Company Registration No 05525751

# DRL HOLDINGS LIMITED

## Report and Financial Statements

## For the year ended 31 March 2010

# REPORT AND FINANCIAL STATEMENTS 2010

## CONTENTS

# OFFICERS AND PROFESSIONAL ADVISERS

**CHAIRMAN**

Richard Rose

**DIRECTORS**

Richard Rose
Stephen Caunce
William Holroyd DL
Christopher Hopkinson
Kevin Philbin
John Roberts
Norman Stoller CBE CStJ DL

**SECRETARY**

Stephen Caunce

**REGISTERED OFFICE**

Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

**BANKERS**

The Royal Bank of Scotland
Spinningfields
3 Hardman Boulevard
Manchester
M3 3AQ

**AUDITORS**

Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester
United Kingdom

# DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2010

## PRINCIPAL ACTIVITIES

The principal activity of the DRL Holdings Limited ('group") is the supply and delivery of kitchen appliances sold via the internet

## BUSINESS REVIEW

### Development and performance of the DRL business

The group continued to grow in 2009/10 in a period where the white goods industry faced significant challenges The principal issues were the UK economy and the weakness of the pound which forced suppliers to increase prices

Despite the issues faced, the group has increased significantly its turnover and operating profitability The key performance indicators of the group (prior to 31 March 2009 the retail trading subsidiary) are as follows

| | 31 March 2010 | 31 March 2009 | 31 March 2008 | 31 March 2007 | 31 March 2006 |
|---|---|---|---|---|---|
| Turnover | £126,716,030 | £89,069,362 | £80,778,999 | £52,679,503 | £24,044,777 |
| Turnover growth | 42% | 10% | 53% | 119% | 57% |
| Gross profit margin | 16% | 13% | 12% | 12% | 14% |
| Profit/(loss) before tax, goodwill amortisation and exceptional items | £3,775,063 | £499,840 | £501,308 | £260,471 | (£2,445,608) |
| Profit/(loss) before tax | £1,054,695 | (£106,614) | (£105,146) | (£260,471) | (£2,445,608) |
| Cash balances | £4,153,713 | £2,290,713 | £2,195,592 | £1,449,186 | £486,260 |

The group also continued to invest significantly in the year through its staff in operational and system improvements These investments resulted in improved delivery service and delivery lead times to the customer Stock balances have increased as a result but are still relatively small in comparison to sales The Board expect this strategy to further improve results for the 2010/11 financial year The group does not capitalise internally generated costs for the development of its offering and IT infrastructure In June 2009 DRL Holdings Limited completed the purchase of Expert Logistics Limited ("Expert"), the incumbent provider of the distribution services to DRL Limited This has allowed further development of the delivery proposition provided to the company by Expert and in turn the services offered by DRL Limited to its end consumer

The group also secured contracts with Argos and B&Q in the year to deliver white goods on behalf of these major retailers

### Position of the business

Working capital of the group has increased by £623,029 from net current liabilities of £758,209 to net current liabilities of £135,180 and cash at bank had increased by £1,863,000 to £4,153,713

## GOING CONCERN

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future

Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements

# DIRECTORS' REPORT (continued)

## FINANCIAL RISK

**Price risk, credit risk, liquidity risk and cash flow risk**

The business' principal financial instruments comprise bank balances, trade debtors, trade creditors and finance lease agreements The main purpose of these instruments is to finance the business' operations

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest All of the business' cash balances are held in such a way that achieves a competitive rate of interest In the current period, the group has also secured an invoice discounting facility which has improved cash flow

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits The amounts presented in the balance sheet are net of allowances for doubtful debtors

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

The business is a lessee in respect of finance leased assets The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments

## RESULTS AND DIVIDEND

The results for the group are set out in the financial statements and notes on pages 7 to 25

The directors do not recommend the payment of a dividend (2009 nil)

Post balance sheet events impacting the results of the business are set out in note 21

## EMPLOYMENT POLICIES

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities

Disabled employees receive appropriate training to promote their career development within the group Employees who become disabled are retained in their existing posts where possible or retained for suitable alternative posts

Regular meetings are held between senior management and employee representatives to discuss matters of concern Employees are kept well-informed about the progress and position of the group by means of regular departmental meetings, newsletters and journals

