

UK ELECTRIC LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

UK ELECTRIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Company registration number: 02742081 (Incorporated in England)

Registered office: Votec House
Hambridge Lane
Newbury
Berkshire
RG14 5TN

Directors: N J Palmer
S Westbrook
L Yu

Secretary: L Yu

Independent auditor: Fiander Tovell Limited
Stag Gates House
63/64 The Avenue
Southampton
Hampshire
SO17 1XS

UK ELECTRIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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UK ELECTRIC LIMITED

STRATEGIC REPORT

For the year ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Principal activity

The principal activity of the company during the year was the distribution of electrical equipment.

Business review and financial key performance indicators

The principal objective of the company continues to be the delivery of sustainable, responsible and profitable business growth through a strategy of optimum use of the company's expertise in products and local market conditions.

The directors use a number of measures, both financial and non-financial, to monitor and benchmark the performance of the company. They regard the following as the key financial indicators of performance.

Turnover increased by 2.8% during the year from £83.5m to £85.8m mainly as a result of organic growth and strong growth in our specialist distribution businesses. This was the result of working closely with our suppliers to ensure that we identified early on a potential issue with the supply of certain raw materials. This ultimately led to supply shortages in the market. By reacting early, we built up contingency stock levels which meant that we were able to supply our existing customers and also to capture some new business.

Total operating costs increased from £76.4m to £79.0m. The increase in operating costs is consistent to the increase in level of activity as seen in the growth in turnover coupled with increases in premises costs resulting in a decrease in operating profit from £7.0m to £6.8m.

The company employed an average of 241 employees during the year (2018: 250). The reduction in headcount was partly due to an ongoing focus on cost containment but also due to improved operational efficiencies following a sharing of best practices across our locations. Net assets increased from £35.3m to £40.9m as a result of the retained profit for the year. Net current assets increased from £32.0m to £38.9m, mainly due to retained profits and continued effective management of working capital.

The business has remained strongly cash generative with the company's cash level, net of intercompany loans, increasing from £20.1m to £25.7m at the respective year ends. This is consistent with our expectations and the increase in cash levels allows continued investment in the business from retained profits throughout the year and the financing of working capital requirements during peak trading.

The directors believe the business is in a sound position at the year-end and is well placed to meet the challenges of the year ahead. Despite the onset of the Covid-19 pandemic, and the uncertainty of Brexit, the business continues to perform strongly and has honoured all ongoing liabilities from cash reserves which remains strong. The markets in which we operate have shown signs of some recovery but uncertainty remains and therefore ongoing review of our cost base continues, as well as seeking out new markets and other opportunities including realising the potential of the digital market place. The directors do not therefore anticipate any major changes in the company's strategy for the year ahead but they remain vigilant for any significant impact to the market environment as a result of the pandemic and Brexit negotiations. The directors believe the business' prospects are good.

S172(1) Statement

The board of directors of UK Electric Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during the year ended 31 December 2019.

Our key stakeholders are our employees, customers and suppliers, the community and environment. These are considered our key stakeholders as they have the most impact on the long-term success of our business.

S172(1) Statement (continued)

Below are examples of how the Directors engage with key stakeholders:

Employees

As explained in the Report of the Directors, the involvement of employees is vital to our businesses and the directors keep them informed on matters affecting them as employees and the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a range of matters concerning their interests. The directors also maintain an open-door policy and all employees are encouraged to bring forward their views on all aspects of the Company. The directors consider the above to be effective as it provides a platform for a two-way communication where concerns and ideas can be passed upward where necessary, so that the business can take advantage of opportunities quickly. This also enables key decisions to be taken with the benefit of local feedback.

