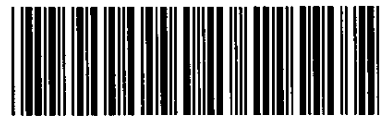


Registered number: 02051703

XMA Limited
Annual report and financial statements
For the year ended 31 December 2019

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XMA Limited

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XMA Limited

Strategic report For the year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company continues to be the provision of computer products and services into both the public and corporate sector.

Review of the business

XMA Limited ("XMA") is a privately owned business established in the eighties. A trusted IT advisor to the corporate, educational and public sectors, we support our customers by combining transformational technology and services to enable their success.

In the second half of 2019, XMA began the process of transferring its third party logistics fulfilment business to Westcoast Limited, the distribution arm of Westcoast Group. This high-volume transactional business is more suitably served by the Westcoast model and the transfer allows XMA to focus more fully on its core solutions-driven sales opportunities. Despite this, XMA's turnover only decreased marginally year on year to £413.4m (2018: £414.4m). Gross profit also decreased to £39.8m (2018: £42.4m). Operating profit increased to £7.8m, 1.89% of turnover (2018: £7.5m, 1.81% of turnover) as a result of a successful initiative to tightly manage our cost-base.

As we move into 2020, the full year impact of the transfer of the fulfilment business is expected to reduce revenues by between 20% and 25%, with an equal offset growth positively impacting Westcoast. The impact on gross margins will be significantly less than this as the fulfilment business is transacted at low margins.

Despite the continued uncertainty surrounding the impact of Brexit, the like-with-like core business is forecast to continue to grow in the new year and the directors believe that XMA can further cement its key position in the marketplace. The company remains well placed to compete strongly in a number of channels in the public sector and corporate markets and we have aligned our resources and management focus to maximise the opportunities we can see ahead in these areas.

As at the time of approval of this report the Company's trading performance has remained in line with our original budgets, established prior to the coronavirus pandemic. We are confident that with our well-established supplier relationships and procurement processes that we will continue to receive products during this period and are able to support our loyal customers.

While the longer-term impact of the coronavirus pandemic on the economy remains uncertain, we are confident that the Company is well placed to withstand an economic downturn should this occur. The Company renewed its asset-backed lending facility in February 2020 and has a long-standing supportive relationship with our bankers. We continue to have access to supplier financing arrangements as required. We have strong controls in place for the recovery of trade debtors and management of working capital and will consider utilisation of governmental support schemes if relevant and applicable. Having modelled a number of potential downside scenarios we are confident that the Company will continue to operate as a going concern and that we are well placed during this uncertain time to help to support key services and workers of the United Kingdom and across Europe by continuing to distribute hardware, consumables and services.

Key financial performance indicators

	2019	2018	Change
	£'000/%	£'000/%	£'000/%
Turnover	413,377	414,367	(990)
Operating profit	7,793	7,518	275
Operating profit as % of turnover	1.89%	1.81%	0.08%

XMA Limited

Strategic report (continued) For the year ended 31 December 2019

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the company's future operating profits or financial position. The company has controls embedded within its systems to limit each of these potential exposures and regularly reviews, reassesses and proactively limits the associated risks.

- Intense competition among global IT vendors or within the channel may lead to reduced prices, lower sales or reduced sales growth, lower gross margins, extended payment terms with customers, increased investment and interest costs or bad debt risks. The company differentiates itself within the marketplace by offering best value and market leading service levels to its customers.
- Significant changes in supplier terms, such as volume discounts or rebates, a reduction in the amount of incentives available, reduction or termination of price protection, stock rotations or other stock management programs or reductions in payment terms may adversely impact operations or financial conditions.
- The company principally sells in sterling and purchases a proportion of its supplies in dollars and euros. The currency risk exposure is managed through support from vendors on specific customer tenders and the use of forward contracts through the group treasury function. When possible, sale prices are adjusted to reflect changing costs of supplies.
- The coronavirus pandemic Covid-19, may impact our ability to receive products from our suppliers on a timely basis and periods of illness may impact our employee's ability to work for us which could in turn impact our ability to service our customers. The longer-term impact on the economy could impact future revenue levels.

Stakeholder engagement (Section 172)

The directors have acted in a way that they considered to be most likely to promote the success of the company, and in doing so had regard to:

- the likely consequences of any decision in the long term;
- the interest of the company's employees;
- the need to further develop the company's business relationship with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the requirement of the company in maintaining its reputation for high standards of business conduct;
- the need to act fairly as between members of the company.

