statements were approved by the board of directors and authorised for issue on 20 September 2017, and are signed on behalf of the board by:



D C Adams
Director



M B Elliott
Director

Company registration number: 00716921

The notes on pages 17 to 39 form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

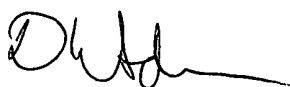
Company	Note	2017 £	£	2016 £	£
Fixed assets					
Intangible fixed assets	14	23,387		32,747	
Tangible assets	15	847,072		885,065	
Fixed asset investments	17	1,411,344		1,411,344	
		<u>2,281,803</u>		<u>2,329,156</u>	
Current assets					
Stocks	18	7,327		6,029	
Debtors	19	5,347,048		5,194,660	
Cash at bank and in hand	20	986		1,924	
		<u>5,355,361</u>		<u>5,202,613</u>	
Creditors: amounts falling due within one year	21	(4,128,572)		(4,153,423)	
Net current assets		<u>1,226,789</u>		<u>1,049,190</u>	
Total assets less current liabilities		<u>3,508,592</u>		<u>3,378,346</u>	
Creditors: amounts falling due after more than one year					
Other loans		813,404		839,501	
"B" shares classed as financial liabilities		418,155		418,155	
	22	<u>(1,231,559)</u>		<u>(1,257,656)</u>	
Provisions for liabilities	25	<u>(28,259)</u>		<u>(38,989)</u>	
Net (liabilities)/assets		<u><u>2,248,774</u></u>		<u><u>2,081,701</u></u>	
Capital and reserves					
Called up share capital	28	329,850		328,350	
Revaluation reserve	29	138,856		140,178	
Capital redemption reserve	29	41,721		43,221	
"B" reserve	29	1,009,271		1,006,167	
Profit and loss account	29	729,076		563,785	
Shareholders funds		<u>2,248,774</u>		<u>2,081,701</u>	

The notes on pages 17 to 39 form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

These financial statements were approved by the board of directors and authorised for issue on 20 September 2017, and are signed on behalf of the board by:



D C Adams
Director



M B Elliott
Director

Company registration number: 00716921

The notes on pages 17 to 39 form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2017

	Called up share capital £	Reval'n reserve £	Capital redem'n reserve £	Profit and loss account £	"B" reserve £	Total s'holders equity £	Non- controlling interests £	Total equity £
Group								
At 1 July 2015	323,850	141,500	41,721	992,767	955,988	2,455,826	734,254	3,190,080
(Loss)/profit for the year	-	-	-	122,999	-	122,999	-	122,999
Other comprehensive income for the year:								-
"B" reserve transfer	-	-	-	(50,179)	50,179	-	-	-
Revaluation transfer	-	(1,322)	-	1,322	-	-	-	-
Non-controlling interest	-	-	-	(18,141)	-	(18,141)	18,141	-
Total comprehensive income for the year	-	(1,322)	-	56,001	50,179	104,858	18,141	122,999
Shares issued	6,000	-	-	-	-	6,000	-	6,000
Shared redeemed	(1,500)	-	1,500	(1,500)	-	(1,500)	-	(1,500)
Total investments by and distributions to owners	4,500	-	1,500	(1,500)	-	4,500	-	4,500
At 30 June 2016	<u>328,350</u>	<u>140,178</u>	<u>43,221</u>	<u>1,047,268</u>	<u>1,006,167</u>	<u>2,565,184</u>	<u>752,395</u>	<u>3,317,579</u>
(Loss)/profit for the year				(23,053)		(23,053)	-	(23,053)
Other comprehensive income for the year:								-
"B" reserve transfer	-	-	-	(3,104)	3,104	-	-	-
Revaluation transfer	-	(1,322)	-	1,322	-	-	-	-
Non-controlling interest	-	-	-	26,157	-	26,157	(26,157)	-
Total comprehensive income for the year	-	(1,322)	-	1,322	3,104	3,104	(26,157)	(23,053)
Shares issued	1,500	-	(1,500)	-	-	-	-	-
Total investments by and distributions to owners	1,500	-	(1,500)	-	-	-	-	-
At 30 June 2017	<u>329,850</u>	<u>138,856</u>	<u>41,721</u>	<u>1,048,590</u>	<u>1,009,271</u>	<u>2,568,288</u>	<u>726,238</u>	<u>3,294,526</u>

