

Swift Electrical Wholesalers (S-O-T) Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2019



Company Registration No. 02401639

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
BM Gates
NG Roberts

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 2019.

REVIEW OF THE YEAR

2019 saw mixed trading performance within various aspects of our business.

Whilst the team were disappointed to see turnover reduce compared to 2018, there were positive developments across key objectives which were established by the management team in Q2, these being to establish robust trading relationships with all the key suppliers and success in focusing on establishing new customer relationships.

Despite the fall in turnover, gross margin as a percentage improved 0.40% from 17.90% in 2018 to 18.30%.

Distribution costs saw a reduction of 5% at £1.7m, with Administration costs up 19% but this was in part due to one-off costs to the business relating to the acquisition, additional charges, incurred due to the changes in the way the Company was financed, and due to a share based payment charge incurred prior to the acquisition.

As reported in the 2018 financial statements on 27th March 2019 the entire share capital of the business was purchased by Honer Holdings Limited, a company wholly owned by Mr C Honer and Mrs S Honer.

The acquisition of the business was funded by a mixture of cash introduced by the shareholders and finance provided by Praetura Commercial Finance Manchester. The change in financing structure is reflected in the Balance Sheet, with the cash held in the business on 31 December 2018 being used to partially finance the acquisition, resulting in a group balance being created owed from Honer Holdings Limited and a recognition of new banking facilities totalling £1,755,834 at the year end.

We are pleased to report the continued working capital efficiency of the business, reducing the overall levels of stock in the business, with stock days maintained at 46 days (2018: 47 days) and debtor days at 40 days (2018: 39 days).

FUTURE DEVELOPMENTS

2020: COVID-19 Impact

Following preparation of these accounts, on 11 March 2020 the World Health Organisation declared the global coronavirus outbreak to be a pandemic and the United Kingdom implemented lockdown measures on 23 March 2020.

In common with other businesses in our sector the first national lockdown had a substantial disruptive effect on our business, many of our Kitchen Studio and Electrical Retailer customers were forced to close by the UK Government restrictions.

During the lockdown period we continued to trade on a reduced basis with a team of key personnel servicing essential customers who could still operate including those in the construction sector.

Once the restrictions in our sector were lifted in mid-June 2020, we witnessed demand returning rapidly and up to 31st October saw business trading at 2019 levels. The impact of the second national lockdown during November did not have anywhere near as pronounced an effect as the first, and overall we expect a similar end to the year to that seen in 2019.

Further initiatives of 2020

Notwithstanding the impact of the pandemic across all the customer channels of the business. The management team took the opportunity during the quieter months of lockdown to create a robust set of Plan Ahead initiatives.

Swift Electrical Wholesalers (S-O-T) Limited

STRATEGIC REPORT

It was agreed that the business would enter the Independent Merchant sector. This initiative has been received well by most of the merchant buying groups resulting in multiple trading agreements being signed for 2021. We also continued our success in the Construction sector and established new relationships with key partners. Purchasing wise, the business has established even closer links with the 3 main suppliers and have also signed a trading agreement with the market leader in range cooking for a January 2021 launch. Post-acquisition, the management team thoroughly reviewed all departments establishing processes and procedures where needed. In June, the business implemented our new dynamic routing scheduling system which allowed us to realise substantial efficiencies within our operations and logistics functions. The continued work of team since acquisition and during lockdown will allow the business to fully benefit from the post-pandemic recovery expected during 2021, following the implementation of the UK Government's plans for mass vaccination against the virus.

KEY PERFORMANCE INDICATORS

The company has established robust KPI's to measure its progress in achieving its business objectives and strategy. The board reviews performance against these measures monthly; the principal performance measures are:

Sales Turnover

The objective is to increase our turnover year on year through adding value via product ranges, pricing and offering industry leading customer service. Sales targets and measured against actual sales on a rolling basis.

