

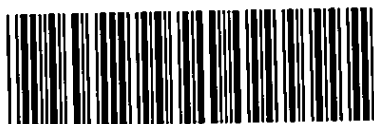
**Bestway Direct Limited**

**Directors' report and financial  
statements**

**Registered number 4103203**

**30 June 2008**

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## Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report to the members of Bestway Direct Limited	5
Profit and loss account	7
Balance sheet	8
Notes	9

## Company information

<b>Company registration number</b>	4103203
<b>Registered Office</b>	2 Abbey Road Park Royal London NW10 7BW
<b>Directors</b>	Sir MA Pervez, OBE HPk (Chairman) ZM Choudrey, BA (Hons), ACA (Group Chief Executive) MY Sheikh (Managing Director of Cash and Carry Businesses) AK Bhatti AK Chaudhary AM Chaudhary, MBA R Pervez, ACA D Pervez, BA (Hons), MA Oxon, Solicitor
<b>Secretary</b>	D Pervez, BA (Hons), MA Oxon, Solicitor
<b>Bankers</b>	HSBC Bank Plc Apex Plaza Reading RG1 1AX
<b>Auditors</b>	KPMG LLP 20 Farringdon Street London EC4A 4PP

## Directors' report

The directors submit their report and the financial statements of Bestway Direct Limited for the year ended 30 June 2008.

### Principal activities

The principal activity of the Company during the year was that of wholesalers of groceries, tobacco, wines, spirits and other household goods.

### Review of the business

Turnover for the year ended 30 June 2008 amounted to £57.3 million compared to £46.1 million for the previous year, which is an increase of 24.3%. Operating profit for the year to 30 June 2008 increased substantially to £178,126 compared to £6,951 for the previous year. Profit on ordinary activities before taxation increased by 346% to £263,074 compared to £58,953 in the previous year. The main reason for the sales and profit before taxation increasing is the number of new retailers using Bestway Direct's services has been increasing.

The directors are satisfied with the results for the year.

### Future developments

The director's expect profitable trading to continue.

### Key performance indicators

The board of Directors uses many performance indicators, both financial and non financial, to monitor the company's position.

Among the financial performance indicators within the business, the most important ones are gross profit margin, sales per supplier, and delivery targets.

The non-financial performance indicators include staff turnover, staff/supplier/customer satisfaction and health and safety reports. The Board is of the belief that the monitoring of the above-mentioned indicators is an effective aspect of business performance review.

The Board is satisfied that it has generally met both the financial and non-financial performance indicators that it had set to achieve.

### Results and dividend

The trading profit for the year after taxation was £213,246 (2007: £19,915).

The directors do not recommend the payment of a dividend (2007: £nil).

### Directors

The following directors have held office since 1 July 2007:

Sir MA Pervez, OBE HPk  
ZM Choudrey, BA (Hons), ACA  
MY Sheikh  
AM Chaudhary, MBA  
R Pervez, ACA  
D Pervez, BA (Hons), MA Oxon, Solicitor  
AK Bhatti  
AK Chaudhary

### Indemnity provisions

No qualifying third party provision is in force for the benefit of any director of the Company.

### Political and charitable donations

During the year the Company made no political or charitable donations (2007: £nil).

## **Directors' report** *(continued)*

### **Disclosure of information to auditors**

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**D Pervez, BA (Hons), MA Oxon, Solicitor**  
*Secretary*

2 Abbey Road  
Park Royal  
London  
NW10 7BW

## **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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG LLP

20 Farringdon Street  
London  
EC4A 4PP  
United Kingdom

### **Independent auditors' report to the members of Bestway Direct Limited**

We have audited the financial statements of Bestway Direct Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Bestway Direct Limited**  
*(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

12 March, 2009.



**Profit and loss account**  
*for the year ended 30 June 2008*

	<i>Note</i>	2008 £	2007 £
<b>Turnover</b>	<i>1</i>	<b>57,341,098</b>	46,122,881
Cost of sales		<b>(55,606,834)</b>	(44,656,415)
<b>Gross profit</b>		<b>1,734,264</b>	1,466,466
Administrative expenses		<b>(1,556,138)</b>	(1,459,515)
<b>Operating profit</b>		<b>178,126</b>	6,951
Other interest receivable and similar income	<i>2</i>	<b>84,948</b>	52,002
<b>Profit on ordinary activities before taxation</b>	<i>3</i>	<b>263,074</b>	58,953
Tax on profit on ordinary activities	<i>5</i>	<b>(49,828)</b>	(39,038)
<b>Profit for the financial year</b>		<b>213,246</b>	19,915

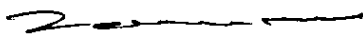
The results shown above are derived entirely from the Company's continuing operations.