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2017

	Called up share capital £	Reval'n reserve £	Capital redem'n reserve £	Profit and loss account £	"B" reserve £	Total s'holders equity £
Company						
At 1 July 2015	323,850	141,500	41,721	494,804	955,988	1,957,863
(Loss)/profit for the year	-	-	-	119,338	-	119,338
Other comprehensive income for the year:						
"B" reserve transfer	-	-	-	(50,179)	50,179	-
Revaluation transfer	-	(1,322)	-	1,322	-	-
Total comprehensive income for the year	-	(1,322)	-	70,481	50,179	119,338
Shares issued	6,000	-	-	-	-	6,000
Shared redeemed	(1,500)	-	1,500	(1,500)	-	(1,500)
Total investments by and distributions to owners	4,500	-	1,500	(1,500)	-	4,500
At 30 June 2016	<u>328,350</u>	<u>140,178</u>	<u>43,221</u>	<u>563,785</u>	<u>1,006,167</u>	<u>2,081,701</u>
(Loss)/profit for the year				167,073		167,073
Other comprehensive income for the year:						
"B" reserve transfer	-	-	-	(3,104)	3,104	-
Revaluation transfer	-	(1,322)	-	1,322	-	-
Total comprehensive income for the year	-	(1,322)	-	165,291	3,104	167,073
Shares issued	1,500	-	-	-	-	1,500
Shared redeemed	-	-	(1,500)	-	-	(1,500)
Total investments by and distributions to owners	1,500	-	(1,500)	-	-	-
At 30 June 2017	<u>329,850</u>	<u>138,856</u>	<u>41,721</u>	<u>729,076</u>	<u>1,009,271</u>	<u>2,248,774</u>

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2017

	2017 £	2016 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(23,053)	122,999
<i>Adjustments for:</i>		
Depreciation of tangible assets	192,537	154,687
Amortisation of intangible assets	9,360	9,360
Other interest receivable and similar income	(14,842)	(23,944)
Interest payable and similar charges	97,602	94,018
Gain/(loss) on disposal of tangible assets	471	-
Tax on (loss)/profit on ordinary activities	740	37,423
Accrued expenses/(income)	(114,963)	69,791
<i>Changes in:</i>		
Stocks	(434,095)	423,637
Trade and other debtors	(86,769)	(243,415)
Trade and other creditors	345,079	(143,327)
Cash generated from operations	(27,933)	501,229
Interest paid	(97,602)	(94,018)
Interest received	14,842	23,944
Tax paid	-	(88,350)
Net cash (used in)/from operating activities	<u>(110,693)</u>	<u>342,805</u>
Cash flows from investing activities		
Purchase of tangible assets	(94,094)	(264,212)
Proceeds from sale of tangible assets	334	-
Net cash used in investing activities	<u>(93,760)</u>	<u>(264,212)</u>

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED 30 JUNE 2017

		2017	2016
		£	£
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	6,000
Purchases to acquire or redeem own shares		-	(1,500)
Proceeds from borrowings		(24,549)	(78,209)
Payment of finance lease liabilities		(34,521)	77,548
Net cash (used in)/from financing activities		<u>(59,070)</u>	<u>3,839</u>
Net increase/(decrease) in cash and cash equivalents		(263,523)	82,432
Cash and cash equivalents at beginning of year	20	<u>(928,260)</u>	<u>(1,010,692)</u>
Cash and cash equivalents at end of year	20	<u>(1,191,783)</u>	<u>(928,260)</u>

HOME HARDWARE SOUTHWEST LIMITED
REGISTRATION NUMBER 00716921

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

General information

Home Hardware South West Limited is a limited company incorporated in England. The addresses of its registered office and principal place of business are disclosed in the directors report.

The principal activity 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 houseware, hardware and horticultural goods.