Customer service metrics play a major part of daily life within the business and these include: Call Centre effectiveness and speed of response, customer feedback via Customer Satisfaction Surveys and a daily OTIF (on time in full) meeting to review and act on any delivery fails from the previous day.

The company missed its growth objective in 2019 with turnover finishing 9% lower year-on-year. We believe a substantial part of this was due to a combined result of challenging conditions in the retail economy with Brexit uncertainty and the political upheaval in the run-up to the December 2019 General Election. We also witnessed an erosion to the turnover from a number of key customers as a result of a parasitic attack from a competitor with unsustainable trading terms. This situation is now resolved, as the competitor concerned changed their route to market.

2019 turnover was also impacted due to a supplier discontinuing a large selection of products for the freestanding appliance sector, which occurred suddenly and without much warning. The purchasing team have worked hard to establish new supplier relationships to replace the gap left due to this.

Gross Margin

Gross Margin targets are set for each product category with the aim to maintain and improve on margins achieved. This is reviewed on an ongoing basis and forms part of the overall process of control and performance management. As reported earlier, gross margin as a percentage of turnover improved 0.40% from 17.90% in 2018 to 18.30%. We were able to partially meet our purchasing targets with key suppliers which has resulted in a margin improvement back to similar levels to 2017.

Net Profit/ EBITDA

Net Profit and EBITDA targets are reviewed by management on a rolling basis. The EBITDA result excluding items directly related to the acquisition was £62k for 2019 (2018: £476k). The reduction in sales volume was the key driver of this change and as already mentioned prior to the onset of the COVID-19 disruption the management team were implementing improvements to processes to improve profitability.

Swift Electrical Wholesalers (S-O-T) Limited

STRATEGIC REPORT

Working Capital Control

- Cash management: We regularly review and update our short- and medium-term cash-flow projections to ensure that we remain inside our financier's expectation. As reported earlier, the cash position of the company changed during the year when the cash on the balance sheet was used to partially finance the acquisition.
- Stock control: Stock levels are reviewed monthly, thereby highlighting any potential problems in relation to shortages of stock or ageing stocks. Stock turn also remains a key indicator of buying efficiencies. We successfully reviewed and improved our stock holding during 2019, implementing new reporting processes to focus on our suppliers' core products. As a result of these processes we were able to reduce overall stock held by £430k compared to the end of 2018. Stock turn as an annual measure was maintained at 7.7 times (7.6 times in 2018).
- Trade Debtor levels: Trade debtor days and levels of overdue debt are reviewed monthly, to enable effective measures to be taken to recover receivables on an efficient and timely basis. The average-basis debtor day ratio remained steady at 40 days in 2019 (2018: 39 days).

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 level of finance available as a proportion of applicable trade debtors, 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 finance facilities. The company was subject to the effects of fluctuations in the base rate applied by Praetura Commercial Finance.
- Credit risk – the risk of bad debts is mitigated by thorough credit control procedures and the operation of a debt insurance policy with Atradius.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Competition activity is a perennial challenge for our company which is discussed at our monthly sales and management meetings.
2. Supplier performance is also factor which we discuss and manage on a weekly basis within our purchasing meeting.
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.

By order of the board


CD Honer
Director

18th December 2020

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 2019.

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 loss is £291,264 (2018: profit of £269,366). A final dividend of £nil (£nil per share) has been proposed for the year and approved by the shareholders pre year end (2018: £nil).

DIRECTORS

The following directors have held office in the year:

CD Honer (appointed 27 March 2019)
SL Honer (appointed 27 March 2019)
JI Lawson
JA Swift (resigned on 27 March 2019)
MJ Swift (resigned on 27 March 2019)
BM Gates (appointed on 21 August 2019)
NG Roberts (appointed on 21 August 2019)

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

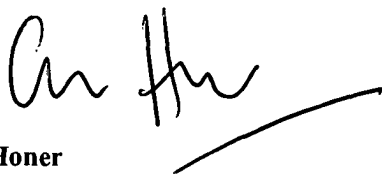
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

