

Swift Electrical Wholesalers (S-O-T) Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2018

Company Registration No. 02401639

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Swift Electrical Wholesalers (S-O-T) Limited

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Swift Electrical Wholesalers (S-O-T) Limited

DIRECTORS AND ADVISORS

DIRECTORS

CD Honer
SL Honer
JI Lawson

SECRETARY

JI Lawson

REGISTERED OFFICE

PO Box 141
Monarch Works
Elswick Road
Stoke-on-Trent
Staffordshire
ST4 1EW

AUDITOR

RSM UK Audit LLP
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

LEGAL ADVISOR

Knights Professional Services Limited
The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

Swift Electrical Wholesalers (S-O-T) Limited

STRATEGIC REPORT

The directors have pleasure in submitting their Strategic Report for Swift Electrical Wholesalers (S-O-T) Limited for the year ended 31 December 2018.

REVIEW OF THE YEAR

Despite continued consumer uncertainty during the year, we saw continued consolidation of our business levels.

We sold our former depot in Andover in June 2018 for proceeds of £396,000, which were retained within the business.

BUSINESS REVIEW

The main activities of the Business during 2018 continued to be the wholesale of electrical household appliances and kitchen sinks, taps and accessories.

Sales overall for the year were 1% up on 2017, with gross margin remaining around the 18% mark (2018: 17.9%; 2017: 18.3%).

Despite the slight increase in turnover, operating profit was down £224,000, due to a combination of higher distribution costs (primarily due to increases in transport and personnel costs) and an increase of £58,000 in administration costs, £20,000 of which related to one-off consultancy work.

Working capital efficiency continued to be a key objective, and we were successful in reducing year-end stock levels compared to the prior year, and we saw a further improvement in the company's year-end cash position, partly due to the property disposal in-year.

FUTURE DEVELOPMENTS

As disclosed in the Post Balance-Sheet events section, on 27 March 2019 the entire share capital of Swift Electrical Wholesalers (S-O-T) Limited was acquired by Honer Holdings Limited, a company owned by Mr C Honer and Mrs S Honer.

Chris Honer became Managing Director immediately after the acquisition with the objective of ensuring business continuity while working with the Swift team to identify opportunities to improve process and procedures and in-turn initiate a period of profitable growth.

KEY PERFORMANCE INDICATORS

The company has established key performance indicators to measure its progress in achieving its business objectives and strategy. The board reviews performance against these measures on a regular basis; the principal performance measures are:

Sales turnover

We aim to increase our turnover year on year through adding value via product ranges, pricing and offering good customer service. Target sales are set each year which are measure against actual sales on a continuous basis. The company's objective was to consolidate and grow sales modestly in 2018, the actual growth achieved of 1% being at the lower end of that expectation.

Gross margin

Gross Margin targets are set for each category of product, aiming to maintain and improve on margins achieved. This is reviewed on an ongoing basis and forms part of the overall process of management control and performance measurement. Gross Margin has decreased in the year to 31 December 2018 at 17.9%, compared to 18.3% in the previous year. A gross margin of 18.0% was expected for 2018. Input price increases and tougher purchasing targets from suppliers resulted in an overall decrease in Gross Margin percentage on prior years.

Swift Electrical Wholesalers (S-O-T) Limited

STRATEGIC REPORT

Net profit / EBITDA

To ensure maximum value is delivered on behalf of stakeholders to the business, Net Profit and EBITDA targets are set and regularly reviewed. The business achieved a Net Profit of £207,258 which was in line with expectation for the year. The EBITDA result was £476,792 (2017: £696,187).