Customers and Suppliers

The directors place considerable value on the engagement of customers and suppliers in making decisions taking on board their views and insights through regular dialogue and meetings. We operate on a multi-branch business basis with a high level of decentralisation backed up by strong controls and a reward structure that is based on local performance and individual contribution. Our strategy is to provide the highest possible service to customers. The ability of our branch managers to determine all aspects of their business ensures they are strongly focused on providing the best service to their customers, supporting our key suppliers to get their products to market and employing, retaining and rewarding a high-quality team. We also host customer and supplier events at local and national level, including training for both customers and staff. We work together with our customers and suppliers for the mutual success of our respective businesses. The above aids the achievement of our key performance indicators because by supporting our customers and suppliers' efforts to bring products to market at fair prices, with rigorous quality control and high levels of availability, we ensure that we maximise the opportunities we have for our mutual interests whilst observing our mutual responsibilities to the wider community and environment.

The success of the above is measured using our key performance indicators of turnover and operating income. These key performance indicators, together with customer and supplier feedback were useful early warning indicators that helped the business identify the issues noted in the business review and appropriate action, such as focus on cost reduction, were taken which helped minimise the impact that Brexit planning by the market and the milder winter had on our results.

Community and Environment

In formulating our plan, we took into account the impact of the Company's operations on the community and environment, our wider social responsibilities, and in particular how we comply with legislation and react promptly to local community concerns such as giving staff time-off to perform voluntary activities to help local charitable causes. As the board of directors, our intention is to behave responsibly and ensure that the management team operate our businesses in a responsible manner, operating within the high standards of business conduct and good governance expected for a Company such as ours and in doing so, will contribute to long term success of our Company. This is achieved through training, management having regular dialogue with our teams and monitoring through our internal audit function. The intention is to nurture our reputation, through our actions, that reflects our responsible behaviour.

The regular engagement by the directors with all stakeholders such as those described above enables the directors to enhance their awareness of the market, improve decision making and promote the long-term success of the Company more effectively and observe the principles of s172.

Principal risks and uncertainties

The directors are responsible for the company's risk management procedure. The directors monitor risks facing the business and identifies any that are emerging. The directors recognise that it is ultimately responsible for the actions that are taken and reserves certain key decisions such as senior appointments, funding of operations and

STRATEGIC REPORT

For the year ended 31 December 2019

Principal risks and uncertainties (Continued)

acquisitions. The directors work with the operational management team to ensure that risks are identified and appropriately managed, in accordance with defined policies and procedures, and that there are clear responsibilities for this. There is an active programme of internal audit which monitors compliances with our standard practice instructions.

The main risks and uncertainties facing the company can be summarised as:

- **Changes in the economic environment**

Contingency plans are used for recession or rapid downturn of our core market. Our key performance indicators act as early warning signals; and focuses on risks affecting our level of business, overheads and working capital.

- **Product demand and obsolescence**

Working closely with and taking into account feedback from with our customers, suppliers and colleagues means we are best placed to understand and react according to sudden changes in product demand and technological development. An example was early indication of potential supply issues due to raw material shortages meant we were able to review our stock levels early on and take on contingency levels of stock.

- **Competitor action**

We work closely with our customers and supplier for the mutual success of our respective businesses and build strong relationships with these key stakeholders. The feedback from these key stakeholders and our key performance indicators help the directors to review the impact of key decisions and to reconsider them where it is appropriate to do so.

- **Credit risk**

Credit risk is described in the Report of the Directors.

The above are important as they individually and combined could have a significant impact on the operations, cashflow and performance of the business. The directors regularly review and agree policies for managing each of these risks. This is based on the steps described above and also through our understanding of the industry, regulation, working with our customers and suppliers and seek professional advice where appropriate. The directors' objective is to minimise the possibility of these risks impacting our business and to mitigate them wherever possible. These policies remain unchanged from previous years.

In addition to the above, the impact of Covid-19 and Brexit are areas of discussion and are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. The directors are monitoring the spread and impact of the virus. The disruption to operations, service and supply chain have been considered. The directors have put in place contingency plans in order to cope with any interruptions. The main area of focus at the outset of the Covid-19 pandemic was the potential impact it could have on working capital. Financing options were available and considered, however the impact on performance was minimal and the company maintained strong cash reserves. The company does not intend to use those financing options.

The UK formally left the EU on 31 January 2020 and entered a transition period which ended on 31 December 2020. Despite an agreement being reached with the EU, the directors will continue to monitor and identify key risks and opportunities, which include but not limited to stock levels, pricing and supply. The directors have put in place contingency plans with the company's supply-base and customers in order to cope with any interruptions.