18th December 2020

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 2019 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 2019 and of its loss 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 Up

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

21 December 2020

Swift Electrical Wholesalers (S-O-T) Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended 31 December 2019

	Note	2019 £	2018 £
TURNOVER		19,477,981	21,429,236
Cost of sales		(15,913,429)	(17,592,645)
GROSS PROFIT		3,564,552	3,836,591
Distribution costs		(1,697,291)	(1,786,812)
Administrative expenses before exceptional costs		(2,021,975)	(1,799,477)
Exceptional items – share based payment charge		(123,773)	-
Total administration costs		(2,145,748)	(1,799,477)
OPERATING (LOSS)/PROFIT		(278,487)	250,302
Profit on disposal of fixed assets		-	27,598
Interest receivable	2	49,044	2,708
Interest payable and similar expenses	3	(61,821)	(11,242)
(LOSS)/PROFIT BEFORE TAXATION	2 - 6	(291,264)	269,366
Taxation	7	46,654	(62,108)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		(244,610)	207,258
RETAINED EARNINGS AT 1 JANUARY		4,365,315	4,158,057
Dividends	8	-	-
Share based payment charge	17	123,773	-
RETAINED EARNINGS AT 31 DECEMBER		4,244,478	4,365,315

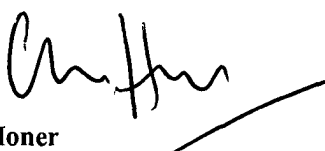
Swift Electrical Wholesalers (S-O-T) Limited

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019		2018	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		44,347		65,707
Tangible assets	10		166,453		281,783
Investments	11		1		1
			<u>210,801</u>		<u>347,491</u>
CURRENT ASSETS					
Stocks	12	1,831,580		2,260,970	
Debtors	13	6,292,148		2,549,838	
Cash at bank and in hand		4,056		1,101,287	
			<u>8,127,784</u>		<u>5,912,095</u>
CREDITORS: Amounts falling due within one year	14	(4,088,426)		(1,846,200)	
NET CURRENT ASSETS			<u>4,039,358</u>		<u>4,065,895</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,250,159</u>		<u>4,413,386</u>
CREDITORS: Amounts falling due after more than one year	15		(1)		(21,788)
PROVISIONS FOR LIABILITIES	16		(5,678)		(26,281)
NET ASSETS			<u>4,244,480</u>		<u>4,365,317</u>
CAPITAL AND RESERVES					
Called up share capital	17		2		2
Profit and loss account			4,244,478		4,365,315
TOTAL EQUITY			<u>4,244,480</u>		<u>4,365,317</u>

These financial statements on pages 9 to 27 were approved by the board of directors and authorised for issue on 18th December 2020 and are signed on its behalf by:


CD Honer
 Director

Company Registration No. 02401639

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 whether otherwise noted.

This company is a qualifying entity for the purposes of FRS102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Swift Electrical Wholesalers (S-O-T) Limited is a wholly owned subsidiary of Honer Holdings Limited and the results of Swift Electrical Wholesalers Limited are included in the consolidated financial statements of Honer Holdings Limited, its ultimate parent company, which are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

GOING CONCERN

The company has prepared forecasts and projections, taking account of reasonably possible changes in trading performance, for a period of at least 12 months following approval of the financial statements.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

GOING CONCERN (continued)

In assessing the ability of the company to continue to operate as a going concern for the foreseeable future, the directors have considered scenarios which have involved a degree of judgement based upon experience of the sector, forecast activity and the cash resources and facilities available to ensure that the financial statements can be prepared on the going concern basis. Since the significance of the economic impacts of the COVID-19 outbreak have become more apparent, the directors have reviewed in detail the company's position and the appropriate basis on which to prepare the financial statements.