Working capital control

- **Cash management:** We regularly review and update our cash-flow projections to ensure we are well within our bank's covenants at all times. During the year the company did not need to use its overdraft facility, and the cash balance increased by £349,732 to £1,101,287.
- **Stock control:** Stock levels are reviewed on an ongoing basis, thereby highlighting any potential problems in relation to shortages of stock or ageing stocks. Stock turn also remains a key indicator of buying efficiencies. Year-end stock levels were lower at the end of 2018 than 2017. Stock turn as an annual measure was slightly inferior at 7.6 times (8.0 times in 2017).
- **Trade Debtor levels:** Trade debtor days and levels of overdue debt are reviewed regularly to enable effective measures to be taken to recover receivables on an efficient and timely basis. The average-basis debtor day ratio improved from 41.3 in 2017 to 39.3 in 2018.

FINANCIAL INSTRUMENTS

The significant financial risks and exposures to the company are in respect of liquidity, interest rates and credit risk. The finance department manages these risks in order to minimise any adverse effects on the company.

Liquidity risk – the funding policy aims to ensure an appropriate amount of funding to meet current and future requirements. The company is required to meet the principal bank covenant relating to the ratio of trade debtors less than 90 days to borrowing and this governs the level of borrowing at all times.

Interest rate risk – During the year, the company financed its operations through a mixture of retained profit, cash and overdraft facilities (if required). The company was subject to the effects of fluctuations in the base rate applied by Svenska Handelsbanken AB (publ).

Credit risk – the risk of bad debts is mitigated by thorough credit control procedures, including the use of credit referencing agencies.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Competition is a perennial challenge for our company, not just from other companies in our sector, but also from the move by various of our suppliers to dealing direct with our traditional customer base.
2. Regulatory changes – recent increases in the levels of environmental legislation have seen an increased financial burden on our suppliers, who are in the main passing these costs on to us.
3. Changes in consumer behaviour – stagnation in consumer spending causes uncertainties in our retail sales performance.
4. Housing market – our house builder sector sales are sensitive to the housing market as a whole, which are affected by Government policy decisions out of our control, the Bank of England's interest rate decisions and the banks' lending criteria re mortgages to house buyers.
5. Technological factors – the rise in on-line shopping has eroded our traditional retail customer base as smaller retail outlets struggle to compete against internet sellers.
6. Exchange rates – although we purchase the vast majority of our goods in the UK in sterling, many of our suppliers manufacture in the Eurozone or in the Far East where they are transacting in US dollars. The continuing weakness of sterling in certain world markets has continued to exert upward pressure on prices from our suppliers.

Swift Electrical Wholesalers (S-O-T) Limited

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Where a risk or threat is identified our commercial team is responsible for developing corrective remedial action where necessary, which is monitored at board level regularly.

By order of the board


CD Honer
Director

10th June 2019

Swift Electrical Wholesalers (S-O-T) Limited

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of Swift Electrical Wholesalers (S-O-T) Limited for the year ended 31 December 2018.

The "Future Developments" and "Financial Instruments" sections required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in the separate Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity and nature of business of the company during the year has been the distribution of electrical domestic appliances.

RESULTS AND DIVIDENDS

The pre tax profit is £269,366 (2017: £465,430). A final dividend of £nil (£nil per share) has been proposed for the year and approved by the shareholders pre year end (2017: £50,000).

DIRECTORS

The following directors have held office since 1 January 2018:

JA Swift (Resigned 27 March 2019)

MJ Swift (Resigned 27 March 2019)

CD Honer (Appointed 27 March 2019)

SL Honer (Appointed 27 March 2019)

JI Lawson

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that 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 it has been communicated to the auditor.

AUDITOR

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the board



CD Honer
Director

10th June 2019

Swift Electrical Wholesalers (S-O-T) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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 AUDITOR'S REPORT TO THE MEMBERS OF SWIFT ELECTRICAL WHOLESALE (S-O-T) LIMITED

Opinion

We have audited the financial statements of Swift Electrical Wholesalers (S-O-T) Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWIFT ELECTRICAL WHOLESALE (S-O-T) LIMITED (continued)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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 branches 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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 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.