## CHARITABLE DONATIONS

During the year the group made charitable donations of £28,598 (2009 £10,428) These donations were principally to local charities such as Bolton Lads and Girls Club as part of the group's commitment to its staff and local community

## DIRECTORS

The directors who held office during the year and thereafter are noted on page 1

The company has taken out insurance for the directors against public liability claims, which remains in force at the date of this report

## DIRECTORS' REPORT (continued)

### AUDITORS

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

- As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

On 25 January 2010 Gortons resigned as auditors of the company On 26 January 2010 Deloitte LLP were appointed by the Board of Directors

A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

John Roberts
Director
3 December 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 group and company and of the profit or loss of the group 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,
- state whether applicable UK Accounting Standards have been followed, 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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRL HOLDINGS LIMITED

We have audited the financial statements of DRL Holdings Limited for the year ended 31 March 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 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 Statement of 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 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 (APB'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 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 31 March 2010 and of the group's 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

**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 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 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

Damian Sanders BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, United Kingdom
8 December 2010

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## Year ended 31 March 2010

| | | 2010 | | | 2009 |
|---|---|---|---|---|---|
| | | Group trading | Other items* | Total | |
| | Note | £ | | £ | £ |
| **TURNOVER** | 2 | 126,716,030 | - | 126,716,030 | 89,069,362 |
| Cost of sales | | (105,384,442) | (1,268,157) | (106,652,599) | (77,565,223) |
| **GROSS PROFIT/(LOSS)** | | 21,331,588 | (1,268,157) | 20,063,431 | 11,504,139 |
| Administrative expenses | | (17,395,654) | (749,011) | (18,144,665) | (11,042,357) |
| Amortisation of goodwill | | (609,804) | - | (609,804) | (606,454) |
| | | (18,005,458) | (749,011) | (18,754,469) | (11,648,811) |
| **OPERATING PROFIT/(LOSS)** | 3 | 3,326,130 | (2,017,168) | 1,308,962 | (144,672) |
| Other interest receivable and similar income | | 1,886 | - | 1,886 | 39,747 |
| Interest payable | 6 | (162,757) | (93,396) | (256,153) | (1,689) |
| **PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 3,165,259 | (2,110,564) | 1,054,695 | (106,614) |
| Tax (charge)/credit on profit/(loss) on ordinary activities | 7 | (914,094) | 590,958 | (323,136) | 925,430 |
| **PROFIT/(LOSS) FOR THE FINANCIAL YEAR** | 17, 18 | 2,251,165 | (1,519,606) | 731,559 | 818,816 |

*'Other items' relates to post balance sheet events as disclosed in note 26

Turnover and operating profit/ (loss) derive wholly from continuing operations

The group has no recognised gains or losses for the year other than the results above Consequently, no separate Consolidated Statement of Total Recognised Gains and Losses has been prepared

## CONSOLIDATED BALANCE SHEET
## As at 31 March 2010

| | Note | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 8 | | 10,373,320 | | 10,916,171 |
| Tangible assets | 9 | | 1,209,872 | | 443,614 |
| | | | 11,583,192 | | 11,359,785 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 12 | 3,714,107 | | 1,336,189 | |
| Debtors | 13 | 8,571,035 | | 5,046,322 | |
| Cash at bank and in hand | | 4,153,713 | | 2,290,713 | |
| | | 16,438,855 | | 8,673,224 | |
| **CREDITORS amounts falling due within one year** | 14 | (16,574,035) | | (9,431,433) | |
| **NET CURRENT LIABILITIES** | | | (135,180) | | (758,209) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 11,448,012 | | 10,601,576 |
| **CREDITORS: amounts falling due after more than one year** | 15 | | (4,614,158) | | (4,499,281) |
| **NET ASSETS** | | | 6,833,854 | | 6,102,295 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 16 | | 31,021 | | 31,021 |
| Merger reserve | 17 | | 5,357,604 | | 5,357,604 |
| Profit and loss reserve | 17 | | 1,445,229 | | 713,670 |
| **SHAREHOLDERS' FUNDS** | 18 | | 6,833,854 | | 6,102,295 |

The financial statements of DRL Holdings Limited, registered number 05525751 were approved by the Board of Directors on 3 December 2010