The financial statements are presented in Sterling, which is also the functional currency of the company.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

Consolidation

The group financial statements consolidate the accounts of Home Hardware South West Limited and its subsidiary undertakings made up to 30 June each year; the group comprehensive income includes the results of the 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within bank borrowings or current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group; the Group and the party are subject to common control; the party is an associate of the Group or a joint venture in which the Group is the venturer, the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individuals; or the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of fixed assets. Freehold property is stated at fair value based on the valuation performed by independent valuers N Facey, Chartered Surveyor and B Miles FCI Arb, FPCS. The valuers used observable market prices adjusted for any difference in the future, location or condition of the specific asset.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually on despatch of the goods; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	15 years straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	Straight line over 50 years
Long leasehold property	-	Straight line over life of lease
Plant and machinery	-	10% to 33% straight line
Fittings fixtures and equipment	-	10% to 33% straight line
Motor vehicles	-	25% reducing balance

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Fixed asset investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Hire purchase and finance leases

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

3. Turnover

Turnover arises from:

	2017	2016
	£	£
Warehouse sales	16,049,991	16,298,739
Direct sales	11,089,531	10,787,459
Retail sales	2,552,210	2,650,042
	<u>29,691,732</u>	<u>29,736,240</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. Other operating income

	2017	2016
	£	£
Rental income	18,041	13,536
Promotional and development levy	338,187	338,715
Other operating income	47,438	45,280
	<u>403,666</u>	<u>397,531</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

5. Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Amortisation of intangible assets	9,360	9,360
Depreciation of tangible assets	192,537	154,687
(Gain)/loss on disposal of tangible assets	471	-
Cost of sales recognised as an expense	24,638,142	24,676,991
Operating lease rentals	633,807	620,688
Foreign exchange differences	5,719	2,664
Defined contribution plans expense	89,168	108,059
Fees payable for the audit of the financial statements	<u>21,430</u>	<u>19,575</u>

6. Auditors remuneration

	2017	2016
	£	£
Fees payable to Thomas Westcott		
Fees payable for the audit of the financial statements	<u>21,430</u>	<u>19,575</u>
Fees payable to the company's auditor and its associates for other services:		
Accountancy and payroll	<u>7,502</u>	<u>7,556</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
Distribution, sales and administration	153	156
Directors	3	3
Non executive directors	7	8
	<u>163</u>	<u>167</u>

The aggregate payroll costs incurred during the year were:

	2017	2016
	£	£
Wages and salaries	3,113,567	3,078,881
Social security costs	248,415	238,651
Other pension costs	89,558	108,449
	<u>3,451,540</u>	<u>3,425,981</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

8. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	255,963	259,116
Company contributions to pension schemes	54,174	74,681
	<u>310,137</u>	<u>333,797</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	Number	Number
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2017	2016
	£	£
Aggregate remuneration	121,600	125,305
Company contributions to pension plans	33,013	43,236
	<u>154,613</u>	<u>168,541</u>

9. Other interest receivable and similar income

	2017	2016
	£	£
Bank deposits	41	55
Other interest receivable and similar income	14,801	23,889
	<u>14,842</u>	<u>23,944</u>

10. Interest payable and similar charges

	2017	2016
	£	£
Bank loans and overdrafts	37,564	40,356
Finance leases and hire purchase contracts	7,909	4,657
Finance charges on shares classed as financial liabilities	33,392	33,392
Other interest payable and similar charges	18,737	15,613
	<u>97,602</u>	<u>94,018</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

11. Tax on (loss)/profit on ordinary activities

Major components of tax expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	19,823	24,356
Adjustments in respect of previous periods	-	1,621
Total UK current tax	<u>19,823</u>	<u>25,977</u>
Total current tax	19,823	25,977
Deferred tax:		
Origination and reversal of timing differences	(19,083)	11,446
Tax on (loss)/profit on ordinary activities	<u>740</u>	<u>37,423</u>

Reconciliation of tax expense

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%).