BY ORDER OF THE BOARD

L Yu
Secretary

Company registration: 02742081

4 March 2021

UK ELECTRIC LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year, are shown in the attached financial statements. There was a profit for the year after taxation amounting to £5.7m (2018: £5.7m).

The directors do not recommend payment of a dividend (2018: £nil).

Charitable donations

During the year the company made charitable donations of £2,000 (2018: £3,000).

Financial risk management objectives and policies

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the company's financial instruments are market risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remain unchanged from previous years.

Market risk

The company is exposed to foreign exchange risk on certain transactions. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge, the company does not adopt an accounting policy of hedge accounting for these financial statements. There were no hedging arrangements in place as at 31 December 2019 and 31 December 2018.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through support from the parent company.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the company's cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk, the directors set a policy of monitoring exposure with customers based on a combination of payment history and third-party credit references. Exposure levels are reviewed by senior management on a regular basis in conjunction with debt ageing and collection history.

Recruitment and employee relations

Recruitment policies are designed to ensure equal opportunity of employment regardless of age, race or sex. Appropriate consideration is given to disabled applicants in offering employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

UK ELECTRIC LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

Recruitment and employee relations (continued)

The company places considerable importance on maintaining good relations with employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted regularly on a range of matters affecting their interests.

Future developments

An indication of future developments of the business is included in the strategic report.

Environmental policies

We continue to review our environmental policies and seek at all times to meet our legal obligations in this regard.

Directors

The present membership of the Board, and listing of directors who served during the year, is set out below:

N J Palmer
S Westbrook
L Yu

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and Report of the Directors, 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- 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 to 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.

UK ELECTRIC LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

Provision of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 the company's auditor is aware of that information.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report and Report of the Directors include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

Going concern

In the light of the current climate in relation to the Covid19 pandemic the directors have reviewed the company's finances which confirm that the company has adequate funding available to continue operational existence for the foreseeable future. There have been no other significant events affecting the company since the year end. The directors believe there are no material uncertainties that call into doubt the company's ability to continue as a going concern and the accounts therefore been prepared on the basis that the company is a going concern.

BY ORDER OF THE BOARD



L Yu

Secretary

Company registration: 02742081

4 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK ELECTRIC LIMITED

Opinion

We have audited the financial statements of UK Electric Limited (the 'company') for the year ended 31 December 2019 which comprise the principal accounting policies, the income statement, the balance sheet, the statement of changes in equity 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 Financial Reporting Standard 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Report of the Directors, other than the financial statements and our auditor's report thereon. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK ELECTRIC LIMITED (CONTINUED)

Other information (continued)

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.

Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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 any material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

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:

- 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 the directors for the financial statements

As explained more fully in the directors' responsibilities 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK ELECTRIC LIMITED (CONTINUED)

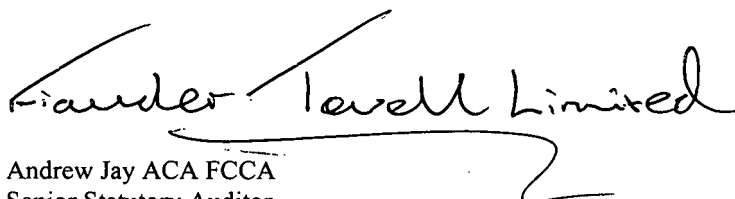
Auditors' responsibilities for the audit of the financial statements

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: 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.

A handwritten signature in black ink, appearing to read 'Andrew Jay', is written over the printed name 'Andrew Jay ACA FCCA'.

Andrew Jay ACA FCCA
Senior Statutory Auditor
For and on behalf of Fiander Tovell Limited
Statutory Auditor, Chartered Accountants
Southampton

Date: 5 March 2021

UK ELECTRIC LIMITED

INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 £000s	2018 £000s
Turnover	2	85,782	83,477
Operating profit	3	6,774	7,032
Interest receivable and similar income	4	242	194
Interest payable and similar charges	5	(25)	(21)
Profit on ordinary activities before taxation		6,991	7,205
Tax on profit on ordinary activities	8	(1,336)	(1,076)
Profit for the financial year		5,655	6,129

All results derive from continuing operations for both the current year and prior year.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents for both the current year and prior year.