Signed on behalf of the Board of Directors

John Roberts

Director

## COMPANY BALANCE SHEET
## As at 31 March 2010

| | Note | £ | 2010 £ | £ | 2009 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Investments | 10 | | 10 454,465 | | 9,862,988 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 13 | 3,221 | | 48,693 | |
| Cash at bank and in hand | | 40,697 | | - | |
| | | 43,918 | | 48,693 | |
| **CREDITORS: amounts falling due within one year** | 14 | (725,924) | | (35,598) | |
| **NET CURRENT (LIABILITIES)/ASSETS** | | | (682,006) | | 13,095 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 9,772,459 | | 9,876,083 |
| **CREDITORS: amounts falling due after more than one year** | 15 | | (4,490,000) | | (4,490,000) |
| **NET ASSETS** | | | 5,282,459 | | 5,386,083 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 16 | | 31,021 | | 31,021 |
| Merger reserve | 17 | | 5,357,604 | | 5,357,604 |
| Profit and loss reserve | 17 | | (106,166) | | (2,542) |
| **SHAREHOLDERS' FUNDS** | 18 | | 5,282,459 | | 5,386,083 |

The financial statements of DRL Holdings Limited, registered number 05525751 were approved by the Board of Directors on 2010

Signed on behalf of the Board of Directors

John Roberts
Director

## CONSOLIDATED CASH FLOW STATEMENT
## Year ended 31 March 2010

| | Notes | 2010 £ | 2009 £ |
|---|---|---|---|
| **Net cash inflow from operating activities** | 22 | 2,443,230 | 186,460 |
| Returns on investments and servicing of finance | 23 | (254,267) | 38,058 |
| Taxation | 23 | - | - |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (920,610) | (121,022) |
| | | (920,610) | (121,022) |
| **Acquisitions and disposals** | | | |
| Acquisition of subsidiary undertaking | | (591,477) | - |
| Net overdraft acquired with subsidiary | | (247,655) | - |
| | | (839,132) | - |
| **Cash inflow before management of liquid resources and financing** | | 429,221 | 103,496 |
| **Financing** | | | |
| Issue of equity shares | | - | 1,074 |
| Increase in short term borrowings | | 1,255,812 | - |
| Capital element of finance lease rental payments | | 177,967 | (9,449) |
| | | 1,433,782 | (8,375) |
| **Increase in cash in the year** | | 1,863,000 | 95,121 |
| Cash brought forward | | 2,290,713 | 2,195,592 |
| Cash carried forward | | 4,153,713 | 2,290,713 |

Cash flows arising from Expert, acquired during the year, include the purchase of tangible fixed assets (£508,000) and increase in short term borrowing (£1,255,783)

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

1. ACCOUNTING POLICIES

**Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2010 The result of subsidiaries acquired or sold are consolidated for the period from or to the date on which control passed

Acquisitions are accounted for under the acquisition method

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account Its loss for the financial year was £103,624 (2009 £1,250)

**Going concern**

The group has continued to trade profitably in the current economic circumstances and has no significant borrowings Future growth in the business is expected to be funded through trading and working capital management and the cash resources available are expected to be more than adequate for the group and company for the foreseeable future, taking account of reasonably possible changes in trading performance

On the basis of this assessment of the financial and trading position and expectations, the directors consider that the going concern basis of preparation is appropriate

**Turnover**

The turnover shown in the profit and loss account represents the value of goods delivered to the customers during the year, net of value added tax For the group, turnover is recognised on orders received when goods have been delivered to customers

Where the company acts as a sales agent for other businesses, the expected value of deferred remuneration is recognised when all services in relation to a contract have been completed

**Tangible fixed assets**

All fixed assets are recorded at cost, net of depreciation and any provision for impairment

**Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

| | |
|---|---|
| Property alterations | 10% straight line |
| Fixtures and fittings | Between 3 and 8 years reducing balance |
| Motor vehicles | 20% straight line |
| Computer equipment | 25% straight line |
| Office equipment | 20% reducing balance |

The carrying values of tangible fixed assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable

**Goodwill**

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset to the balance sheet and amortised on a straight line basis over its useful economic life, estimated to be 20 years It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

1 ACCOUNTING POLICIES (continued)

**Investment**

Fixed asset investments are shown at cost less provision for impairment Current asset investments are stated at the lower of cost and net realisable value