A reconciliation is given below:

	2017	2016
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(22,313)</u>	<u>160,422</u>
(Loss)/profit on ordinary activities by rate of tax	(4,407)	32,084
Adjustments in respect of prior periods	-	1,621
Effect of expenses not deductible for tax purposes	(322)	1,469
Effect of capital allowances and depreciation	(1,669)	100
Utilisation of tax losses	10,288	1,449
Short term timing differences	(232)	700
Deferred tax on revaluation	(2,918)	-
Tax on (loss)/profit on ordinary activities	<u>740</u>	<u>37,423</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

12. 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 South West Limited has not been presented with the financial statements.

The results after taxation of the parent undertaking showed a profit of £167,073 (2016 - £119,338).

13. Dividends

Equity dividends

	2017	2016
	£	£
Dividends proposed before the year end and recognised as a liability	<u>33,392</u>	<u>33,392</u>

14. Intangible assets

Goodwill

Group and company	£
Cost	
At 1 July 2016 and 30 June 2017	<u>140,351</u>
Amortisation	
At 1 July 2016	107,604
Charge for the year	<u>9,360</u>
At 30 June 2017	<u>116,964</u>
Carrying amount	
At 30 June 2017	<u>23,387</u>
At 30 June 2016	<u>32,747</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

15. Tangible assets

	Land and buildings freehold	Short leasehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
Group	£	£	£	£	£	£
Cost						
At 1 July 2016	937,206	28,750	2,066,520	564,032	24,100	3,620,608
Additions	-	-	79,058	15,036	-	94,094
Disposals	-	-	-	-	(12,200)	(12,200)
At 30 June 2017	<u>937,206</u>	<u>28,750</u>	<u>2,145,578</u>	<u>579,068</u>	<u>11,900</u>	<u>3,702,502</u>
Depreciation						
At 1 July 2016	139,184	22,709	1,570,167	402,173	11,608	2,145,841
Charge for the year	8,500	1,916	160,597	18,576	2,948	192,537
Disposals	-	-	-	-	(11,395)	(11,395)
At 30 June 2017	<u>147,684</u>	<u>24,625</u>	<u>1,730,764</u>	<u>420,749</u>	<u>3,161</u>	<u>2,326,983</u>
Carrying amount						
At 30 June 2017	<u>789,522</u>	<u>4,125</u>	<u>414,814</u>	<u>158,319</u>	<u>8,739</u>	<u>1,375,519</u>
At 30 June 2016	<u>798,022</u>	<u>6,041</u>	<u>496,353</u>	<u>161,859</u>	<u>12,492</u>	<u>1,474,767</u>
Company						
Cost						
At 1 July 2016	937,206	-	595,366	-	-	1,532,572
Additions	-	-	12,840	-	-	12,840
At 30 June 2017	<u>937,206</u>	<u>-</u>	<u>608,206</u>	<u>-</u>	<u>-</u>	<u>1,545,412</u>
Depreciation						
At 1 July 2016	139,184	-	508,323	-	-	647,507
Charge for the year	8,500	-	42,333	-	-	50,833
At 30 June 2017	<u>147,684</u>	<u>-</u>	<u>550,656</u>	<u>-</u>	<u>-</u>	<u>698,340</u>
Carrying amount						
At 30 June 2017	<u>789,522</u>	<u>-</u>	<u>57,550</u>	<u>-</u>	<u>-</u>	<u>847,072</u>
At 30 June 2016	<u>798,022</u>	<u>-</u>	<u>87,043</u>	<u>-</u>	<u>-</u>	<u>885,065</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

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 £102,206 of subsequent additions at cost. Land and Buildings includes freehold land valued at approximately £500,000.

Tangible assets held at valuation

In respect of tangible assets held at valuation, the comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property
Group and company	£
At 30 June 2017	692,981
	<u><u> </u></u>
At 30 June 2016	692,981
	<u><u> </u></u>

Obligations under finance leases

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery
Group	£
At 30 June 2017	76,275
	<u><u> </u></u>
At 30 June 2016	200,128
	<u><u> </u></u>

Company

The company holds no assets (2016 - £nil) on finance leases or under hire purchase agreements.