Our stakeholders

Our customers and suppliers are at the heart of everything we do and because of this, we work hard to build and foster strong and long-lasting relationships with them. We seek to entangle ourselves with our key business partners by face to face interactions, industry events, workshops and roadshows, promotional activity and open days. By continually focussing on the strength of these relationships we further cement our ability to grow our business and explore the many commercial opportunities in front of us.

Our employees are our most valuable assets. Without our staff, we're unable to develop the strong relationships with our key business partners and deliver the products and services that make our business a success. They make an enormous difference to our business and our investment in them protects and strengthens our common goals. We share with them our strategy and decision making through key communications throughout the year. Our employee survey captures their views and is a key component in how we track employee engagement.

XMA Limited

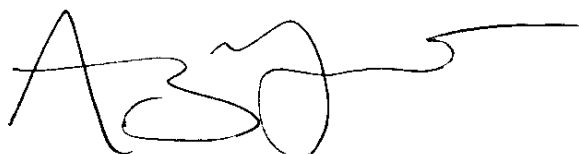
Strategic report (continued) For the year ended 31 December 2019

Our stakeholders (continued)

We anticipate the Introduction of PDD (Performance & Development Dialogue) will further improve employee engagement. In addition, we are in the progress of attaining accreditation to Investors in People, which will further extend our efforts to develop our human resources.

We actively engage with employees on significant decisions that may impact them.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A Taylor', with a long horizontal flourish extending to the right.

A Taylor
Director
14 April 2020

XMA Limited

Directors' report For the year ended 31 December 2019

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

Directors

The directors of the company who served during the year and up to the date of signing these financial statements were:

S Madhani
L Hemani
C Batchelor
I Cunningham
A Wright
K Lee
A Taylor (appointed 6 December 2019)
T Dhatt (resigned 6 December 2019)
P Heath (resigned 24 December 2019)

Future developments

Through further investments in our people and systems we strive to expand our business in all our markets. Notwithstanding the Covid-19 crisis, the directors remain confident that XMA Limited is well placed to take advantage of opportunities as they arise.

Directors' indemnities

The company maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors. This was in force during the financial year and at the date of approval of the financial statements.

Post Balance Sheet Events

On 11th March 2020 the World Health Organisation declared the coronavirus a pandemic, Covid-19. The Directors consider the coronavirus to be a non-adjusting post balance sheet event. While the impact of the coronavirus on the Company remains uncertain, the impact on the business has so far been minimal. The Directors currently do not consider there will be any significant impact on the carrying value of assets and liabilities held as at 31st December 2019. More detail is provided in the Strategic report on page 1.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, foreign exchange rate risk, credit risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit consideration.

Liquidity risk

Liquidity risk is managed through an assessment of working capital requirements to ensure the company has sufficient funds available for operations and planned expansions.

XMA Limited

Directors' report (continued) For the year ended 31 December 2019

Financial risk management objectives and policies (continued)

The funds used for managing operations include bank overdrafts and loans between group companies. In addition, the company has access to an asset based lending facility with Lloyds Bank Commercial Finance Limited.

The company actively maintains an appropriate level of debt through borrowing from group companies.

Foreign exchange risk

The company sells to customers in foreign currencies and also makes purchases denominated in foreign currencies. The company is therefore exposed to foreign currency movements throughout the year. The currency risk exposure is managed through the use of forward foreign currency contracts at group level. No hedge accounting is applied.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the future cash flows.

The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company has a policy and procedures manual that sets out specific guidance to manage credit risk where policies have been implemented that require appropriate credit checks on potential customers before sales are made. Additionally, the company has a debt insurance policy in place.

The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Policy on payment of creditors

Although there is no standard payment practice, it is company policy to abide by the terms of payment agreed prior to the initial transaction. For the year ended 31 December 2019 the average payment period of trade creditors was 16 days (2018: 21 days).

Disabled employees

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.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company intranet.

Environment

The company is aware of its environmental obligations and actively promotes environmental initiatives with its employees, customers and suppliers.

XMA Limited

Directors' report (continued) For the year ended 31 December 2019

Charitable donations

The company has continued to support national charities through internally organised functions and fundraising events. Charitable donations were made during the year to the value £2,226 (2018: £2,175). There were no political donations made in the year.

Results and Dividends

The company's profit for the year, after taxation, amounted to £5,668,772 (2018: £6,332,730). During the year the directors paid a dividend of £5,000,000 (2018: £5,000,000).

The company has an overseas branch within the EU in France.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Statement as to disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 company's auditors are aware of that information.

XMA Limited

Directors' report (continued) For the year ended 31 December 2019

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'A Taylor', with a long horizontal line extending to the right.

