

Online Home Retail Limited
Annual Report and Financial Statements
Registration number: 03852312
31 December 2021



Online Home Retail Limited

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Online Home Retail Limited

Company Information

Directors

G Barnes

M Trevorrow

Registered office

Plumbworld

Millennium Court

Enterprise Way

Evesham

Worcestershire

WR11 1GS

Auditor

KPMG LLP

15 Canada Square

Canary Wharf

London

E14 5GL

Online Home Retail Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is e-commerce retailing of bathroom related products.

Fair review of the business

The directors were very satisfied with the results of the company during the year. 2021 saw last year's record turnover increasing again by 27.6%. Gross margins also increased to 32.6% from 25.6% in 2020. Tight cost control driven by a continued focus on improved technology saw profit before taxation of £7,488,908 (2020 £3,075,663) delivered.

The key areas of focus of the business continue to be:

1. Driving strong organic growth through high ROI, targeted online marketing.
2. Widening margins through more effective product development, sourcing and pricing strategies
3. Improving efficiency of operating expenditure through automation and technology investment

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Turnover	£	78,402,958	61,463,631
Operating profit	£	7,151,368	3,753,562
Operating margin	%	9.1	6.1
Liquidity ratio		1.42	1.45

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to pressure on sales volume and sales revenue as a result of the ongoing prevailing economic conditions and increased competition for market share from national retailers and also independent internet-based businesses. The business imports a significant amount of its products from markets located in South East Asia and mainland Europe. The products are sourced in US dollars and Euros, and the directors continue to identify the uncertainty over the strength of sterling against these currencies as a risk to the cost of its product. The directors intend to manage this risk in part by sourcing product from geographical markets where sterling remains strong. The company also uses currency forward contracts to mitigate currency risk.

Trading is influenced by the macroeconomic environment in the UK. The level of activity in the residential repair and maintenance and improvement (RMI) markets, influence demand on the company's business. Demand in these markets is sensitive to economic conditions generally including economic growth, interest rate movements, inflation, unemployment and demographic trends.

Financial instruments risk

The company's activities expose it to a number of financial risks. The most significant financial risk is represented by the incidence of attempted online credit card fraud. The company employs a system of mathematical algorithms to detect attempted fraud at point of sale.

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

The business' activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

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


In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. All of the business' cash balances are held in such a way that achieves a competitive rate of interest. The business makes use of money market facilities where funds are available.

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

Online Home Retail Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on 29 September 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G Barnes', written over a dotted line.

G Barnes
Director

Online Home Retail Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the company

The directors who held office during the year and subsequently were as follows:

J D Hickman (resigned 8 April 2022)

J E Pickering (resigned 8 April 2022)

M D Satterley (resigned 8 April 2022)

L R Brown (resigned 8 April 2022)

J D Eyles (resigned 8 April 2022)

G Barnes (appointed 8 April 2022)

M Trevorrow (appointed 8 April 2022)

Going concern

The directors are confident that the company will be able to trade profitably in the future. The company is expecting to see similar results in 2022 despite the increasing level of competition seen in the online market.

Disclosure of information to the auditor

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

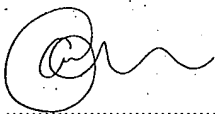
- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditor

KPMG LLP has been appointed as auditor of the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 29 September 2022 and signed on its behalf by:



G Barnes
Director

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Online Home Retail Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Online Home Retail Limited

Qualified opinion

We have audited the financial statements of Online Home Retail Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account and statement of retained earnings, balance sheet and related notes, including the accounting policies in note 2.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

With respect to stock having a carrying amount of £15.7m, the audit evidence available to us was limited because we were unable to observe the counting of the physical stock as at 31 December 2021, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures. Any adjustments would have a consequential effect on the company's net assets as at that date and on its profit for the year then ended.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent Auditor's Report to the Members of Online Home Retail Limited (continued)

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because transactions are high volume but extremely low value, there is no judgment on revenue recognition and all deliveries are within the UK reducing the capacity for management to manipulate the timing.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

The Qualified opinion, Strategic report and directors' report, and Matters on which we are required to report by exception sections of our report explain the implications of the matter described in the Basis for qualified opinion on compliance with the requirements of the Companies Act 2006.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Online Home Retail Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- except for the possible consequential effects of the matter described in the Basis for qualified opinion section of our report on the related disclosures in the Strategic Report and Directors' Report:
 - we have not identified material misstatements in the strategic report and the directors' report;
 - in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- disclosures of directors' remuneration specified by law are not made.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