**Stock**

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks

**Current tax**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

**Deferred taxation**

Deferred tax is provided in full on timing differences at the balance sheet date, at rates expected to apply when they crystallise based on current rates and law Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements Deferred tax and liabilities are not discounted Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered

**Hire purchase and finance lease contracts**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives The capital elements of future obligations under the leases are included as liabilities in the balance sheet The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

**Operating leases**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

**Pensions**

The group operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

**Share and capital instruments**

Shares and capital instruments issued are valued at the date of issue at the market value of the consideration received Any premium on redemption of non-equity capital instruments is recognised over the earliest period under which that premium may be due under terms of the instrument Shares and related instruments issued to an employee are valued at their fair value in accordance with FRS 20 where this can reliably be determined Where this is not possible such instruments are valued at their intrinsic value until an accurate value can be determined

2. TURNOVER

All the group's turnover in the year and prior year arose in the UK from the supply of kitchen appliances and associated products and services and delivery

# NOTES TO THE FINANCIAL STATEMENTS (continued)
# Year ended 31 March 2010

## 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

| | 2010 £ | 2009 £ |
|---|---|---|
| Operating lease charges | | |
| Plant and machinery - operating leases | 930,000 | - |
| Other – operating leases | 784,033 | 210,200 |
| Depreciation on owned assets | 260,409 | 276,674 |
| Depreciation of assets held under finance leases and hire purchase contracts | 14,884 | 6,531 |
| Amortisation | 609,804 | 606,454 |

**Auditors' remuneration**

| | 2010 £ | 2009 £ |
|---|---|---|
| Fees payable to the group's auditors for the audit of the group's annual accounts | 1,850 | 1,850 |
| Fees payable to the group's auditors and their associates for other services to the group - the audit of the group's subsidiaries pursuant to legislation | 36,800 | 17,050 |
| Total audit fees | 38,650 | 18,900 |
| Total non audit fees | 14,493 | 24,189 |
| Total | 53,143 | 43,089 |

Included within auditors' remuneration is audit services of £5,150 and non audit services of £14,493 relating to the previous auditors of the group (2009 £43,089) The audit and non-audit fees of a subsidiary, Expert Logistics Limited, in prior year were paid by its previous parent company

Non-audit fees include tax £2,350 (2009 £2,350), corporate finance £1,450 (2009 £6,275) and other remuneration and payroll £10,693 (2009 £15,564)

## 4. PARTICULARS OF EMPLOYEES

In the year the group employed an average of 395 staff (2009 217) of whom 8 were directors or senior management and the other 387 were sales, logistics and administrative staff (2009 8 and 209 respectively)

The aggregate payroll costs of these persons were as follows

| | 2010 £ | 2009 £ |
|---|---|---|
| Wages and salaries | 9,231,049 | 5,093,813 |
| Social security | 896,925 | 478,591 |
| Pension costs | 173,262 | 143,981 |
| | 10,301,236 | 5,716,385 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 5. DIRECTORS' EMOLUMENTS

The directors' emoluments for the year are as follows

| | 2010 £ | 2009 £ |
|---|---|---|
| Directors' remuneration (including benefits in kind) | 1,055,913 | 421,338 |
| Director pension contributions | 38,594 | 35,625 |
| | 1,094,507 | 456,963 |

During the year the number of directors who were accruing benefits under company pension schemes was as follows

| | No. | No. |
|---|---|---|
| Money purchase | 2 | 2 |

The aggregate of emoluments and amounts receivable under long term incentives schemes of the highest paid director was £605,937 (2009 £163,292), and company pension contributions of £20,312 (2009 £18,750) were made to a money purchase scheme on their behalf

### 6. INTEREST PAYABLE

| | 2010 £ | 2009 £ |
|---|---|---|
| Interest on preference shares | 98,000 | - |
| Bank interest | 62,000 | - |
| Hire purchase interest | 2,757 | 1,689 |
| | 162,757 | 1,689 |
| Other interest* | 93,396 | - |
| | 256,153 | 1,689 |

*'Other interest' relates to exceptional costs as disclosed on the consolidated profit and loss account

### 7. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES

The tax charge/(credit) comprises

| | 2010 £ | 2009 £ |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | - | - |
| **Deferred taxation** | | |
| Origination and reversal of timing differences | 323,136 | (925,430) |

