

COMPANY REGISTERED NUMBER: 01928529

HEXSTONE HOLDINGS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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HEXSTONE HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company during the year was that of a holding company

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2012 are shown in the attached financial statements. The loss for the financial year of £1,478,000 (2011 - £18,955,000 profit) has been transferred to reserves.

DIRECTORS

The Directors of the Company during the year and to the date of this report were as follows

R D Goddard
D T McNair

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- make judgements and accounting estimates that are reasonable and prudent, and
- 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.

HEXSTONE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS

The Directors confirm that

- (a) so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board


W S WOOF
Company Secretary

25 JUNE 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEXSTONE HOLDINGS LIMITED

We have audited the financial statements of Hexstone Holdings Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HEXSTONE HOLDINGS LIMITED (CONTINUED)

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 Profit Centres 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

H. Macnamara

HAZEL MACNAMARA (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

25 June 2013

HEXSTONE HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u> £000	<u>2011</u> £000
Administrative (expenses)/income		(405)	4
OPERATING (LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS		(405)	4
Exceptional items	2	-	20,002
Net interest payable	3	(1,039)	(1,042)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(1,444)	18,964
Tax charge on (loss)/profit on ordinary activities	5a	(34)	(9)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	11	(1,478)	18,955

The operating loss arose from continuing operations

Apart from the loss for the financial year there were no recognised gains or losses or movements in equity shareholders' deficit

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

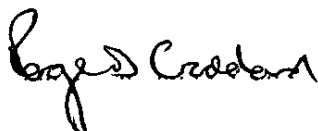
The notes and information on pages 7 to 13 form part of these financial statements

HEXSTONE HOLDINGS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u> £000	<u>2011</u> £000
FIXED ASSETS			
Investments	6	<u>1,830</u>	<u>1,830</u>
CURRENT ASSETS			
Debtors - Amounts falling due after more than one year	7	29,743	29,743
Debtors - Amounts falling due within one year	7	131	2,171
Cash		<u>17</u>	<u>21</u>
		29,891	31,935
CREDITORS - Amounts falling due within one year	8	<u>(60,954)</u>	<u>(61,520)</u>
NET CURRENT LIABILITIES		<u>(31,063)</u>	<u>(29,585)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(29,233)</u>	<u>(27,755)</u>
CREDITORS - Amounts falling due after more than one year	9	<u>(1)</u>	<u>(1)</u>
NET LIABILITIES		<u>(29,234)</u>	<u>(27,756)</u>
CAPITAL AND RESERVES			
Called up share capital	10	21,000	21,000
Profit and loss account	11	<u>(50,234)</u>	<u>(48,756)</u>
SHAREHOLDERS' DEFICIT	12	<u>(29,234)</u>	<u>(27,756)</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 25 JUNE 2013 and were signed on its behalf by

DIRECTORS  D T McNAIR

 R D GODDARD

Company registered number 01928529

HEXSTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1 STATEMENT OF ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The accounts have been prepared on a going concern basis as Marlowe Holdings Investments Limited, the immediate parent undertaking, has confirmed that it intends to continue to provide financial support for the foreseeable future to enable the Company to meet its liabilities as they fall due

The principal accounting policies are set out below and have been applied consistently throughout the year

Investments

Fixed asset investments are stated in the financial statements at cost less any provision required to reflect a diminution in value

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and recognised only when, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which to recover carried forward tax losses and any future reversal of underlying timing differences

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996) on the grounds that a group cash flow statement is included in the financial statements of Marlowe Holdings Limited

Exemption from preparing consolidated financial statements

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Marlowe Holdings Limited

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 EXCEPTIONAL ITEMS

	<u>2012</u> £000	<u>2011</u> £000
Profit on sale of a subsidiary	-	20,002

3 NET INTEREST PAYABLE

	<u>2012</u> £000	<u>2011</u> £000
Interest payable to Group undertaking	(1,178)	(1,184)
Interest receivable from Group undertaking	6	40
Other interest receivable	<u>133</u>	<u>102</u>
	(1,039)	(1,042)

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging the following amounts

	<u>2012</u> £000	<u>2011</u> £000
Auditors' remuneration	-	-

Auditors' remuneration is borne by a fellow Group undertaking and no recharge is made

5 (a) TAXATION - ANALYSIS OF CHARGE IN THE YEAR

	<u>2012</u> £000	<u>2011</u> £000
The taxation charge for the year consists of		
UK Corporation Tax payable at 24.5% (2011 - 26.5%)		
on the (loss)/profit for the year	80	39
Adjustment in respect of prior periods	<u>(46)</u>	<u>(30)</u>
Total tax charge on (loss)/profit on ordinary activities	<u>34</u>	<u>9</u>

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 (b) TAXATION - FACTORS AFFECTING CHARGE FOR THE YEAR

The tax assessed for the year is higher (2011 - lower) than the standard rate of corporation tax in the UK. The differences are explained below

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
(Loss)/profit on ordinary activities before tax	<u>(1,444)</u>	<u>18,964</u>
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax at 24.5% (2011 - 26.5%)	(354)	5,025
Income not chargeable for tax purposes	-	(5,301)
Expenses not deductible for tax purposes	434	315
Adjustments to tax in respect of previous years	<u>(46)</u>	<u>(30)</u>
	<u>34</u>	<u>9</u>

5 (c) TAXATION - FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance Act 2012 was substantively enacted on 17 July 2012 and included legislation to reduce the main rate of corporation tax from 25% to 24% from 1 April 2012 and to further reduce the rate to 23% from 1 April 2013. The deferred tax asset at 31 December 2012 has been revalued accordingly.