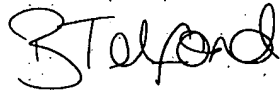
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Online Home Retail Limited
(continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Bethan Telford (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

30 September 2022

Online Home Retail Limited

Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	78,402,958	61,463,631
Cost of sales		(52,813,428)	(45,737,170)
Gross profit		25,589,530	15,726,461
Distribution costs		(2,308,676)	(1,678,756)
Administrative expenses		(16,129,486)	(10,316,107)
Other operating income	4	-	21,964
Operating profit	5	7,151,368	3,753,562
Other interest receivable and similar income	6	978,582	1,332
Interest payable and similar charges	7	(130,377)	(679,231)
Adjusting items	8	(510,665)	-
Profit before tax		7,488,908	3,075,663
Taxation	12	(1,585,632)	(554,978)
Profit for the financial year		5,903,276	2,520,685
Retained earnings brought forward		7,348,276	4,827,591
Profit for the financial year		5,903,276	2,520,685
Dividends paid to parent		(4,000,000)	-
Retained earnings carried forward		9,251,552	7,348,276

Online Home Retail Limited

Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	571,452	290,369
Tangible assets	14	2,049,094	2,090,699
		<u>2,620,546</u>	<u>2,381,068</u>
Current assets			
Stocks	16	15,445,891	8,608,235
Debtors	17	6,188,756	5,006,831
Cash at bank and in hand		1,673,973	3,026,186
		<u>23,308,620</u>	<u>16,641,252</u>
Creditors: Amounts falling due within one year	18	<u>(16,462,829)</u>	<u>(11,469,933)</u>
Net current assets		<u>6,845,791</u>	<u>5,171,319</u>
Total assets less current liabilities		<u>9,466,337</u>	<u>7,552,387</u>
Deferred tax liabilities	19	<u>(213,535)</u>	<u>(202,861)</u>
Net assets		<u>9,252,802</u>	<u>7,349,526</u>
Capital and reserves			
Called up share capital	22	1,250	1,250
Profit and loss account		<u>9,251,552</u>	<u>7,348,276</u>
Shareholders' funds		<u>9,252,802</u>	<u>7,349,526</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

Approved and authorised by the Board on 29 September 2022 and signed on its behalf by:



G Barnes

Director

Registered No: 03852312

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

Online Home Retail Limited is a private company incorporated, domiciled and registered in England within the United Kingdom under the Companies Act 2006. The registered number is 03852312 and the address of its registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the preparation of a statement of cash flows, and disclosures relating to financial instruments and key management compensation.

Name of parent of group

These financial statements are consolidated in the financial statements of SHPEP Limited.

The financial statements of SHPEP Limited may be obtained from Millennium Court, Enterprise Way, Evesham, Worcestershire, WR11 1GS.

Going concern

The Directors, having made appropriate enquiries, have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company as a whole has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion, the Directors considered:

- that the company has produced cash flow forecasts and revenue projections that present a positive outlook for the company;
- reasonable potential changes in trading performance, including supply chain challenges;
- management's ability to manage the principal risks and uncertainties during periods of uncertain economic outlook or challenging macro-economic conditions;
- that the group has, in April 2022, been purchased by Highbourne Group Limited, a group of plumbing and heating retail entities, and they have stated their intention to support the company to continue in its business for at least twelve months from the date of approval of these financial statements; and
- the group and company's policies towards liquidity and cash flow management.

The Highbourne Group going concern assessment was completed for its accounts approved in May 2022. The Directors have made appropriate enquiries of group management up to the date of signing these financial statements and have not identified any matters which impact their conclusion regarding the ability of the company to continue as a going concern.

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

The Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Exemption from preparing group accounts

The financial statements contain information about Online Home Retail Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, SHPEP Limited, a company incorporated in England, UK.

Key accounting estimates

Rebates from suppliers represent a significant source of income for the company each year. The nature of the arrangements in place means that a large proportion of the rebates due to the company are not collected until after the year end. The calculation of rebate income in the year of £2,921,669 and the rebate receivable of £1,210,513 at the year end is based on the agreements in place with suppliers. Rebate is accrued in the year as it is earned. Due to the supplier specific nature of each arrangement the calculations can be complex and requires management to make estimates in the absence of supplier confirmations.

Revenue

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the company's activities.

All revenue is derived from the sale of bathroom products within the United Kingdom.