No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

**Balance sheet**  
*at 30 June 2008*

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	6	206,400	209,066
<b>Current assets</b>			
Debtors	7	3,882,136	2,942,653
Cash at bank and in hand		631,063	667,698
		4,513,199	3,610,351
<b>Creditors: amounts falling due within one year</b>	8	(3,915,500)	(3,228,564)
<b>Net current assets</b>		597,699	381,787
<b>Total assets less current liabilities</b>		804,099	590,853
<b>Net assets</b>		804,099	590,853
<b>Capital and reserves</b>			
Called up share capital	10	2	2
Profit and loss account	11	804,097	590,851
<b>Shareholders' funds</b>	12	804,099	590,853

These financial statements were approved by the board of directors on 26-02-2009 and were signed on its behalf by:

  
**Z M Choudrey, BA (Hons), ACA**  
Director

  
**MY Sheikh**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. They have been prepared on the going concern basis and the Company's parent company, Bestway (Holdings) Limited, has committed to support the Company for the foreseeable future.

#### *Cash flow statement*

Under FRS 1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

#### *Related party transactions*

As the Company is a wholly owned subsidiary of Bestway (Holdings) Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Bestway (Holdings) Limited, within which this Company is included, can be obtained from the address given in note 15.

#### *Tangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value as follows:

Computer equipment	-	25% reducing balance
Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### *Retrospective rebates and discounts*

The company negotiates discounts directly with its suppliers. These discounts are accounted for once the directors are confident that the Company is entitled to the discount.

**Notes (continued)**

**1 Accounting policies (continued)**

**Turnover**

Turnover represents the invoiced value, net of Value Added Tax, of goods delivered and services provided to customers.

**Turnover and profit on ordinary activities before taxation**

The Company's turnover and profit before taxation were all derived from its principal activity wholly undertaken within the United Kingdom.

**2 Other interest receivable and similar income**

	2008 £	2007 £
Other interest receivable	84,948	52,002

**3 Profit on ordinary activities before taxation**

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Owned assets	68,799	69,689
Auditors' remuneration:		
Audit of these financial statements	6,600	5,500
Other services relating to taxation	3,000	3,000

**4 Employees and directors**

	2008 No.	2007 No.
The average monthly number of persons (including directors) employed by the Company during the year was:		
Management	8	8
	2008 £	2007 £
Staff costs for the above persons:		
Wages and salaries	-	-

No director was paid any remuneration for their services to the company. A management fee of £750,000 (2007: £720,000) has been levied by another group company for services received in the year.

## Notes (continued)

### 5 Taxation

	2008 £	2007 £
Current tax:		
UK corporation tax on profits for the period	80,724	45,614
Adjustments in respect of previous periods	(30,310)	(7,985)
	<hr/>	<hr/>
Total current tax	50,414	37,629
	<hr/>	<hr/>
Deferred taxation:		
Origination and reversal of timing differences	(586)	519
Effect of corporation tax rate change	-	(667)
Adjustments in respect of previous periods	-	1,557
	<hr/>	<hr/>
	(586)	1,409
	<hr/>	<hr/>
Tax on profit on ordinary activities	49,828	39,038
	<hr/>	<hr/>

#### *Factors affecting tax charge for the year:*

The tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	263,074	58,953
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.5% (2007: 30%)	77,607	17,686
	<hr/>	<hr/>
Effects of:		
Expenses not deductible for tax purposes	2,531	28,838
Depreciation in excess of/(less than) capital allowances	586	(557)
Benefit of small companies starting rate	-	(353)
Adjustments in respect of previous periods	(30,310)	(7,985)
	<hr/>	<hr/>
Current tax charge for year	50,414	37,629
	<hr/>	<hr/>

## Notes (continued)

### 6 Tangible fixed assets

	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Total £
<b>Cost</b>				
At beginning of year	25,690	16,000	356,927	398,617
Additions	5,300	-	60,833	66,133
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	30,990	16,000	417,760	464,750
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	12,024	8,401	169,126	189,551
Charged in the year	4,742	1,898	62,159	68,799
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	16,766	10,299	231,285	258,350
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 June 2008	14,224	5,701	186,475	206,400
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	13,666	7,599	187,801	209,066
	<hr/>	<hr/>	<hr/>	<hr/>