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

16. Fixed asset investments

	Other investments other than loans
Group	£
Cost or valuation	
At 30 June 2017 and 1 July 2016	14,850
Carrying amount	
At 30 June 2017	14,850
At 30 June 2016	14,850

17. Fixed asset investments

	Shares in group undertakings	Loans to group undertakings	Other investments other than loans	Total
Company	£	£	£	£
Cost or valuation				
At 30 June 2017 and 1 July 2016	1,018,128	383,666	9,550	1,411,344
Carrying amount				
At 30 June 2017	1,018,128	383,666	9,550	1,411,344
At 30 June 2016	1,018,128	383,666	9,550	1,411,344

Investments in group undertakings

	Country of incorporation	Class of share	Percentage of shares held
Subsidiary undertakings			
Home Hardware Distribution Limited	England And Wales	Ordinary	65%
Home Hardware Distribution Limited	England And Wales	Loan stock	65%
Mallett and Son, Limited	England And Wales	Ordinary	100%
The principal business activities of all the above companies are the wholesale and retail distribution of hardware and horticultural goods.			

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

The results and capital and reserves for the period of the trading companies are as follows:

	Capital and reserves		Profit/(loss) for the	
	2017	2016	2017	2016
	£	£	£	£
Subsidiary undertakings:				
Home Hardware Distribution Limited	2,074,967	2,149,710	(74,734)	51,832
Mallett and Son, Limited	(11,087)	104,305	(115,392)	(48,171)

18. Stocks

	2017	2016
	£	£
Group		
Goods for resale	4,978,591	4,545,725
Consumables	17,263	16,034
	<u>4,995,854</u>	<u>4,561,759</u>
Company		
Consumables	<u>7,327</u>	<u>6,029</u>

19. Debtors

	2017	2016
	£	£
Group		
Trade debtors	3,904,345	3,758,750
Prepayments and accrued income	451,803	510,634
Other debtors	21,974	21,969
	<u>4,378,122</u>	<u>4,291,353</u>
Company		
Trade debtors	3,798,173	3,665,175
Amounts owed by group undertakings	1,320,781	1,262,807
Prepayments and accrued income	228,094	266,678
	<u>5,347,048</u>	<u>5,194,660</u>

Amounts falling due after more than one year and included in debtors are:

Amounts owed by group undertaking	583,375	583,375
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

20. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2017	2016
	£	£
Group		
Cash at bank and in hand	9,293	9,039
Bank overdrafts	(1,201,076)	(937,299)
	<u>(1,191,783)</u>	<u>(928,260)</u>
Company		
Cash at bank and in hand	986	1,924
Bank overdrafts	(1,018,882)	(1,014,948)
	<u>(1,017,896)</u>	<u>(1,013,024)</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

21. Creditors: amounts falling due within one year

	2017	2016
Group	£	£
Bank loans and overdrafts	1,250,625	985,300
Trade creditors	2,773,407	2,600,762
Accruals and deferred income	541,520	656,483
Corporation tax	44,179	24,356
Social security and other taxes	435,840	402,218
Obligations under finance leases	23,439	35,145
Other creditors	524,750	385,938
	<u>5,593,760</u>	<u>5,090,202</u>

The bank overdraft and loans are secured by a mortgage 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.

Company

Bank loans and overdrafts	1,068,431	1,062,949
Trade creditors	1,235,247	1,206,288
Amounts owed to group undertakings	747,796	908,414
Accruals and deferred income	402,477	490,682
Corporation tax	44,179	24,356
Social security and other taxes	113,835	84,286
Other creditors	516,607	376,448
	<u>4,128,572</u>	<u>4,153,423</u>

The bank overdraft and loans are secured by a mortgage 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

22. Creditors: amounts falling due after more than one year

	2017	2016
Group	£	£
Bank loans and overdrafts	609,141	660,238
"B" shares classed as financial liabilities	418,155	418,155
Obligations under finance leases	57,646	80,461
Other loans from shareholders	314,125	314,125
Members' loans and loan stock	410,852	385,852
	<u>1,809,919</u>	<u>1,858,831</u>

Included within creditors: amounts falling due after more than one year is an amount of £ 325,727 (2016 £ 385,749) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Included within creditors: amounts falling due after more than one year is an amount of £ 724,977 (2016 £ 699,977) in respect of liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date.