RSM UK Audit LLP

ADAM KRUPSKI (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

11 June 2019

Swift Electrical Wholesalers (S-O-T) Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended 31 December 2018

	Note	2018 £	2017 £
TURNOVER		21,429,236	21,213,542
Cost of sales		(17,592,645)	(17,341,602)
GROSS PROFIT		3,836,591	3,871,940
Distribution costs		(1,786,812)	(1,656,673)
Administrative expenses		(1,799,477)	(1,741,273)
OPERATING PROFIT		250,302	473,994
Profit on disposal of fixed assets		27,598	-
Interest receivable	2	2,708	4,916
Interest payable and similar expenses	3	(11,242)	(13,480)
PROFIT BEFORE TAXATION	2 - 7	269,366	465,430
Taxation	8	(62,108)	(98,612)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		207,258	366,818
RETAINED EARNINGS AT 1 JANUARY		4,158,057	3,841,239
Dividends	9	-	(50,000)
RETAINED EARNINGS AT 31 DECEMBER		4,365,315	4,158,057

Swift Electrical Wholesalers (S-O-T) Limited
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018		2017	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		65,707		105,376
Tangible assets	11		281,783		790,521
Investments	12		1		1
			<u>347,491</u>		<u>895,898</u>
CURRENT ASSETS					
Stocks	13	2,260,970		2,341,536	
Debtors	14	2,549,838		2,767,901	
Cash at bank and in hand		1,101,287		751,555	
		<u>5,912,095</u>		<u>5,860,992</u>	
CREDITORS: Amounts falling due within one year	15	<u>(1,846,200)</u>		<u>(2,444,899)</u>	
NET CURRENT ASSETS			<u>4,065,895</u>		<u>3,416,093</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,413,386</u>		<u>4,311,991</u>
CREDITORS: Amounts falling due after more than one year	16		(21,788)		(105,737)
PROVISIONS FOR LIABILITIES	17		(26,281)		(48,195)
NET ASSETS			<u>4,365,317</u>		<u>4,158,059</u>
CAPITAL AND RESERVES					
Called up share capital	18		2		2
Profit and loss account			4,365,315		4,158,057
TOTAL EQUITY			<u>4,365,317</u>		<u>4,158,059</u>

These financial statements on pages 9 to 30 were approved by the board of directors and authorised for issue on 10th June 2019 and are signed on its behalf by:


CD Honer
 Director

Company Registration No. 02401639

Swift Electrical Wholesalers (S-O-T) Limited

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Note	2018 £	2017 £
OPERATING ACTIVITIES			
Cash generated from operations	19	253,025	559,936
Interest received		2,708	4,916
Interest paid		(11,242)	(13,480)
Income taxes paid		(84,720)	(108,487)
NET CASH FROM OPERATING ACTIVITIES		159,771	442,885
INVESTING ACTIVITIES			
Purchase of intangible assets	10	(4,900)	(8,938)
Purchase of tangible fixed assets	11	(41,585)	(85,968)
Proceeds on disposal of tangible fixed assets		396,350	8,500
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES		349,865	(86,406)
FINANCING ACTIVITIES			
Repayments of obligations under finance leases		(106,837)	(109,728)
Dividends paid	9	(50,000)	(50,000)
NET CASH USED IN FINANCING ACTIVITIES		(156,837)	(159,728)
NET INCREASE IN CASH AND CASH EQUIVALENTS		352,799	196,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		756,121	559,370
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,108,920	756,121
Relating to:-			
Bank balances and short term deposits included in cash at bank and in hand		1,101,287	751,555
Cash equivalents included in debtors	14	7,633	4,566
		1,108,920	756,121

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

GENERAL INFORMATION

Swift Electrical Wholesalers (S-O-T) Limited ("the company") is a private company limited by shares and is registered, domiciled and incorporated in England.