There were no recognised gains or losses for both the current year and prior year other than those in the income statement.

The accompanying accounting policies and notes (pages 13-28) form an integral part of these financial statements.

UK ELECTRIC LIMITED**BALANCE SHEET AT 31 DECEMBER 2019**

Company no: 02742081

	Note	2019 £000s	2018 £000s
Fixed assets			
Intangible assets	9	21	-
Tangible assets	10	2,516	2,485
Investments	11	422	1,627
		<u>2,959</u>	<u>4,112</u>
Current assets			
Stocks	12	11,110	10,347
Debtors	13	41,712	37,864
Cash at bank		8,920	8,580
		<u>61,742</u>	<u>56,791</u>
Creditors: Amounts falling due within one year	14	<u>(22,819)</u>	<u>(24,745)</u>
Net current assets		<u>38,923</u>	<u>32,046</u>
Total assets less current liabilities		41,882	36,158
Creditors: Amounts falling due after more than one year	15	(386)	(365)
Provisions for liabilities and charges	17	<u>(553)</u>	<u>(505)</u>
Net assets		<u>40,943</u>	<u>35,288</u>
Capital and reserves			
Called-up share capital	18	-	-
Other reserves	19	3,000	3,000
Profit and loss account		<u>37,943</u>	<u>32,288</u>
Total shareholders' funds		<u>40,943</u>	<u>35,288</u>

The financial statements on pages 10 to 28 were approved and authorised for issue by the board of directors on 4 March 2021 and were signed on their behalf by:



S Westbrook
Director

The accompanying accounting policies and notes (pages 13-28) form an integral part of these financial statements.

UK ELECTRIC LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total
	£000s	£000s	£000s	£000s
At 1 January 2018	-	3,000	26,159	29,159
Profit for the year	-	-	6,129	6,129
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	3,000	32,288	35,288
Profit for the year	-	-	5,655	5,655
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	<hr/> - <hr/>	<hr/> 3,000 <hr/>	<hr/> 37,943 <hr/>	<hr/> 40,943 <hr/>

The accompanying accounting policies and notes (pages 13-28) form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with applicable UK accounting standards and the Companies Act 2006.

Under the provision of section 400 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity.

The principle accounting policies are set out below. The preparation of financial statements in compliance with Financial Reporting Standard 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

Exemptions for qualifying entities under FRS 102

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by Company's shareholders.

The company has taken advantage of the following exemptions:

Statements of cash flow

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 3.17(d) on the grounds that a consolidated cash flow statement is included in the financial statements of the Parent.

Financial instruments disclosures

The Company has taken advantage of the exemption from the financial instruments disclosures required under FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures of the Parent.

Key management personnel compensation

The Company has taken advantage of the exemption from disclosing the Company key management compensation pursuant to FRS 102 33.7

Related party disclosures

The Company has taken advantage of the exemption from disclosing the related party disclosures pursuant to FRS 102 paragraph 33.7

The company is a wholly-owned subsidiary of Newbury Investments (UK) Limited and is included in the consolidated financial statements of Newbury Investments (UK) Limited, which are publicly available.

Going concern

After considering the Company's performance in the year to 31 December 2019, its future prospects and its cash flow forecasts, the Directors have full expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least for a period of twelve months from the date the financial statements are signed. In the unlikely event additional finance is required, Group support is confirmed as available. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Goodwill

Goodwill arising on the acquisition of the trade and assets of a business represents the excess of the fair value of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life from the date of acquisition.

Fixed asset investments

Fixed asset investments are shown at cost less any amounts written off. Provisions are made for any impairment. Where advantage is taken of merger relief under section 611 of the Companies Act 2006, cost is equal to the nominal value of the share issued plus the fair value of any consideration given. Only dividends received and receivable are credited to the company's income statement.