The deferred tax charge arising in the year is due to the utilisation of the asset relating to brought forward operating losses This recognition reflected the group's pattern of established and increasing profitability As noted below, the current tax charge for the year benefited by £438,233 from unutilised losses brought forward

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 7. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES (continued)

**Factors affecting current period tax charge/(credit)**

The tax assessed on the profit/(loss) on ordinary activities for the year and the previous year is lower than the standard rate of corporation tax in the UK of 28% (2009 28%)

The differences are reconciled below

| | 2010<br>£ | 2009<br>£ |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | 1,054,695 | (106,614) |
| Standard rate corporation tax charge/(credit) | 295,315 | (29,852) |
| Depreciation (lower than)/in excess of capital allowances | (41,799) | 29,110 |
| Losses utilised in the year | (438,233) | (177,397) |
| Goodwill amortisation not deductible for tax purposes | 181,005 | 169,807 |
| Other expenses not deductible for tax purposes | 3,712 | 8,332 |
| Total current tax for the year | - | - |

### 8. INTANGIBLE FIXED ASSETS

**Group**

| | Goodwill<br>£ |
|---|---|
| **Cost** | |
| At 1 April | 12,129,079 |
| Additions | 66,953 |
| At 31 March 2010 | 12,196,032 |
| **Amortisation** | |
| As at 1 April 2009 | 1,212,908 |
| Charge for the year | 609,804 |
| As at 31 March 2010 | 1,822,712 |
| **Net book value** | |
| At 31 March 2010 | 10,373,320 |
| A 31 March 2009 | 10,916,171 |

On 19 June 2009 the company acquired Expert Logistics Limited (notes 10,11)

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 9. TANGIBLE FIXED ASSETS

**Group**

| | Property alterations £ | Fixtures and fittings £ | Motor vehicles £ | Computer and office equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2009 | 36,159 | 95,306 | 29,686 | 1,570,554 | 1,731,705 |
| Additions | 6,605 | 7,937 | - | 906,068 | 920,610 |
| Acquired with subsidiary at net book value | - | - | 36,941 | 84,000 | 120,941 |
| At 31 March 2010 | 42,764 | 103,243 | 66,627 | 2,560,622 | 2,773,256 |
| **Depreciation** | | | | | |
| At 1 April 2009 | 11,047 | 51,544 | 12,369 | 1,213,131 | 1,288,091 |
| Charge for the year | 3,910 | 7,100 | 17,937 | 246,346 | 275,293 |
| At 31 March 2010 | 14,957 | 58,644 | 30,306 | 1,459,477 | 1,563,384 |
| **Net book value** | | | | | |
| At 31 March 2010 | 27,807 | 44,599 | 36,321 | 1,101,145 | 1,209,872 |
| At 31 March 2009 | 25,112 | 43,762 | 17,317 | 357,423 | 443,614 |

**Hire purchase agreements**

Included within the total net book value of tangible fixed assets is £65,340 (2009 £32,713) in respect of assets held under finance leases and similar hire purchase contracts Depreciation for the year on these assets was £14,884 (2009 £6,531)

### 10. INVESTMENTS HELD AS FIXED ASSETS

**Company**

| | 2010 £ | 2009 £ |
|---|---|---|
| Shares in group undertakings | 9,947,285 | 9,355,808 |
| Loans to group undertakings | 507,180 | 507,180 |
| | 10,454,465 | 9,862,988 |

Additional information is as follows

| | Shares in group undertakings £ |
|---|---|
| **Cost** | |
| As at 1 April 2009 | 9,355,808 |
| Additions | 591,477 |
| At 31 March 2010 | 9,947,285 |
| **Net book value** | |
| As at 31 March 2010 | 9,947,285 |
| As at 31 March 2009 | 9,355,808 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

| | Loans to group undertakings £ |
|---|---|
| At 1 April 2009 and at 31 March 2010 | 507,180 |

The company owns 100% of the issued share capital of the following companies, incorporated in England & Wales, which are included in the consolidated accounts

| Company | Aggregated capital and reserves £ | Profit for financial year £ | Activity |
|---|---|---|---|
| DRL Limited | 437,757 | 1,281,906 | Retail |
| Expert Logistics Limited | 687,604 | 453,557 | Logistics and transport |
| Worry Free Cover Limited | 2 | Nil | Dormant |