The address of the company's registered office and principal place of business is:

PO Box 141
Monarch Works
Elswick Road
Stoke-on-Trent
Staffordshire
ST4 1EW

The company's principal activity and nature of operations is the distribution of electrical domestic appliances.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest £1 except where otherwise noted.

BASIS OF CONSOLIDATION

The company is exempt from the requirement to prepare group accounts on the basis that its subsidiary is immaterial to the financial statements and is therefore eligible to be excluded from consolidation under section 405(2) of the Companies Act 2006. These financial statements are about the company as an individual undertaking and not about its group.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development performance and position are set out in the Business Review in the Strategic Report on page 2. The Strategic Report also contains details of our risk management policies.

At the balance sheet date the company met its day-to-day working capital needs through a current account and overdraft facility with Svenska Handelsbanken AB which was available on an ongoing basis, and was reviewed annually. From 27 March 2019 the working capital needs of the company are met by a combined lending facility and loan with Praetura Commercial Finance Limited. The directors have provided forecasts to them and based on these anticipate that the lending facilities will continue to be available.

The company's forecasts and projections, taking account of possible changes in trading performance, show that the company is able to operate within its current level of facility.

The directors can confirm that they believe that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

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

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax and is derived solely in the UK.

Sale of goods

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of goods are recognised when goods are delivered and legal title has passed and the company has no continuing managerial involvement associated with ownership or effective control of the goods sold. This is generally when goods have been checked and accepted by the customer on delivery at the specified location.

GOODWILL

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years. A period of twenty years has been selected by the directors as this represents their best estimate of the period over which the goodwill is expected to give rise to economic benefits, taking into consideration the customer and supplier relationships and reputation acquired. Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

INTANGIBLE FIXED ASSETS (OTHER THAN GOODWILL)

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	- 20% to 33% on cost
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The directors consider the useful lives of purchased computer software to be between 3 and 5 years because this is the length of time that the software is expected to be used in the business.

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision from impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimate residual value evenly over its expected useful life, as follows:

Long leasehold property	- over the period of the lease – 109 years from June 2000
Short leasehold property improvements	- over the period of the lease : 5 years from March 2018
Plant and machinery	- 25% to 50% on cost
Computer equipment	- 20% to 50% on cost
Motor vehicles	- 25% on cost

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

FIXED ASSET INVESTMENTS

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

LEASES

Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the company substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

Operating Leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

STOCKS

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

RETIREMENT BENEFITS

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible or are assessed for tax in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

TAXATION (continued)

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited in profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

FINANCIAL INSTRUMENTS

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade and other debtors

Trade and other debtors which are receivable within one year are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CASH EQUIVALENTS

The cash equivalents included in debtors are short-term, highly liquid deposits held in payment intermediary accounts that are readily convertible to known amounts of cash.

RESERVES

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

DIVIDENDS

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates, assumptions and areas of judgement

The realisable value of stock is calculated using long established and well tested methodologies that take account of the age of the stock, expected obsolescence and changes in market dynamics.

The goodwill is amortised over 20 years based on the directors' knowledge of the business, taking into consideration the customer and supplier relationships and reputation acquired.

The provisions on trade debtors are calculated using expected levels of post year end sales credit notes and expected future cash flows based on the age of specific debts and the financial position of the debtors.

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

2 INTEREST RECEIVABLE

	2018 £	2017 £
Bank interest receivable	2,708	4,916

3 INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Finance charges payable in respect of finance lease contracts	6,196	7,675
Other charges	5,046	5,805
	11,242	13,480

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

4 PROFIT BEFORE TAXATION

	2018	2017
	£	£
Profit before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	83,203	65,767
Leased	98,718	116,967
Profit on disposal of tangible fixed assets	(27,948)	(8,500)
Amortisation of computer software	16,687	20,079
Amortisation of goodwill	27,882	27,880
Operating lease rentals:		
Plant and machinery	75,726	78,388
Other assets	176,208	176,208
Audit services:		
Statutory audit	15,950	16,220
Stock:		
Impairment gains/(losses) on stock	7,111	(21,075)
Amounts expensed to cost of sales	17,078,342	16,990,032
	<u> </u>	<u> </u>