Further reductions to the UK corporation tax rate were announced in the 2013 Budget on 20 March 2013 which proposed to reduce the rate by two per cent to 21% from 1 April 2014 and by a further one per cent to 20% from 1 April 2015. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The impact of the proposed changes is not expected to be material to the balance sheet.

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INVESTMENTS

<u>Shares in subsidiary undertakings</u>	£000
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Cost

At 31 December 2012 and 2011	2,535
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Provisions

At 31 December 2012 and 2011	705
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Net book amount

At 31 December 2012 and 2011	1,830
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Details of the Company's subsidiaries, each of which are wholly owned, are as follows

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Activity</u>
D K East Limited	England	Dormant
S&MCL Limited	Scotland	Dormant
Swift Hardware Distributors Limited	England	Dormant

In the opinion of the Directors the value of the investments in the subsidiaries is not less than the aggregate amount shown in the balance sheet

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DEBTORS

	<u>2012</u> £000	<u>2011</u> £000
<u>Amounts due within one year</u>		
Other debtors	131	168
Amounts owed by a Group undertaking	<u>-</u>	<u>2,003</u>
	<u>131</u>	<u>2,171</u>
	<u>2012</u> £000	<u>2011</u> £000
<u>Amounts due after more than one year</u>		
Amounts owed by Group undertakings	<u>29,743</u>	<u>29,743</u>

8 CREDITORS - amounts falling due within one year

	<u>2012</u> £000	<u>2011</u> £000
Amounts owed to Group undertakings	60,910	61,515
Corporation tax payable	44	3
Accruals and deferred income	<u>-</u>	<u>2</u>
	<u>60,954</u>	<u>61,520</u>

Amounts owed to Group undertakings includes a loan of £59,079,000 (2011 - £59,685,000) which is unsecured, repayable on demand and bears interest at a commercial rate

9 CREDITORS - amounts falling due after more than one year

	<u>2012</u> £000	<u>2011</u> £000
Cumulative preference shares (note 10)	<u>1</u>	<u>1</u>

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 SHARE CAPITAL

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
<u>Authorised, allotted and fully paid</u>		
Equity		
21,000,025 ordinary shares of £1 each	21,000	21,000

Ordinary shares of £1 each

Every holder has one vote on a show of hands and 351 votes per share on a poll

The following shares are shown within creditors - amounts falling due after more than one year (note 9):

975 preference shares of £1 each

The shares entitle the holder to receive an annual dividend of 5% of their nominal value, the right to a return of capital at either a winding up or a repayment of capital, and to receive notice of and to attend and vote at any general meeting of the Company. Every holder has one vote on a show of hands and one vote per share on a poll

11 PROFIT AND LOSS ACCOUNT

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
At 1 January	(48,756)	(67,711)
(Loss)/profit for the financial year	(1,478)	18,955
At 31 December	(50,234)	(48,756)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
(Loss)/profit for the financial year	(1,478)	18,955
Opening shareholders' deficit	(27,756)	(46,711)
Closing shareholders' deficit	(29,234)	(27,756)

13 EMPLOYEES

The affairs of the Company are managed by employees from a fellow Group undertaking for which no charge is made

HEXSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 DIRECTORS' EMOLUMENTS

No Director received any emoluments in respect of services to the Company during the year (2011 - £Nil)

15 GUARANTEE

The Company's bank overdraft facility has been guaranteed by the immediate parent undertaking, Marlowe Holdings Investments Limited

The bank overdraft facility is also secured by a mortgage debenture granted on 27 September 1985 in favour of National Westminster Bank plc including a specific charge over the undertaking and its subsidiaries and all property and assets present and future, including goodwill and book debts

16 PARENT UNDERTAKINGS

The ultimate parent undertaking is Blackfriars Corporation, an American company incorporated in the State of Delaware

The immediate parent undertaking is Marlowe Holdings Investments Limited, which is a wholly owned subsidiary of Marlowe Holdings Limited, a company registered in England. Marlowe Holdings Limited is the only company to consolidate the financial statements of Hexstone Holdings Limited and copies of the financial statements of Marlowe Holdings Limited may be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3UZ

17 RELATED PARTY TRANSACTIONS

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under FRS 8 "Related Party Disclosures", as the consolidated accounts of Marlowe Holdings Limited, in which the Company is included, are available at the address noted above