Whilst the directors recognise that 2021 will be a challenging year, on the basis of the experience to the date of approval of the financial statements and consideration of the possible future impact on the customer base, costs to the business and cashflows, they consider that it remains appropriate to prepare the financial statements on a going concern basis. The full impact of the COVID-19 outbreak cannot presently be estimated with any certainty, but the consideration of outcomes when preparing the forecasts has satisfied the directors that it has adequate reserves and mitigation strategies available to deal with the impact of the outbreak as it unfolds

The financial statements have therefore been prepared on a going concern basis with the company holding adequate cash reserves and facilities through its financing arrangements to enable it to meet liabilities as they fall due.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

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

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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Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

INTANGIBLE FIXED ASSETS (OTHER THAN GOODWILL) (continued)

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.

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.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

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.

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, group and other debtors

Trade, group 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.

Swift Electrical Wholesalers (S-O-T) Limited

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

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.

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.

SHARE BASED PAYMENTS

The expense in relation to options over the Company's shares granted to employees is recognised by the Company as equity-settled and shown as a capital contribution to the subsidiary by increasing the parent Company's investment.

EXCEPTIONAL ITEMS

Exceptional items are material items which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size of incidence in order to assist in understanding the Company's financial performance.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

	2019 £	2018 £
Bank interest receivable	1,214	2,708
Intra-group interest	47,830	-
	<u>49,044</u>	<u>2,708</u>

3 INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Finance charges payable in respect of finance lease contracts	7,560	6,196
Other charges	54,261	5,046
	<u>61,821</u>	<u>13,480</u>

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

4 (LOSS)/PROFIT BEFORE TAXATION

	2019 £	2018 £
(Loss)/profit before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	69,570	83,203
Leased	72,742	98,718
Profit on disposal of tangible fixed assets	(1,050)	(27,948)
Amortisation of computer software	14,491	16,687
Amortisation of goodwill	27,881	27,882
Share based payments	123,773	-
Operating lease rentals:		
Plant and machinery	81,216	75,726
Land and Buildings	176,208	176,208
Audit services:		
Statutory audit	19,375	15,950
Stock:		
Impairment (gains)/losses on stock	(38,397)	7,111

Exceptional costs

The share-based payments charge is an exceptional cost as it is a one-off transaction relating to shares options issued in the year.

5 EMPLOYEES

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

	2019 Number	2018 Number
Management, clerical and administration	14	15
Selling and distribution	49	49
	<u>63</u>	<u>64</u>

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	1,497,081	1,462,736
Social security costs	160,253	160,638
Other pension costs	53,548	57,101
Cost of employee share schemes	123,786	-
	<u>1,834,668</u>	<u>1,680,475</u>

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

5 EMPLOYEES (continued)

	2019	2018
REMUNERATION OF DIRECTORS	£	£

Directors' emoluments	186,988	122,171
Company contributions to self-administered pension schemes	-	12,500
Company contributions to money purchase schemes	5,162	1,925
Amounts receivable under incentive schemes	29,915	-

	222,065	136,596
--	----------------	----------------

	2019 Number	2018 Number
Retirement benefits are accruing to the following number of directors under:		

Self-administered pension scheme	-	1
Money purchase pension schemes	2	1
	2	2

The number of directors who received shares under incentive schemes was

	2019 Number	2018 Number
Number of directors who exercised share options	1	-

6 RETIREMENT BENEFITS

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the funds and amounted to £53,548 (2018: £57,101).

At 31 December 2019 contributions of £8,201 were payable to the fund (2018: £7,870) and included in accruals and deferred income.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

7	TAXATION	2019	2018
		£	£
	Current tax:		
	UK corporation tax on profits for the year	-	84,022
	Adjustments in respect of prior periods	(26,051)	-
	Total current tax	(26,051)	84,022
	Deferred tax:		
	Origination and reversal of timing differences	(20,603)	(21,914)
	Total deferred tax	(20,603)	(21,914)
	Tax on profit	(46,654)	62,108

Factors affecting tax charge for the year:

The tax assessed for the year is higher (2018: higher) than the average standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
(Loss)/Profit before tax	(291,264)	269,366
(Loss)/Profit before tax multiplied by the average standard rate of corporation tax in the UK 19% (2018: 19%)	(55,340)	51,180
Effects of:		
Expenses not deductible for tax purposes	25,221	8,351
Losses carried back	26,051	-
Adjustments to tax charge in respect of previous periods	(26,051)	-
Deferred tax rate differences	2,424	2,577
Deductions for exercise of share options	(18,959)	-
Total tax expense for the year	(46,654)	62,108

8	DIVIDENDS	2019	2018
		£	£
	Final dividend proposed £nil per share (2018: £nil)	-	-

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

9 INTANGIBLE FIXED ASSETS

	Purchased Computer Software £	Goodwill £	Total £
<i>Cost</i>			
At beginning of year	302,234	557,644	859,878
Additions	21,012	-	21,012
At end of year	323,246	557,644	880,890
<i>Amortisation</i>			
At beginning of year	286,435	507,736	794,171
Charge for year	14,491	27,881	42,372
At end of year	300,926	535,617	836,543
<i>Carrying amount</i>			
At 31 December 2019	22,320	22,027	44,347
At 31 December 2018	15,799	49,908	65,707

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 2019

10 TANGIBLE FIXED ASSETS

	Short leasehold property improvements £	Plant, machinery and computer equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	89,542	386,317	755,376	1,231,235
Additions	-	21,223	5,759	26,982
Disposals	-	(20,687)	(25,035)	(45,722)
At end of year	89,542	386,853	736,100	1,212,495
<i>Depreciation</i>				
At beginning of year	72,622	377,061	499,769	949,452
Charge for year	2,820	8,262	131,230	142,312
On disposals	-	(20,687)	(25,035)	(45,722)
	75,442	364,636	605,964	1,046,042
<i>Carrying amount</i>				
At 31 December 2019	14,100	22,217	130,136	166,453
At 31 December 2018	16,920	9,256	255,607	281,783

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

	Net book value		Depreciation	
	2019	2018	2019	2018
	£	£	£	£
Motor vehicles	86,716	185,430	72,742	98,718

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

11 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 2019	1
At 31 December 2018	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 2019 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 2019

12 STOCKS

	2019 £	2018 £
Finished goods and goods for resale	1,831,580	2,260,970

13 DEBTORS

	2019 £	2018 £
<i>Amounts falling due within one year:</i>		
Trade debtors	2,105,285	2,182,529
Other debtors	402,040	208,089
Cash equivalents	2,770	7,633
Corporation tax receivable	26,041	
Prepayments and accrued income	184,296	151,587
Amount due to parent company	3,571,716	-
	<u>6,292,148</u>	<u>2,549,838</u>

Trade debtors are stated net of a provision of £250,755 (2018; £169,906).

14 CREDITORS: amounts falling due within one year

	2019 £	2018 £
Obligations under finance leases	22,630	82,786
Trade creditors	2,068,937	1,253,339
Payments received on account	-	156,420
Corporation tax	-	84,022
Other taxation and social security	118,000	178,356
Accruals and deferred income	123,025	91,277
Bank facility	1,563,946	-
Bank loan	191,888	-
	<u>4,088,426</u>	<u>1,846,200</u>

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.

The bank loan attracts an interest rate of 6.75% above the Bank of England base rate and is repayable on a monthly instalment basis. The final repayment will be made in January 2021.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

14 CREDITORS: amounts falling due within one year (continued)

The finance facility provided by Praetura Commercial Finance attracts an interest charge of 2.75% over the Bank of England base rate subject to a minimum of 0.75%.