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

5 EMPLOYEES

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2018 Number	2017 Number
Management, clerical and administration	15	15
Selling and distribution	49	50
	<u>64</u>	<u>65</u>

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	1,556,250	1,544,928
Social security costs	160,638	158,560
Other pension costs	57,101	40,550
	<u>1,773,989</u>	<u>1,744,038</u>

REMUNERATION OF DIRECTORS

	2018 £	2017 £
Directors' emoluments	122,171	153,446
Company contributions to self-administered pension schemes	12,500	-
Company contributions to money purchase schemes	1,925	1,850
	<u>136,596</u>	<u>155,296</u>

	2018 Number	2017 Number
Retirement benefits are accruing to the following number of directors under:		
Self-administered pension scheme	1	1
Money purchase pension schemes	1	1
	<u>2</u>	<u>2</u>

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

6 RETIREMENT BENEFITS

The company operates a defined contribution pension scheme and makes payments to a self-administered pension scheme. The pension charge for the year represents contributions payable by the company to the funds and amounted to £57,101 (2017: £40,550).

At 31 December 2018 contributions of £7,870 were payable to the fund (2017: £5,957) and included in accruals and deferred income.

7 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the key management personnel of the company was £153,456 (2017: £176,472).

8 TAXATION

	2018		2017	
	£	£	£	£
Current tax:				
UK corporation tax on profits for the year	84,022		84,720	
Total current tax	<u>84,022</u>		<u>84,720</u>	
Deferred tax:				
Origination and reversal of timing differences	(21,914)		13,892	
Total deferred tax	<u>(21,914)</u>		<u>13,892</u>	
Tax on profit	<u>62,108</u>		<u>98,612</u>	

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

8 TAXATION (continued)

Factors affecting tax charge for the year:	2018 £	2017 £
The tax assessed for the year is higher (2017: higher) than the average standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:		
Profit before tax	269,366	465,430
Profit before tax multiplied by the average standard rate of corporation tax in the UK 19% (2017: 19.25%)	51,180	89,595
Effects of:		
Expenses not deductible for tax purposes	8,351	10,855
Deferred tax rate differences	2,577	-
Amounts relating to changes in tax rates	-	(1,838)
Total tax expense for the year	62,108	98,612

9 DIVIDENDS

	2018 £	2017 £
Final dividend proposed £nil per share (2017: £25,000)	-	50,000

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

10 INTANGIBLE FIXED ASSETS

	Purchased Computer Software £	Goodwill £	Total £
<i>Cost</i>			
At beginning of year	297,334	557,644	854,978
Additions	4,900	-	4,900
	<hr/>	<hr/>	<hr/>
At end of year	302,234	557,644	859,878
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	269,748	479,854	749,602
Charge for year	16,687	27,882	44,569
	<hr/>	<hr/>	<hr/>
At end of year	286,435	507,736	794,171
	<hr/>	<hr/>	<hr/>
<i>Carrying amount</i>			
At 31 December 2018	15,799	49,908	65,707
	<hr/>	<hr/>	<hr/>
At 31 December 2017	27,586	77,790	105,376
	<hr/>	<hr/>	<hr/>

The amortisation of intangible fixed assets is included within administrative expenses.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