### 11 ACQUISITION OF SUBSIDIARY UNDERTAKING

On 19 June 2009 the company acquired 100% of the issued share capital of Expert Logistics Limited for consideration of £500,000 paid in cash

Acquisitions are accounted for under the acquisition method

The following table sets out the book values of the identifiable assets and liabilities acquired There is no material difference between book cost and fair value

| | £ |
|---|---|
| **Tangible fixed assets** | 120,941 |
| **Current assets** | |
| Trade debtors | 2,605,070 |
| Prepayments | 793,383 |
| **Total assets** | 3,519,394 |
| **Creditors** | |
| Bank overdraft | 247,655 |
| Trade creditors | 1,328,086 |
| Accruals | 968,003 |
| Taxation | 451,126 |
| **Total liabilities** | 2,994,870 |
| **Net assets** | 524,524 |
| Goodwill | 66,953 |
| | 591,477 |
| Satisfied by | |
| Cash | 500,000 |
| Legal and professional fees | 91,477 |
| | 591,477 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 11 ACQUISITION OF SUBSIDIARY UNDERTAKING (continued)

Net cash outflows in respect of the acquisition comprised

| | £ |
|---|---|
| Cash consideration | 591,477 |
| Bank overdrafts acquired | 247,655 |
| | 839,132 |

Expert Logistics Limited earned a profit after taxation of £453,557 in the year ended 31 March 2010 - £290,477 of which arose in the period 1 April 2009 to 19 June 2009 The summarised profit and loss account and statement of total recognised gains and losses for the period from 1 April 2009 to 19 June 2009 shown on the basis of the accounting policies of Expert Logistics Limited, prior to acquisition, are as follows

| **Profit and loss account** | **£** |
|---|---|
| **Turnover** | 4,416,388 |
| Cost of sales | (3,063,598) |
| **Gross Profit** | 1,352,790 |
| Administrative expenses | (1,061,353) |
| **Operating profit** | 291,437 |
| Finance charges | (960) |
| **Profit before and after taxation** | 290,477 |

Expert had no recognised gains or losses for the year other than the results above

### 12. STOCKS AND WORK IN PROGRESS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Goods for resale | 3,714,107 | 1,336,189 | - | - |

### 13 DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Trade debtors | 2,512,677 | 563,469 | - | - |
| Other debtors | 3,226,668 | 2,479,201 | 3,221 | 14,345 |
| Deferred tax | 1,167,294 | 1,490,430 | - | - |
| Prepayments and accrued income | 1,664,396 | 513,222 | - | 34,348 |
| | 8,571,035 | 5,046,322 | 3,221 | 48,693 |

Other debtors in respect of the group includes future receipts on deferred payment terms due after more than one year of £2,076,504 (2009 £1,104,633)

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 13. DEBTORS (CONTINUED)

**Deferred tax**

| | £ |
|---|---|
| At 1 April 2009 | 1,490,430 |
| Charged to profit and loss (note 7) | (323,136) |
| At 31 March 2010 | 1,167,294 |

The deferred tax asset relates to

| | 2010<br>£ | 2009<br>£ |
|---|---|---|
| Depreciation in excess of capital allowances | (40,357) | - |
| Losses carried forward | 1,207,651 | 1,490,430 |
| | 1,167,294 | 1,490,430 |

This deferred tax asset will be realised against future taxable profits arising in the United Kingdom All of the deferred tax asset will be realised within one year

### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>£ | 2009<br>£ | 2010<br>£ | 2009<br>£ |
| Obligations under finance leases and hire purchase contracts | 76,187 | 13,093 | - | - |
| Trade creditors | 9,207,840 | 5,463,136 | - | - |
| Amounts owed to group undertakings | - | - | 711,924 | 35,598 |
| Social security and other taxes | 1,632,079 | 855,144 | - | - |
| Other creditors | 1,255,812 | - | - | - |
| Accruals and deferred income | 4,402,117 | 3,100,060 | 14,000 | - |
| | 16,574,035 | 9,431,433 | 725,924 | 35,598 |

Deferred income in the group for goods paid for but not yet delivered is secured on cash deposits of £540,000 (2009 £1,250,000) Obligations under finance leases and hire purchase agreements are secured on the fixed assets to which they relate