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 FRS 102. 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 nor is there any mechanism for repayment.

Company

Bank loans and overdrafts	609,141	660,238
"B" shares classed as financial liabilities	418,155	418,155
Members' loans	204,263	179,263
	<u>1,231,559</u>	<u>1,257,656</u>

Included within creditors: amounts falling due after more than one year is an amount of £325,727 (2016 £385,749) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Included within creditors: amounts falling due after more than one is an amount of £204,263 (2016 £179,263) in respect of liabilities payable or repayable otherwise than by instalments which fall due for payment after than more than five years from the reporting date.

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 FRS 102. 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 nor is there any mechanism for repayment.

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

23. Obligations under finance leases and hire purchase contracts

Group
Company lessee

The total future minimum lease payments under hire purchase and finance lease agreements are as follows:

	2017	2016
	£	£
Not later than 1 year	23,439	35,145
Later than 1 year and not later than 5 years	57,646	80,461
	<u>81,085</u>	<u>115,606</u>
Present value of minimum lease payments	<u>81,085</u>	<u>115,606</u>

Company

The company has no obligations under finance leases and hire purchase contracts.

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

24. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
Group	£	£
Included in provisions (note 25)	98,820	117,903

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	80,806	93,728
Revaluation of tangible assets	23,257	26,175
Provisions	(5,243)	(2,000)
	<u>98,820</u>	<u>117,903</u>

Company

Included in provisions	<u>28,259</u>	<u>38,989</u>
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The deferred tax accounts consists of the tax effect of timing differences in respect of:

Accelerated capital allowances	8,907	14,814
Revaluation of tangible assets	23,257	26,175
Provisions	(3,905)	(2,000)
	<u>28,259</u>	<u>38,989</u>

25. Provisions

	Deferred tax (note 24) £
Group	
At 1 July 2016	117,903
Additions	(19,083)
At 30 June 2017	<u>98,820</u>
Company	
At 1 July 2016	38,989
Additions	(10,730)
At 30 June 2017	<u>28,259</u>

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

26. Employee benefits

Defined contribution plans

The amount recognised in profit or loss in relation to defined contribution plans was £89,168 (2016:£108,059).

27. Non-controlling interests

	2017	2016
	£	£
Equity	726,238	752,395

The non-controlling interest represents 35% of the share capital and reserves of Home Hardware Distribution Limited.

28. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No	£	No	£
Amounts presented in equity:				
Ordinary "A" shares shares of £ 1.00 each	329,850	329,850	328,350	328,350
Amounts presented in liabilities:				
Ordinary "B" shares shares of £ 1.00 each	418,155	418,155	418,155	418,155

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.

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 issued "B" shares and the total nominal value of issued shares, will be appropriated to the "B" reserve.

HOME HARDWARE SOUTHWEST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

29. Reserves

Revaluation reserve:

The reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Capital redemption reserve:

This reserve records the nominal value of shares repurchased by the company.

Profit and loss account:

This reserve records retained earnings and accumulated losses.

"B" reserve:

This reserve relates to the "B" shares and received an annual allocation of profit.

Non-controlling interests reserve:

Non-controlling interests represent 35% of the share capital and reserves of Home Hardware Distribution Limited.

30. Operating leases

The group as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	19,900	27,954
Later than 1 year and not later than 5 years	637,295	2,136,495
Later than 5 years	2,277,285	237,480
	<u>2,934,480</u>	<u>2,401,929</u>

31. Contingent assets and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 JUNE 2017

32. Directors advances, credits and guarantees

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 £1,950,250 (2016 - £1,953,595) for the year. The amount due to the company at the balance sheet date had an aggregate value of £208,360

33. Related party transactions

During the year payments were made to a shareholder of a subsidiary company of £41,250 (2016 - £41,250) for computer service charges.

At the year end the shareholder held £206,589 (2016 - £206,589) of loan stock in a subsidiary. Included in Other shareholders loans was £314,125 (2016 - £314,125) due to the shareholder.

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

34. Controlling party

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.