

Registered number: 00327695

DORMAN SMITH SWITCHGEAR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



DORMAN SMITH SWITCHGEAR LIMITED
REGISTERED NUMBER: 00327695

BALANCE SHEET
AS AT 31 DECEMBER 2018

| | Note | 2018 £ | 2017 £ |
|---|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 4 | 523,666 | 409,541 |
| Tangible assets | 5 | 27,821 | 77,068 |
| | | <u>551,487</u> | <u>486,609</u> |
| Current assets | | | |
| Stocks | 6 | 1,474,217 | 890,009 |
| Debtors | 7 | 1,120,074 | 988,700 |
| Cash at bank and in hand | 8 | 306,159 | 231,062 |
| | | <u>2,900,450</u> | <u>2,109,771</u> |
| Creditors: amounts falling due within one year | 9 | (2,664,780) | (1,819,207) |
| Net current assets | | <u>235,670</u> | <u>290,564</u> |
| Total assets less current liabilities | | <u>787,157</u> | <u>777,173</u> |
| Creditors: amounts falling due after more than one year | 10 | (629,632) | (629,632) |
| Provisions for liabilities | | | |
| Other provisions | 11 | (2,948) | (3,401) |
| | | <u>(2,948)</u> | <u>(3,401)</u> |
| Net assets | | <u><u>154,577</u></u> | <u><u>144,140</u></u> |

DORMAN SMITH SWITCHGEAR LIMITED
REGISTERED NUMBER: 00327695

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

| | Note | 2018 £ | 2017 £ |
|-----------------------------|------|----------------|----------------|
| Capital and reserves | | | |
| Called up share capital | | 165,330 | 165,330 |
| Profit and loss account | | (10,753) | (21,190) |
| | | <u>154,577</u> | <u>144,140</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


C J Josselyn
Director

30 September 2019

The notes on pages 3 to 11 form part of these financial statements.

DORMAN SMITH SWITCHGEAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The company is a private limited company limited by shares, company number 00106845. Its registered office is Ground Floor Unit 1, Nelson Court Business Centre, Preston, PR2 2XU and its principal place of business is 8 Swinbourne Dr, Braintree CM7 2YG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in pound sterling which is the functional currency of the Company and rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.3 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)**2.4 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.5 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)**2.8 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-----------------------|-----------------------------|
| Plant and machinery | - 5 years straight line |
| Fixtures and fittings | - 5 years straight line |
| Computer equipment | - 2 - 7 years straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

DORMAN SMITH SWITCHGEAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Employees

The average monthly number of employees, including directors, during the year was 35 (2017 - 38).

4. Intangible assets

| | Development £ |
|-----------------------|------------------|
| Cost | |
| At 1 January 2018 | 410,570 |
| Additions | 140,233 |
| At 31 December 2018 | <u>550,803</u> |
| Amortisation | |
| At 1 January 2018 | 1,029 |
| Charge for the year | 26,108 |
| At 31 December 2018 | <u>27,137</u> |
| Net book value | |
| At 31 December 2018 | <u>523,666</u> |
| At 31 December 2017 | <u>409,541</u> |

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Tangible fixed assets

| | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|-------------------------------------|-----------------------------|-------------------------------|----------------------------|------------|
| Cost or valuation | | | | |
| At 1 January 2018 | 106,513 | 1,655 | 254,923 | 363,091 |
| Additions | 8,577 | - | - | 8,577 |
| At 31 December 2018 | 115,090 | 1,655 | 254,923 | 371,668 |
| Depreciation | | | | |
| At 1 January 2018 | 73,648 | 1,316 | 211,059 | 286,023 |
| Charge for the year on owned assets | 18,928 | 272 | 38,624 | 57,824 |
| At 31 December 2018 | 92,576 | 1,588 | 249,683 | 343,847 |
| Net book value | | | | |
| At 31 December 2018 | 22,514 | 67 | 5,240 | 27,821 |
| At 31 December 2017 | 32,865 | 339 | 43,864 | 77,068 |

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|----------------|
| Finished goods and goods for resale | 1,474,217 | 890,009 |
| | <u>1,474,217</u> | <u>890,009</u> |

7. Debtors

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|----------------|
| Due after more than one year | | |
| Other debtors | 57,600 | 57,600 |
| | <u>57,600</u> | <u>57,600</u> |
| Due within one year | | |
| Trade debtors | 936,714 | 863,836 |
| Prepayments and accrued income | 125,760 | 67,264 |
| | <u>1,120,074</u> | <u>988,700</u> |

8. Cash and cash equivalents

| | 2018 £ | 2017 £ |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 306,159 | 231,062 |
| | <u>306,159</u> | <u>231,062</u> |

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,623,915 | 1,079,952 |
| Amounts owed to group undertakings | 815,243 | 501,684 |
| Other taxation and social security | 157,417 | 178,618 |
| Other creditors | - | 15,279 |
| Accruals and deferred income | 68,205 | 43,674 |
| | <u>2,664,780</u> | <u>1,819,207</u> |

10. Creditors: Amounts falling due after more than one year

| | 2018 £ | 2017 £ |
|------------------------------------|----------------|----------------|
| Amounts owed to group undertakings | 629,632 | 629,632 |
| | <u>629,632</u> | <u>629,632</u> |

11. Provisions

| | Legal claim provision £ |
|---------------------|-------------------------------|
| At 1 January 2018 | 3,401 |
| Utilised in year | (453) |
| At 31 December 2018 | <u>2,948</u> |

12. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £51,655 (2017 - £50,755). Contributions totalling £12,674 (2017 - £13,874) were payable to the fund at the balance sheet date and are included in creditors.

DORMAN SMITH SWITCHGEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Not later than 1 year | 73,083 | 79,571 |
| Later than 1 year and not later than 5 years | 240,000 | 249,083 |
| After 5 years | - | 48,000 |
| | <u>313,083</u> | <u>376,654</u> |

14. Related party transactions

JBK Holdings Limited is the ultimate parent undertaking of the Company. At the balance sheet date, the amount due to JBK Holdings Limited was £629,632 (2017 - £648,521).

Dorman Smith Switchgear LLC is a member of the JBK Holdings Limited group. In the year the Company made sales to Dorman Smith Switchgear LLC totaling £80,674 (2017 - £142,965). At the balance sheet date, the Company owed Dorman Smith Switchgear LLC £619,389 (2017 - £205,851).

JBK Controls Limited is a member of the JBK Holdings Limited group. At the balance sheet date, the Company owed JBK Controls Limited £195,854 (2017 - £295,833).

15. Controlling party

JBK Holdings Limited, a company incorporated in the United Arab Emirates, is the ultimate parent company. There is no controlling party of JBK Holdings Limited.

16. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2018 was unqualified.

The audit report was signed on 30 September 2019 by Yogan Patel FCA (Senior Statutory Auditor) on behalf of MHA MacIntyre Hudson.