Fixed assets

All assets are initially measured at cost. Cost comprises the initial purchase price plus, where material, any further directly attributable costs in making the asset available for use.

Fixed asset depreciation

Depreciation is calculated so as to write off the cost of an asset other than freehold land, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold and long-leasehold land and buildings – 50 years straight line

Plant and equipment - 4 years straight line

Motor vehicles - 4 years straight line

Office and computer equipment - 4 years straight line

Leasehold improvements - over the lower of the life of the lease or 5 years straight line.

Where the split of cost between freehold land and buildings can be reliably calculated, the freehold land element is held at historic cost and is not depreciated.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income" in the income statement.

Intangible assets

Intangible assets are recognised at their initial cost and are written off on a straight-line basis over the lower of the assets useful economic life, or its legal or contractual rights.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete, slow moving and defective items where appropriate. Cost is determined on a first-in, first-out (FIFO) basis which includes the purchase price together with all direct attributable costs and income to bring inventory to its present location and condition.

Debtors

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Cash and cash equivalents

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

Creditors

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

Bank cross guarantee

The fair value of a financial guarantee contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

Turnover

The turnover shown in the income statement represents amounts invoiced during the year, exclusive of value added tax. Turnover is recognised when the risk and rewards of ownership of stock are transferred to the customer. This occurs when the stock is delivered to the customer or is collected by them from the point of sale. As such, invoices are raised on delivery or collection and recognised immediately.

Pension costs

Defined contribution pension scheme

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Current and deferred taxation

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

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 and the group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Current and deferred taxation (continued)

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by reporting date.

Financial instruments

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the Income Statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Forward exchange contracts

Forward exchange contracts are used to manage currency fluctuations on stock purchasing in foreign currencies by entering into a forward exchange contract to match the future foreign currency commitment when due. Foreign exchange contracts and the amounts due are valued at the time when the contract is taken out. Any changes in fair value are recognised in the Income Statement.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

Finance lease agreements

Rentals applicable to finance leases, where substantially all of the benefits and risks of ownership transfer to the lessee, are capitalised and depreciated over the period of the lease.

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Property dilapidations and onerous leases

Under certain operating leases for land and buildings, the company is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The company charges amounts to income statement so that, by the end of the lease, a total provision is accrued that is estimated to be equal to the future costs of those dilapidation obligations. Where repairs are made part way through the lease that will reduce the estimated costs of dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision.

Where leased properties are vacated the company provides for the best estimate of the future unrecoverable costs of its obligations under those leases.

Stock provisioning

The company holds stock that is subject to changing industry demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of goods. See note (12) for the net carrying amount of the inventory and associated provision movement in the year.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note (13) for the net carrying amount of the debtors and associated impairment provision movement in the year.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 TURNOVER

The turnover is attributable to the principal activity of the company as described in the report of the directors.

An analysis of turnover by geographical destination is given below:

	2019 £000s	2018 £000s
United Kingdom	83,406	80,946
Europe	1,916	2,149
Rest of the world	460	382
	<u>85,782</u>	<u>83,477</u>

3 OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	2019 £000s	2018 £000s
Change in stocks of finished goods	763	275
Purchase of raw materials and consumables	(62,977)	(60,200)
Other external charges	(1,732)	(1,636)
Staff costs (see note 6)	(11,426)	(11,429)
Depreciation written off owned fixed assets	(254)	(276)
Depreciation written off assets on hired purchase and finance leases	(313)	(275)
Amortisation of intangible assets (see note 9)	(2)	-
Property operating expenses	(1,238)	(801)
Other operating charges	(1,829)	(2,103)
	<u>(79,008)</u>	<u>(76,445)</u>

Other operating charges include but are not limited to stationery, general insurances, computer consumables and group recharges

Operating profit is stated after (charging)/crediting:

	2019 £000s	2018 £000s
Auditor's remuneration		
- Audit fees	(40)	(27)
- Taxation compliance services	(5)	(4)
- Other professional service credits	2	-
Profit on disposal of fixed assets	63	63
Operating lease rentals		
- Plant and machinery	(6)	(9)
- Other	(739)	(557)