The group has granted a floating charge over its assets to secure loan funding of £1,255,812 (2009 £nil) This is an invoice discounting facility loan included within Other creditors

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Preference shares | 4,490,000 | 4,490,000 | 4,490,000 | 4,490,000 |
| Obligations under finance leases and hire purchase contracts | 124,158 | 9,281 | - | - |
| | 4,614,158 | 4,499,281 | 4,490,000 | 4,490,000 |

The term of the preference shares are described in the share capital note below The preference shares are redeemable at £2 each All obligations under finance leases and hire purchase contracts are due between 2 and 5 years

### 16. SHARE CAPITAL

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| **Authorised** | | |
| **Equity** | | |
| 277,936 A Ordinary shares of 1 pence each | 2,779 | 2,779 |
| 310,548 B ordinary shares of 1 pence each | 3,105 | 3,105 |
| 330,390 C ordinary shares of 1 pence each | 3,304 | 3,304 |
| 370,321 D ordinary shares of 1 pence each | 3,703 | 3,703 |
| 402,569 E ordinary shares of 1 pence each | 4,026 | 4,026 |
| 1,410,360 F ordinary shares of 1 pence each | 14,104 | 14,104 |
| | 31,021 | 31,021 |
| **Non-equity** | | |
| 2,245,000 Preference shares of £1 each | 2,245,000 | 2,245,000 |

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| **Allotted, called up and fully paid** | | |
| **Equity** | | |
| 277,936 A Ordinary shares of 1 pence each | 2,779 | 2,779 |
| 310,548 B ordinary shares of 1 pence each | 3,105 | 3,105 |
| 330,390 C ordinary shares of 1 pence each | 3,304 | 3,304 |
| 370,321 D ordinary shares of 1 pence each | 3,703 | 3,703 |
| 402,569 E ordinary shares of 1 pence each | 4,026 | 4,026 |
| 1,410,360 F ordinary shares of 1 pence each | 14,104 | 14,104 |
| | 31,021 | 31,021 |
| **Non-equity** | | |
| 2,245,000 Preference shares of £1 each | 2,245,000 | 2,245,000 |

The 'A' ordinary shares of 1 pence each carry 1 vote in general meetings No other shares have voting rights

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 16. SHARE CAPITAL (CONTINUED)

The preference shares have a right to redemption at a price of £2 per share on the sale of the company or an equivalent event, including winding up, ranking ahead of all ordinary shares The ordinary shares of all classes have no rights to redemption The preference shares have no rights to dividends The ordinary shares of all classes have no fixed rights to dividends

The ordinary shares carry rights to assets on winding up or on a sale of the company which vary as the total proceeds, being the first £10 million attributable to ordinary shareholders, are due to the holders of 'A' ordinary shares, with subsequent tranches due to the holders of other classes of ordinary shares in sequence

### 17. RESERVES

**Group**

| | Merger reserve £ | Profit and loss reserve £ | Total £ |
|---|---|---|---|
| Balance at 1 April 2009 | 5,357,604 | 713,670 | 6,071,274 |
| Transfer from profit and loss account for the year | - | 731,559 | 731,559 |
| Balance at 31 March 2010 | 5,357,604 | 1,445,229 | 6,802,833 |

**Company**

| | Merger reserve £ | Profit and loss reserve £ | Total £ |
|---|---|---|---|
| Balance at 1 April 2009 | 5,357,604 | (2,542) | 5,355,062 |
| Transfer from profit and loss account for the year | - | (103,624) | (103,624) |
| Balance at 31 March 2010 | 5,357,604 | (106,166) | 5,251,438 |

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £ | 2009 £ | 2010 £ | 2009 £ |
| Profit/(loss) attributable to members of the group/company | 731,559 | 818,816 | (103,624) | (1,250) |
| New share capital subscribed | - | 1,074 | - | 1,074 |
| Net addition to/(reduction in) shareholders' funds | 731,559 | 819,890 | (103,624) | (176) |
| Opening shareholders' funds | 6,102,295 | 5,282,405 | 5,386,083 | 5,386,259 |
| Closing shareholders' funds | 6,833,854 | 6,102,295 | 5,282,459 | 5,386,083 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 19. OPERATING LEASE COMMITMENTS