A Taylor
Director
14 April 2020

XMA Limited

Independent auditors' report to the members of XMA Limited

Report on the audit of the financial statements

Opinion

In our opinion, XMA Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of XMA Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

XMA Limited

Independent auditors' report to the members of XMA Limited (continued)

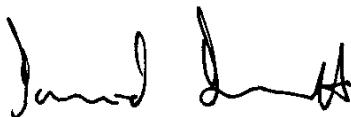
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Daniel Dennett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
14 April 2020

XMA Limited

Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	413,377	414,367
Cost of sales		(373,614)	(371,956)
Gross profit		39,763	42,411
Administrative expenses		(32,980)	(35,793)
Other operating income		1,010	900
Operating profit	5	7,793	7,518
Interest receivable and similar income	7	4	192
Interest payable and similar expenses	7	(288)	(206)
Profit before taxation		7,509	7,504
Tax on profit	8	(1,840)	(1,171)
Profit for the financial year		5,669	6,333
Total comprehensive income for the financial year		5,669	6,333

The profit for the years shown above are derived from continuing operations of the company.

The company has no other comprehensive income.


XMA Limited

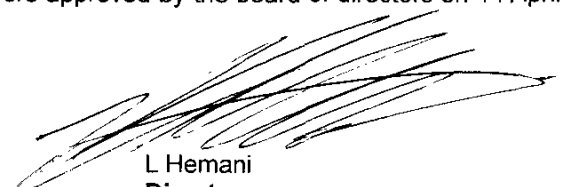
Balance sheet As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	9	249	513
Tangible assets	10	1,029	1,046
		1,278	1,559
Current assets			
Inventories	12	7,457	20,953
Debtors	13	42,889	49,797
Cash at bank and in hand		-	1
		50,346	70,751
Creditors – amounts falling due within one year	14	(29,155)	(49,529)
Net current assets		21,191	21,222
Total assets less current liabilities		22,469	22,781
Creditors – amounts falling due after more than one year	15	(1,120)	(1,186)
Provisions for liabilities	16	(676)	(1,591)
Net assets		20,673	20,004
Capital and reserves			
Called up share capital	18	533	533
Share premium account		67	67
Retained earnings		20,073	19,404
Total equity		20,673	20,004

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements on pages 11 to 30 were approved by the board of directors on 14 April 2020 and were signed on its behalf by:


A Taylor
Director


L Hemani
Director

XMA Limited

Statement of changes in equity For the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2018	533	67	18,071	18,671
Total comprehensive income for the year	-	-	6,333	6,333
Dividend paid	-	-	(5,000)	(5,000)
Balance as at 31 December 2018	533	67	19,404	20,004
Total comprehensive income for the year	-	-	5,669	5,669
Dividend paid	-	-	(5,000)	(5,000)
Balance as at 31 December 2019	533	67	20,073	20,673

XMA Limited

Notes to the financial statements For the year ended 31 December 2019

1 General information

XMA Limited (the "company") is a private company limited by shares and is incorporated in the England. The address of its registered office is Wilford Industrial Estate, Ruddington Lane, Wilford, Nottingham, NG11 7EP UK.

The principal activity of the company is the provision of computer products and services into both the public and corporate sector.

2 Accounting policies

Statement of compliance

The company financial statements of XMA Limited have been prepared in accordance with the applicable United Kingdom Accounting Standards including Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet all its obligations as and when they fall due for the foreseeable future.

The Company meets its day-to-day working capital requirements through its bank facilities and supplier financing arrangements. The invoice discounting facility was renegotiated on 6th February 2020 and is secured until 28 April 2024. This resulted in an increase in the facility available which provides additional working capital required to support the growth objectives of the company. Recent economic conditions have continued to create uncertainty over the level of demand for the Company's products. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities for at least the next 12 months.

Given the current Covid-19 pandemic, the Directors have also considered the impact if trading results do not meet projections. A range of sensitivity scenarios have been modelled considering potential downside impacts of Covid-19 on the business. Should results fall short of projections, the Directors are comfortable that the business has the resources available to it, as set out in the Strategic report and have identified a number of mitigating actions that could be instigated, if required, to enable the Company to continue to meet its obligations as they fall due for the foreseeable future.

After making appropriate enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore consider it is appropriate to adopt the going concern basis in preparing the financial statements.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 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 the company's shareholders.

The company has taken advantage of the following exemptions on the basis that it is a qualifying entity and the disclosures are included in the consolidated financial statements of its ultimate parent Westcoast (Holdings) Limited which are publicly available as set out in note 23.