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000s	2018 £000s
Interest on group loan	242	194
Other similar interest receivable	-	-
	<u>242</u>	<u>194</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000s	2018 £000s
Interest on finance leases	25	21
	<u>25</u>	<u>21</u>

6 EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2019 No.	2018 No.
Administration	73	83
Sales and distribution	168	167
	<u>241</u>	<u>250</u>

The aggregate payroll costs of the above were:

	2019 £000s	2018 £000s
Wages and salaries	9,540	9,683
Social security costs	1,023	1,003
Pension costs (see note 24)	863	743
	<u>11,426</u>	<u>11,429</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 DIRECTORS

Remuneration in respect of directors was as follows:

	2019 £000s	2018 £000s
Emoluments receivable	266	235
Value of company pension contributions to defined contribution scheme	2	2
	<u>268</u>	<u>237</u>

One director (2018: One) had benefits accruing under a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2019 £000s	2018 £000s
Emoluments receivable	133	112
	<u>133</u>	<u>112</u>

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2019 £000s	2018 £000s
Current tax:		
UK corporation tax at 19% (2018: 19%)	1,402	1,369
Adjustment in respect of prior periods	31	(1)
Total current tax	<u>1,433</u>	<u>1,368</u>
Deferred tax:		
Origination and reversal of timing differences	(97)	(292)
Adjustment for change in future corporation tax rate	-	-
Total deferred tax	<u>-</u>	<u>(292)</u>
Tax on profit on ordinary activities	<u>1,336</u>	<u>1,076</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

RECONCILIATION OF TAX CHARGE

The tax assessed on the profit on ordinary activities for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000s	2018 £000s
Profit on ordinary activities before taxation	<u>6,991</u>	<u>7,205</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,328	1,369
Effect of:		
Expenses not deductible for tax purposes	60	60
Provision tax adjustment	24	-
Depreciation in excess of capital allowances	5	(60)
Adjustment in respect of prior periods	31	(1)
Group Relieved	(8)	-
Other timing differences	<u>(104)</u>	<u>(292)</u>
Tax charge for the year	<u>1,336</u>	<u>1,076</u>

Factors affecting future tax charges

The main rate of UK corporation tax was reduced from 20% to 19% with effect from 1 April 2017. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 March 2017. These included reductions to the main rate to reduce the rate to 17% from 1 April 2020.

9 INTANGIBLE FIXED ASSETS

	Goodwill £000s	Websites £000s	Total £000s
Cost			
At 1 January 2019	2,691	-	2,691
Additions	<u>-</u>	<u>23</u>	<u>23</u>
At 31 December 2019	<u>2,691</u>	<u>23</u>	<u>2,714</u>
Amortisation			
At 1 January 2019	2,691	-	2,691
Income statement charge	<u>-</u>	<u>2</u>	<u>2</u>
At 31 December 2019	<u>2,691</u>	<u>2</u>	<u>2,693</u>
Net book value at 31 December 2019	<u>-</u>	<u>21</u>	<u>21</u>
Net book value at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 TANGIBLE FIXED ASSETS

	Freehold and long leasehold £000s	Plant and equipment £000s	Motor vehicles £000s	Office and computer equipment £000s	Leasehold improvements £000s	Total £000s
Cost						
At 1 January 2019	1,577	549	1,424	451	927	4,928
Additions	-	168	351	40	269	828
Transfers In	-	-	20	-	-	20
Transfers Out	-	-	(55)	(1)	-	(56)
Disposals	(214)	(30)	(239)	(50)	(55)	(588)
At 31 December 2019	1,363	687	1,501	440	1,141	5,132
Depreciation						
At 1 January 2019	200	419	787	318	719	2,443
Charge for the year	21	79	313	59	95	567
Transfers In	-	-	8	-	-	8
Transfers Out	-	-	(28)	-	-	(28)
Disposals	(20)	(30)	(239)	(31)	(54)	(374)
At 31 December 2019	201	468	841	346	760	2,616
Net book value at 31 December 2019	1,162	219	660	94	381	2,516
Net book value at 31 December 2018	1,377	130	637	133	208	2,485

Included within freehold and long leasehold is £343,000 (2018: £343,000) relating to freehold land that is not being depreciated.