### 7 Debtors

	2008 £	2007 £
Due within one year:		
Trade debtors	3,870,815	2,927,972
Amounts owed by related parties	-	13,124
Deferred taxation (see note 9)	2,143	1,557
Prepayments	9,178	-
	<hr/>	<hr/>
	3,882,136	2,942,653
	<hr/>	<hr/>

## Notes (continued)

### 8 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	1,088,359	321,092
Amounts owed to group undertakings	2,536,768	2,276,349
Corporation tax	50,414	38,050
Other taxation and social security costs	17,137	32,923
Other creditors	205,229	333,536
Accruals and deferred income	17,593	226,614
	<u>3,915,500</u>	<u>3,228,564</u>

### 9 Deferred taxation

	Deferred taxation £
Asset at 1 July 2007	1,557
Credit to profit and loss account	586
	<u>2,143</u>
<b>Asset at 30 June 2008</b>	<b><u>2,143</u></b>

The elements of deferred taxation are as follows:

	2008 £	2007 £
Excess of depreciation over tax allowances	2,143	1,557
	<u>2,143</u>	<u>1,557</u>

### 10 Share capital

	2008 £	2007 £
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid: 2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

**Notes** *(continued)*

**11 Profit and loss account**

	2008 £	2007 £
At beginning of the year	590,851	570,936
Profit for the financial year	213,246	19,915
	<hr/>	<hr/>
At end of the year	804,097	590,851
	<hr/> <hr/>	<hr/> <hr/>

**12 Reconciliation of movement in shareholders' funds**

	2008 £	2007 £
Profit for the financial year	213,246	19,915
Opening shareholders' funds	590,853	570,938
	<hr/>	<hr/>
Closing shareholders' funds	804,099	590,853
	<hr/> <hr/>	<hr/> <hr/>

**13 Contingent liabilities**

The company had no contingent liability in respect of a group registration of VAT at 30 June 2008 (2007: £2,048,373).



## Notes (continued)

### 14 Related party transactions

The company has taken advantage of the exemptions from disclosures applicable to subsidiary undertakings where 90% or more of the voting rights are controlled within the group. Accordingly transactions with other group entities have not been disclosed.

There are, however, entities in which the directors' of the company hold an interest which still require disclosure as related parties.

The company's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the amount of transactions with them during the year were as follows:

	<i>Sub notes</i>	<b>2008</b> £	<b>2007</b> £
Year end balance due to Bestway Northern Limited	<i>1</i>	-	-
Sales to Bestway stores	<i>1</i>	<b>556,072</b>	556,510
Year end balance due from Bestway Stores	<i>1</i>	<b>6,810</b>	503
Sales to Buybest Limited	<i>1</i>	<b>313,990</b>	274,804
Year end balance due from Buybest Limited	<i>1</i>	<b>7,777</b>	-
Sales to Best of Food and Wine	<i>1</i>	<b>9,175</b>	5,805
Year end balance due from Best of Food and Wine	<i>1</i>	<b>2,710</b>	2,772
Sales to Food Corner	<i>2</i>	<b>283</b>	7,464
Year end balance due to Food Corner	<i>2</i>	-	285
Sales to Peppermill Supermarkets Limited	<i>1</i>	<b>94,571</b>	92,381
Year end balance due from Peppermill Supermarkets Limited	<i>1</i>	<b>400</b>	6,114
Purchases from Bestway Northern Limited	<i>1</i>	<b>2,641,419</b>	2,751,590
Sales to Russell Supermarket	<i>2</i>	-	4,126
Sales to Superbuy Food & Wine	<i>1</i>	-	8,016
Year end balance due from Superbuy Food & Wine	<i>1</i>	-	-

#### Sub notes

- 1* Certain directors of Bestway Direct Limited are also directors of Bestway Stores, Buybest Limited, Bestway Northern Limited, Best of Food and Wine, and Peppermill Supermarkets Limited.
- 2* Certain directors of Bestway Direct Limited are related to directors of Food Corner and Russell Supermarket.

### 15 Immediate and ultimate parent company

The company's immediate and ultimate parent and controlling company is Bestway (Holdings) Limited, a company registered in England and Wales.

The parent undertaking of the largest group which includes the company and for which group accounts are prepared is Bestway (Holdings) Limited. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.