11 TANGIBLE FIXED ASSETS

	Long leasehold property	Short leasehold property improvements	Plant, machinery and computer equipment	Motor vehicles	Total
	£	£	£	£	£
<i>Cost</i>					
At beginning of year	512,283	81,495	412,497	756,311	1,762,586
Additions	-	8,047	7,443	26,095	41,585
Disposals	(512,283)	-	(33,623)	(27,030)	(572,936)
At end of year	-	89,542	386,317	755,376	1,231,235
<i>Depreciation</i>					
At beginning of year	140,471	68,246	398,728	364,620	972,065
Charge for year	3,410	4,376	11,956	162,179	181,921
On disposals	(143,881)	-	(33,623)	(27,030)	(204,534)
	-	72,622	377,061	499,769	949,452
<i>Carrying amount</i>					
At 31 December 2018	-	16,920	9,256	255,607	281,783
At 31 December 2017	371,812	13,249	13,769	391,691	790,521

Included in the above are assets held under finance lease contracts as follows:

	Net book value		Depreciation	
	2018	2017	2018	2017
	£	£	£	£
Motor vehicles	185,430	310,602	98,718	116,967

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

12 INVESTMENTS

	Investments in subsidiary undertakings £
<i>Cost</i>	
At beginning and end of year	1,837,551
<i>Provision for impairment</i>	
At beginning and end of year	1,837,550
<i>Carrying amount</i>	
At 31 December 2018	1
At 31 December 2017	1

The company holds more than 20% of the equity of the following undertaking:

<i>Name</i>	<i>Principal activity</i>	<i>Registered office</i>	<i>Shareholding</i>
Swift Electrical Distributors Limited	Dormant	PO Box 141 Monarch Works Elswick Road Stoke-on-Trent Staffordshire ST4 1EW	100% ordinary share capital

Financial information relating to the subsidiary undertaking for the year ended 31 December 2018 is as follows:

	Capital and reserves £	Profit after tax £
Swift Electrical Distributors Limited	1	-

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

13 STOCKS

	2018 £	2017 £
Finished goods and goods for resale	2,260,970	2,341,536

14 DEBTORS

	2018 £	2017 £
<i>Amounts falling due within one year:</i>		
Trade debtors	2,182,529	2,435,889
Other debtors	208,089	228,608
Cash equivalents	7,633	4,566
Prepayments and accrued income	151,587	98,838
	2,549,838	2,767,901

Trade debtors are stated net of a provision of £169,906 (2017: £203,501).

15 CREDITORS: amounts falling due within one year

	2018 £	2017 £
Obligations under finance leases	82,786	105,674
Trade creditors	1,253,339	1,802,815
Payments received on account	156,420	119,555
Corporation tax	84,022	84,720
Other taxation and social security	178,356	141,591
Accruals and deferred income	91,277	140,544
Unpaid dividends	-	50,000
	1,846,200	2,444,899

At the balance sheet date the company held a bank overdraft facility which was secured by a debenture incorporating a fixed and floating charge over all current and future assets of the company.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

16 CREDITORS: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	1	1
Obligations under finance lease	21,787	105,736
	<u>21,788</u>	<u>105,737</u>

Finance leases

The maturity of obligations under finance leases is as follows:

	2018 £	2017 £
Amounts payable by instalments:		
Within one year	82,786	105,674
Within two to five years	21,787	105,736
	<u>104,573</u>	<u>211,410</u>

Obligations under finance leases are secured by the related assets and bear finance charges at rates ranging from 1.04% to 2.10% per annum (2017: 1.94% to 3.89% per annum).

Finance lease payments represent rentals payable by the Company for certain motor vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 11.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

17 PROVISIONS FOR LIABILITIES

	Deferred taxation £
At beginning of the year	48,195
Credit to statement of income	(21,914)
At end of the year	<u>26,281</u>

Provision for deferred tax liability has been made as follows:-

	2018 £ Provided	2018 £ Unprovided	2017 £ Provided	2017 £ Unprovided
Difference between accumulated depreciation and capital allowances	26,998	-	50,111	-
Other timing differences	(717)	-	(1,916)	-
	<u>26,281</u>	<u>-</u>	<u>48,195</u>	<u>-</u>

The deferred tax liability of £26,998 (2017: £50,111) is expected to reverse over the next 5 years and relates to accelerated capital allowances that are expected to mature within the same period.