Included within the net book value of £2,516,000 is £660,000 (2018: £637,000) relating to assets purchased on finance lease and hire purchase. The depreciation charged in respect of these assets during the year amounted to £313,000 (2018: £275,000).

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

11 INVESTMENTS

	Shares in subsidiary undertakings £000s
Cost	
At 1 January 2019 and 31 December 2019	1,627
Amounts written off	
At 1 January 2019 and 31 December 2019	<u>(1,205)</u>
Net book value at 31 December 2019	<u>422</u>
Net book value at 31 December 2018	<u>1,627</u>

The company owns, directly or indirectly, the entire issued share capital of the companies listed below, all of which are incorporated in England and Wales.

During the year, GAS Appliance Spares (Preston) Limited was dissolved.

Name	Activities
ABGO Equipment Sales Limited	Dormant
Capital Cables Limited	Dormant
Education Maintenance Services Limited	Dormant
Electrical Trades Supply Limited*	Dormant
Fyfe & McGrouther Limited*	Dormant
Gas Appliance Spares (Preston) Limited	Dissolved 22 October 2019
H & V Controls Limited	Dormant
IVAC Limited	Dormant
Kirkby Components Limited	Dormant
UK Drives Limited	Dormant
UK Spares Limited	Dormant
Western Automation Limited	Dormant

*By virtue of shares held in H & V Controls Limited

12 STOCKS

	2019 £000s	2018 £000s
Finished goods	<u>11,110</u>	<u>10,347</u>

Stock recognised as an expense during the year was £65,200,000 (2018: £62,900,000)

An impairment reversal of £10,000 (2018: £52,000 reversal) was recognised in cost of sales during the year.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 DEBTORS

	2019 £000s	2018 £000s
Trade debtors	14,672	14,987
Amount owed by group undertakings	25,700	21,564
Deferred taxation (see note 16)	487	390
Other debtors	429	528
Prepayments and accrued income	424	395
	<u>41,712</u>	<u>37,864</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest bearing at a rate equal to 1.5% above the NatWest Bank Plc's base rate.

An impairment charge of £54,000 (2018: £125,000 charge) was recognised within trade debtors.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000s	2018 £000s
Trade creditors	8,284	8,824
Amounts owed to group undertakings	8,906	10,080
Corporation tax payable	691	670
Other taxation and social security	603	938
Other creditors	99	92
Finance lease creditor (see note 22)	287	287
Accruals and deferred income	3,889	3,802
Pension contributions	60	52
	<u>22,819</u>	<u>24,745</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest bearing at a rate equal to 1.5% above the NatWest Bank Plc's base rate.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £000s	2018 £000s
Finance lease creditor (see note 22)	<u>386</u>	<u>365</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 DEFERRED TAXATION

The movement in the deferred taxation account during the year was:

	2019 £000s	2018 £000s
At the beginning of the year	390	98
Income statement movement arising during the year	97	292
Adjustment for change in future corporation tax rate	-	-
At the end of the year	487	390

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2019 £000s	2018 £000s
Capital allowances and depreciation	388	348
Other timing differences	99	42
Total provision for deferred tax	487	390

At 31 December 2019 the company had no capital losses (2018: £nil) available for future use. The company has not recognised any deferred tax asset in respect of this amount as the losses that may be used in the foreseeable future cannot be reliably estimated.

No provision has been made for deferred tax on capital gains inherent in the net book value of freehold land and property. These inherent gains arose as a result of the company paying fair value for assets upon their transfer from subsidiary companies and that value exceeded the cost of the asset when originally acquired by the subsidiary. Tax on such gains would only become payable if the property was sold without it being possible to claim rollover relief. At the year-end, the total inherent gains, prior to indexation and other available reliefs from taxation, upon which no deferred tax liability has been recognised, are £174,000 (2018: £174,000).