Government grants

Grants which relate to revenue shall be recognised in income on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	12.5% straight line or over the life of the lease
Plant and machinery	12.5% straight line
Furniture and fittings	10% straight line
Computer equipment	20% straight line
Motor vehicles	25% straight line

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired business, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Website development	20% straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Derivative financial instruments and hedging

Derivatives

Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

Hedging

Forward currency contracts are used for hedging purposes. Hedge accounting has not been applied.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Sale of goods	78,402,958	61,463,631

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Government grants	-	21,964

Coronavirus job retention scheme grants were received on relevant employees on furlough in 2020.

The amount of grants recognised in the financial statements was £nil (2020: £21,964).

5 Operating profit

Arrived at after charging / (crediting)

	2021 £	2020 £
Depreciation expense	421,600	454,554
Amortisation expense	104,179	37,669
Foreign exchange losses/(gains)	19,884	(209,567)

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

6 Other interest receivable and similar income

	2021 £	2020 £
Other finance income	291	1,332
Net changes in fair value of derivative financial instruments	978,291	-
	<u>978,582</u>	<u>1,332</u>

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and borrowings	130,377	70,794
Interest expense on other finance liabilities	-	146
Net changes in fair value of derivative financial instruments	-	608,291
	<u>130,377</u>	<u>679,231</u>

8 Adjusting items

	2021 £	2020 £
Fees associated with preparing the business for sale	<u>510,665</u>	<u>-</u>

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	4,557,266	3,181,806
Social security costs	394,706	252,536
Other short-term employee benefits	16,736	14,191
Pension costs, defined contribution scheme	111,357	75,780
Other employee expense	-	78,234
	<u>5,080,065</u>	<u>3,602,547</u>

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

	2021 No.	2020 No.
Administration and support	63	50
Distribution	66	59
Other departments	5	4
	<u>134</u>	<u>113</u>

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	852,075	554,200
Contributions paid to money purchase schemes	32,909	11,362
	<u>884,984</u>	<u>565,562</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>5</u>	<u>4</u>

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	258,841	227,363
Company contributions to money purchase pension schemes	<u>4,000</u>	<u>1,288</u>

11 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	<u>36,230</u>	<u>14,860</u>

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Taxation

Tax charged / (credited) in the income statement:

	2021 £	2020 £
Current taxation		
UK corporation tax	1,575,546	483,442
UK corporation tax adjustment to prior periods	(587)	(36,146)
	<u>1,574,959</u>	<u>447,296</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(53,388)	107,682
Arising in respect of rate changes	64,061	-
	<u>10,673</u>	<u>107,682</u>
Tax expense in the income statement	<u>1,585,632</u>	<u>554,978</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>7,488,908</u>	<u>3,075,663</u>
Corporation tax at standard rate	1,422,893	584,376
Effect of expense not deductible in determining taxable profit (tax loss)	114,222	6,748
Decrease in UK and foreign current tax from adjustment for prior periods	-	(36,146)
Adjustments in respect of previous years	(587)	-
Effect of capital allowances and depreciation	32,731	-
Other timing differences	5,700	-
Tax rate change	<u>10,673</u>	<u>-</u>
Total tax charge	<u>1,585,632</u>	<u>554,978</u>

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Taxation (continued)

Deferred tax

	Liability £
2021	
Accelerated tax allowances	236,035
Provisions	(22,500)
	<u>213,535</u>
2020	
Accelerated tax allowances	214,261
Provisions	(11,400)
	<u>202,861</u>

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021. The potential impact of this change on the deferred tax balances at 31 December 2021 is expected to be immaterial.

13 Intangible assets

	Internally generated website development costs £	Total £
Cost or valuation		
At 1 January 2021	328,038	328,038
Additions	385,262	385,262
At 31 December 2021	<u>713,300</u>	<u>713,300</u>
Amortisation		
At 1 January 2021	37,669	37,669
Charge for the year	104,179	104,179
At 31 December 2021	<u>141,848</u>	<u>141,848</u>
Carrying amount		
At 31 December 2021	<u>571,452</u>	<u>571,452</u>
At 31 December 2020	<u>290,369</u>	<u>290,369</u>

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Tangible assets

	Leasehold building improvements £	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2021	923,108	45,206	1,025,551	977,452	28,700	3,000,017
Additions	79,225	3,969	80,236	216,565	-	379,995
At 31 December 2021	1,002,333	49,175	1,105,787	1,194,017	28,700	3,380,012
Depreciation						
At 1 January 2021	156,242	18,923	315,319	405,117	13,717	909,318
Charge for the year	90,505	4,470	123,139	196,311	7,175	421,600
At 31 December 2021	246,747	23,393	438,458	601,428	20,892	1,330,918
Carrying amount						
At 31 December 2021	755,586	25,782	667,329	592,589	7,808	2,049,094
At 31 December 2020	766,866	26,283	710,232	572,335	14,983	2,090,699

Included within the net book value of land and buildings above is £755,586 (2020: £766,866) in respect of short leasehold land and buildings.