The deferred tax asset of £717 (2017: £1,916) is expected to reverse within 12 months and relates to accruals which are deductible for tax purposes when paid.

18 CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

19 RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2018 £	2017 £
Profit after tax	207,258	366,818
Adjustments for:		
Depreciation of tangible fixed assets	181,921	182,734
Amortisation of intangible assets	44,569	47,959
Profit on disposal of tangible fixed assets	(27,948)	(8,500)
Interest receivable	(2,708)	(4,916)
Interest payable	11,242	13,480
Taxation	62,108	98,612
Operating cash flow before movements in working capital	476,442	696,187
Decrease/(increase) in stock	80,566	(324,775)
Decrease/(increase) in trade and other debtors	221,130	(59,721)
(Decrease)/increase in trade and other creditors	(525,113)	248,245
Cash generated from operations	253,025	559,936

20 COMMITMENTS

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

	Land and buildings £	2018 Other £	Total £	Land and buildings £	2017 Other £	Total £
<i>Amounts due:</i>						
Within one year	176,208	52,346	228,554	14,684	65,518	80,202
Between two and five years	543,308	31,338	574,646	-	77,544	77,544
	719,516	83,684	803,200	14,684	143,062	157,746

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

21 FINANCIAL INSTRUMENTS

The carrying amounts of the company's financial instruments at 31 December were:

	2018 £	2017 £
Financial assets:		
Debt instruments measured at amortised cost	2,390,618	2,664,497
Equity instruments measured at cost less impairment	1	1
	<hr/>	<hr/>
Total	2,390,619	2,664,498
	<hr/>	<hr/>
Financial liabilities:		
Measured at amortised cost	1,583,822	2,099,034
	<hr/>	<hr/>
Total	1,583,822	2,099,034
	<hr/>	<hr/>

Debt instruments measured at amortised cost include trade debtors and other debtors.

Financial liabilities measured at amortised cost include obligations under hire purchase contracts, trade creditors, other creditors, accruals, dividends payable and amounts owed to group undertakings.

22 RELATED PARTY TRANSACTIONS

During the year, the company paid rent and service charges amounting to £176,208 (2017: £176,208) to an entity of which a director and shareholder of the company at the balance sheet date is a director and shareholder. The company also paid costs of £7,567 (2017: £5,753) on behalf of the related entity. At the year end £208,089 (2017: £228,608) was due from the related entity and is included in other debtors.

At 31 December 2018, £358 was due to Mr JA Swift (2017: £115). During the year a total of £10,894 was advanced by the company and £11,137 repaid. The maximum balance owed to the company in the year by Mr JA Swift was £7,017 (2017: £3,885). No interest is charged on this loan.

23 ULTIMATE CONTROLLING PARTY

During the year, the company was under the ultimate control of JA Swift. The shareholding changed after the year end due to the transactions noted in note 24. At the reporting date, the company is under the ultimate control of CD Honer.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

24 POST BALANCE SHEET EVENTS

On 21 March 2019, the company sub-divided its share capital from 2 ordinary shares of £1 each to 20,600 ordinary shares of 0.0001 pence each.

On 21 March 2019, the Company granted share options. These options were exercised on 27 March 2019. 600 shares were exercised at an exercise price of £206.31 per share. The total value of the exercise was £123,786.

On 27 March 2019, the entire share capital of Swift Electrical Wholesalers (S-O-T) Limited was purchased by Honer Holdings Limited, a company controlled by CD Honer and SL Honer. CD Honer and SL Honer were appointed as directors of Swift Electrical Wholesalers (S-O-T) Limited on this date.

On 27 March 2019 a debenture incorporating a fixed and floating charge over all current and future assets of the company was given in favour of Praetura Commercial Finance Limited. All existing debentures held by other parties prior to 27 March 2019 were satisfied at this date.