15 CREDITORS: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	1	1
Obligations under finance lease	-	21,787
	<hr/>	<hr/>
	1	21,788
	<hr/>	<hr/>

Finance leases

The maturity of obligations under finance leases is as follows:

	2019 £	2018 £
Amounts payable by instalments:		
Within one year	22,630	82,786
Within two to five years	-	21,787
	<hr/>	<hr/>
	22,630	104,573
	<hr/>	<hr/>

Obligations under finance leases are secured by the related assets and bear finance charges at rates ranging from 3.50% to 3.71% per annum (2018: 1.94% to 3.71% 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 10.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

16 PROVISIONS FOR LIABILITIES

	Deferred taxation £
At beginning of the year	26,281
Credit to statement of income	(20,603)
At end of the year	<u>5,678</u>

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

	2019 £ Provided	2019 £ Unprovided	2018 £ Provided	2018 £ Unprovided
Difference between accumulated depreciation and capital allowances	6,408	-	26,998	-
Other timing differences	(730)	-	(717)	-
	<u>5,678</u>	<u>-</u>	<u>26,281</u>	<u>-</u>

The deferred tax liability of £6,408 (2018: £26,998) 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 £730 (2018: £717) is expected to reverse within 12 months and relates to accruals which are deductible for tax purposes when paid.

17 CALLED UP SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid 20,600 shares of £0.0001 each (2018: 2 ordinary shares of £1 each)	<u>2</u>	<u>2</u>

On 21 March 2019, the company sub-divided its share capital from 2 ordinary shares of £1 each to 20,000 ordinary shares of £0.0001 each.

On 21 March 2019, the Company granted share options to certain employees. These options were exercised on 27 March 2019, 600 shares with a nominal value of £0.0001 were exercised at an exercise price of £13 in total and resulted in a share-based payment charge of £123,786 for the year.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

17 CALLED UP SHARE CAPITAL (continued)

Ordinary share rights

All shares are non-redeemable and rank equally in terms of voting rights, rights to participate in all approved dividend distributions and rights to participate in any capital distribution on winding up.

18 COMMITMENTS

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

	Land and buildings	2019 Other	Total	Land and buildings	2018 Other	Total
	£	£	£	£	£	£
<i>Amounts due:</i>						
Within one year	176,208	69,535	245,743	176,208	52,346	228,554
Between two and five years	367,100	89,727	456,827	543,308	31,338	574,646
	543,308	159,262	702,570	719,516	83,684	803,200

19 RELATED PARTY TRANSACTIONS

During the three months of which a former director was director of the company, rent and service charges amounting to £44,052 (2018: £176,208) were paid to an entity of which this former director and shareholder is a director and shareholder. The company also paid costs of £4,057 (2018: £7,567) on behalf of the related entity. At the year-end £nil (2018: £208,089) was due from the related entity.

During the year, a share-based payment charge of £29,915 (2018: £nil) was incurred in relation to shares exercised by one of the directors.

At 31 December 2019 £4,298 (2018: £nil) was due from Mr CD Honer in relation to expenses. The maximum balance owed from him during the year was £5,481 (2018: £nil).

At 31 December 2019, £nil was due to Mr JA Swift (2018: £358). During the year a total of £2,690 was advanced by the company and £2,331 repaid. The maximum balance owed to the company in the year by Mr JA Swift was £1,672 (2018: £7,017). No interest is charged on this loan.

20 ULTIMATE CONTROLLING PARTY

During the year, the company was under the ultimate control of CD Honer.

Honer Holdings Limited, a company incorporated in the United Kingdom, is the immediate parent and is the smallest and largest group for which consolidated accounts are prepared. The consolidated accounts of Honer Holdings Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

Swift Electrical Wholesalers (S-O-T) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

21 POST BALANCE SHEET EVENTS

On 11 March 2020, the World Health Organisation declared the global coronavirus outbreak to be a pandemic. This has seen significant limitations placed on the movement of goods and people worldwide, with the UK implementing lockdown measures on 28 March 2020. The directors have reviewed forecasts for the 12 month period from the date of signing these financial statements and consider the company to remain a going concern with no impact on the carrying value of the Company's assets. The full impact of the COVID-19 outbreak cannot presently be estimated with any certainty, but the stress testing of the Company's financial position has satisfied the directors that it has adequate reserves and mitigation strategies to deal with the impact of the outbreak as it unfolds.