15 Investments

	2021 £
Subsidiaries	
Cost or valuation	
At 1 January 2021	1,000
Provision	
At 1 January 2021	(1,000)
Carrying amount	
At 31 December 2021	-

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Plumbworld Limited	Millennium Court Enterprise Way Evesham Worcestershire WR11 1GS UK	Ordinary shares	100%	100%

The principal activity of Plumbworld Limited is not relevant, being a dormant company.

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Stocks

	2021 £	2020 £
Finished goods and goods for resale	15,445,891	8,608,235

Stocks are stated after provisions for impairment of £64,369 (2020: £58,363).

17 Debtors

	2021 £	2020 £
Amounts owed by group undertaking	3,864,140	3,864,140
Other debtors	2,745	8,835
Prepayments	1,951,871	1,133,856
Other current financial assets	370,000	-
	6,188,756	5,006,831

Amounts owed by group undertakings represents loans, which are interest-free and have no fixed date for repayment.

Other current financial assets includes foreign currency forward contracts.

18 Creditors

	2021 £	2020 £
Due within one year		
Loans and borrowings (note 24)	404,664	313,150
Trade creditors	10,550,708	8,722,458
Social security and other taxes	1,123,821	696,733
Outstanding defined contribution pension costs	31,210	17,992
Accruals	3,292,941	596,026
Corporation tax liability	1,059,485	515,283
Other current financial liabilities	-	608,291
	16,462,829	11,469,933

19 Provisions for liabilities

	Deferred tax £	Total £
At 1 January 2021	202,861	202,861
Increase / (decrease) in existing provisions	10,674	10,674
At 31 December 2021	213,535	213,535

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

20 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	404,664	313,150

Bank borrowings

The Arbuthnot asset based loan is denominated in GBP with a nominal interest rate of base + 3.5%. The carrying amount at year end is £96,270 (2020: £89,539), which has been settled post year end in April 2022

The loan is secured over the stock held by the company and the maximum facility limit is £3,500,000.

The Arbuthnot cashflow loan facility is denominated in GBP with a nominal interest rate of base + 4.5%. The carrying amount at year end is £308,394 (2020: £223,611), which has been settled post year end in April 2022.

The loan is secured over the stock held by the company and the maximum facility limit is £350,000.

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £111,357 (2020: £75,780).

Contributions totalling £31,210 (2020: £17,992) were payable to the scheme at the end of the year and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

	2021 No.	£	2020 No.	£
Ordinary shares of £1 each	1,250	1,250	1,250	1,250

23 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	485,825	490,247
Later than one year and not later than five years	1,543,826	1,749,624
Later than five years	638,749	1,138,466
	<u>2,668,400</u>	<u>3,378,337</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £490,247 (2020: £388,548).

Online Home Retail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

24 Related party transactions

Transactions with directors

	At 1 January 2021 £	Repayments by director £	At 31 December 2021 £
2021			
J D Eyles			
Loan from the company (interest payable at 1.75% pa)	8,835	(6,090)	2,745
	At 1 January 2020 £	Repayments by director £	At 31 December 2020 £
2020			
J E Pickering			
Loan from the company (interest payable at 1.75% pa)	5,650	(5,650)	-
J D Eyles			
Loan from the company (interest payable at 1.75% pa)	14,925	(6,090)	8,835

25 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is SHPEP Limited, incorporated in England, UK.

The most senior parent entity producing publicly available financial statements is SHPEP Limited. These financial statements are available upon request from Millennium Court, Enterprise Way, Evesham, Worcestershire, WR11 1GS.

26 Post balance sheet events

During April 2022, 100% of the ordinary share capital of SHPEP Limited, the Company's immediate parent undertaking, was acquired by Highbourne Group Limited. The principal activity of the Group is the supply of plumbing and heating products in the United Kingdom and Republic of Ireland.