Factors affecting future tax charges

The main rate of UK corporation tax was reduced from 20% to 19% with effect from 1 April 2017. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 March 2017. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Property dilapidations £000s	Warranty Provision £000s	Total £000s
At 1 January 2018	410	33	443
Utilised during the year	-	-	-
Income statement charge	55	7	62
At 31 December 2018	465	40	505
Utilised during the year	-	(10)	(10)
Income statement charge	52	6	58
At 31 December 2019	517	36	553

A provision has been made for the expected reinstatement costs for all leased properties. The settlement timing of these obligations is dependent upon the remaining lease terms.

Certain brand products supplied by the company are covered by warranty. Provision based on past experience has been made for the expected cost of warranty claims.

18 SHARE CAPITAL

	2019 £	2018 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

19 CAPITAL CONTRIBUTION RESERVES

The capital contribution reserve represents additional shareholder contributions from prior periods.

20 CAPITAL COMMITMENTS

The company had capital commitments of £173,000 at 31 December 2019 (2018: £211,000) in respect of capital projects entered into but which had not been completed at the year end. All capital commitments related to property, plant and equipment.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21 CONTINGENT LIABILITIES

BANK CROSS GUARANTEE

There is an unlimited cross guarantee between the company, Newbury Investments (UK) Limited, Decco Limited, Deta Electrical Company Limited, Norbain Holdings Limited, Ryness Electrical Supplies Limited, Stearn Electric Company Limited, UK Cables Limited and UK Test Instruments Limited in favour of Natwest Bank Plc. The obligation under this guarantee at 31 December 2019 was £nil (2018: £nil). There were no other contingent liabilities at 31 December 2019 or at 31 December 2018.

22 LEASING COMMITMENTS

At the end of the year the company had future minimum lease payments under non-cancellable operating leases for:

	2019 £000s	2018 £000s
Land and buildings:		
Within one year	696	710
Within two to five years	2,038	2,308
More than five years	846	1,164
	<u>3,580</u>	<u>4,182</u>

Finance Leases:

The company's future minimum finance lease payments are as follows:

	2019 £000s	2018 £000s
Within one year	307	306
Within two to five years	400	378
	<u>707</u>	<u>684</u>
Less: finance charges included above	<u>(34)</u>	<u>(32)</u>
	<u>673</u>	<u>652</u>

Certain plant and machinery and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

23 RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of Newbury Investments (UK) Limited and has taken advantage of the exemption available under Financial Reporting Standard 102 Section 33 'Related Party Disclosures' not to disclose details of transactions with entities which are part of this group.

The company made sales of approximately £2.3m (2018: £2.1m) to companies connected to certain shareholders of the group's ultimate parent undertaking of which amounts receivable of £0.56m (2018: £0.3m) were still outstanding at the year end. Further, there were related party charges from these related companies of £0.5m (2018: £0.4m) in respect of non-trading transactions and purchases of £0.1m (2018: £0.16m). In the opinion of the directors all transactions were at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 PENSION ARRANGEMENTS

Defined benefit pension scheme

Certain employees of the company are members of a defined benefit scheme operated by a non-group company. The assets of the scheme are managed through a separate trustee administered fund. The scheme was closed to future accrual at 31 March 2011.

The company's liability for this scheme was crystallised during 2015.

Defined contribution pension scheme

The company operates a defined contribution pension scheme for the benefit of its employees and directors. The assets of the scheme are held separately from those of the company in independently administered funds. Included within the pension cost charge are contributions payable by the company to the fund and amount to £863,000 (2018: £743,000) as disclosed in note 6.

25 ULTIMATE PARENT COMPANY

The ultimate parent company is Newbury Investments BV, a company incorporated in the Netherlands. The smallest and largest group in which the results of the company are consolidated is that headed by Newbury Investments (UK) Limited, a company incorporated in England and Wales. A copy of these financial statements may be obtained from Companies House. The immediate parent company is Newbury Investments (UK) Limited, registered address Votec House, Hambridge Lane, Newbury, Berkshire, RG14 5TN.