**Group**

As at 31 March 2010 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

| | Land and buildings 2010 £ | Land and buildings 2009 £ |
|---|---|---|
| Two to five years | 1,624,000 | - |
| Over five years | 212,033 | 210,200 |
| Total | 1,836,033 | 210,200 |

### 20. CAPITAL COMMITMENTS

The outstanding capital commitments at 31 March 2010 in respect of contracted capital expenditure not provided for amounts to £75,000 (2009 £nil)

### 21. PENSION SCHEME

**Defined contribution pension scheme**

The group operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £173,262 (2009 £143,981)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

### 22. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

| | 2010 £ | 2009 £ |
|---|---|---|
| Operating profit/(loss) | 1,308,962 | (144,672) |
| Depreciation, amortisation and impairment charges | 885,097 | 889,659 |
| Increase in stocks | (2,377,917) | (669,106) |
| Increase in debtors* | (451,000) | (1,029,258) |
| Increase in creditors* | 3,078,088 | 1,139,837 |
| Net cash inflow from operating activities | 2,443,230 | 186,460 |

*The increase in working capital excludes the acquired assets and liabilities of Expert It also excludes the deferred tax asset

### 23. ANALYSYS OF CASH FLOWS

| | 2010 £ | 2009 £ |
|---|---|---|
| **Returns on investment and servicing of finance** | | |
| Other interest paid | (256,153) | (1,689) |
| Interest received | 1,886 | 39,747 |
| | (254,267) | 38,058 |
| **Taxation** | | |
| Taxation paid | - | - |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 24 ANALYSYS AND RECONCILIATION OF NET DEBT

| | At 1 April £ | Cash flow £ | Other non-cash changes £ | At 31 March £ |
|---|---|---|---|---|
| Cash | 2,290,713 | 1,863,000 | - | 4,153,713 |
| Preference shares | (4,490,000) | - | - | (4,490,000) |
| Finance leases | (22,374) | - | (177,971) | (200,345) |
| Hire purchase | - | - | - | - |
| Loans | - | (1,225,812) | - | (1,225,812) |
| | (4,512,374) | (1,225,812) | (177,971) | (5,916,157) |
| Net debt | (2,221,661) | 637,188 | (177,971) | (1,762,444) |

| | 2010 £ | 2009 £ |
|---|---|---|
| Increase in cash in year | 1,863,000 | 95,121 |
| Cash (inflow)/outflow from debt | (1,225,812) | 9,449 |
| Changes in net debt resulting from cashflows | 637,188 | 104,570 |
| New finance leases | (177,971) | (15,990) |
| Movement in debt in year | 459,217 | 88,580 |
| Net debt at 1 April | (2,221,661) | (2,310,241) |
| Net debt at 31 March | (1,762,444) | (2,221,661) |

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## Year ended 31 March 2010

### 25. RELATED PARTIES

During the year the group purchased services in the ordinary course of business from Atticus LLP, a partnership in whom a director has an interest, at a cost of £72,049 (2009 £66,193) Amounts due at the year end were £411 (2009 £nil)

During the year the group purchased services in the ordinary course of business from Mark Two Distributors Limited, a company in whom a director has an interest, at a cost of £137,425 (2009 £63,420) Amounts due at the year end were £nil (2009 £12,554)

**Controlling entity**

DRL Holdings is controlled by its directors acting together

**Directors' loan accounts**

The following balances were owed by the directors at the year end

| | 2010 £ | 2009 £ |
|---|---|---|
| J Roberts | - | 3,758 |
| N Stoller | - | 1,949 |
| W Holroyd | - | 1,939 |
| S Caunce | - | 1,613 |
| C Hopkinson | - | 660 |
| K Philbin | - | 129 |
| | - | 10,048 |

No interest was charged in respect of these balances

### 26. POST BALANCE SHEET EVENTS

DRL Limited, a subsidiary company, continues its litigation against a former supplier However subsequent to the year end, on 24 September 2010, the Company received an interim judgement as part of the ongoing legal proceedings Consequently, the Directors now feel it appropriate to make a provision against the balances that may no longer be recoverable whilst continuing to pursue the claim In the year ended 31 March 2010, the provision is a non trading item and relates to a historical issue The cash impact to the business is significantly less than the amount displayed on the face of the profit and loss account in the current year, as this charge relates principally to writing off assets previously considered to be recoverable