- i) from preparing a statement of cash flows;
- ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b) to 11.48(c) and paragraphs 12.26 to 12.29(b);
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Exemption from preparation of consolidated financial statements

XMA Limited has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements as its ultimate parent undertaking Westcoast (Holdings) Limited is a UK company that prepares consolidated financial statements which are publicly available, as set out in note 23.

Summary of significant accounting policies

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.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods - retail

The company recognises turnover when;

- i) the significant risks and rewards of ownership have been transferred to the buyer;
- ii) the company retains no continuing involvement or control over the goods;
- iii) the amount of turnover can be measured reliably;
- iv) it is probable that future economic benefits will flow to the entity; and
- v) when the specific criteria relating to each of the company's sales channels have been met, as described below.

The company is a provider of computer products and related services. Sales of goods are recognised on delivery to the customers, when there is no unfulfilled obligation that could affect the customers' acceptance of the product.

Goods sold are often sold with framework rebates. Sales are measured at the prices specified in the sale contract, net of estimated rebates.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2 Accounting policies (continued)

Revenue recognition (continued)

Sale of goods - internet based transactions

The company sells goods via its websites for delivery to the customer. Turnover is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer. Transactions are settled by credit or payment card.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

Rendering of services

Turnover from a contract to provide services is recognised in the period to which the services are provided when the amount of turnover can be reliably measured, and it is probable the company will receive the consideration due under the contract.

Tangible fixed assets

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of purchase bringing the asset to the location and condition necessary for use.

Depreciation is calculated so as to write off the cost of tangible assets, less the residual value, on a straight-line basis over the expected useful economic lives of the assets concerned. Land is not depreciated. The principal annual rates used for this purpose are:

Leasehold improvements	Over the term of the lease
Computer equipment	25 - 33% per annum
Plant and machinery	20% per annum
Motor vehicles	25% per annum

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are charged to the statement of comprehensive income as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired. Purchased goodwill is eliminated by amortisation through the statement of comprehensive income over its expected useful economic life, to a maximum of 10 years.

The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the statement of comprehensive income.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and the estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on the first in, first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Taxation

The taxation expense for the period comprises current and deferred tax recognised in the period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current and deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currency translation

Functional and presentation currency

The company's functional and presentation currency is GBP pound sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2 Accounting policies (continued)

Foreign currency translation (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in the period to which they relate.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within interest receivable or interest payable.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

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

Leases

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and short term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in accruals in current liabilities in the balance sheet.

Pension costs

The company operates a number of defined contribution pension schemes which are held in a separately administered fund. Contributions payable are charged to the statement of comprehensive income as they accrue.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2 Accounting policies (continued)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Issue costs together with finance costs are charged to the statement of comprehensive income over the term of the borrowings and represent a constant proportion of the balance of the capital repayments outstanding.

Other operating income

Other operating income comprises income received from other operating activities, which are not related to the principal activities of the company.

Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

3 Critical judgements and accounting estimates

In the application of the company's accounting policies which are described in note 2, the directors are required to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3 Critical judgements and accounting estimates (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

Inventory provisioning

The company is a reseller of computer peripheral equipment and related services. The products it sells are subject to rapid technological changes, 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 finished goods.

Impairment of trade debtors

The company makes an estimate of the recoverable value of trade debtors and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile or receivables and historical experience.

4 Turnover

Turnover is derived wholly from the company's principal activity. In the opinion of the directors there is only one class of business. The destination of turnover was as follows:

	2019	2018
	£'000	£'000
United Kingdom	323,989	350,597
European Union	87,215	60,610
Rest of world	2,173	3,160
	413,377	414,367

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

5 Operating profit

	2019	2018
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	22,070	22,499
Social security costs	2,634	2,678
Other pension costs	437	339
Staff costs	25,141	25,516
Impairment of trade debtors	64	243
Depreciation of tangible fixed assets	471	486
Amortisation of intangible assets	264	264
Impairment of inventory (included in "cost of sales")	1,174	557
Profit on disposal of tangible assets	(12)	(6)
Inventory recognised as an expense	368,655	367,229
Foreign exchange losses/(gains)	446	(54)
Operating lease charges	1,229	1,268
Services provided by the company's auditor:		
Fees payable for the audit	80	60
Fees payable for other services – tax compliance	9	8

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

6 Employee information

The average monthly number of employees, including directors, during the year was as follows:

	2019 Number	2018 Number
Sales	162	182
Administration	315	300
	477	482

Directors

The directors' emoluments were as follows:

	2019 £'000	2018 £'000
Directors' emoluments	1,139	1053
Directors' pension contributions to money purchase schemes	21	50
	1,160	1,103

The above details of directors' emoluments relate to 5 (2018: 6) of the directors. The remaining directors are paid by the parent company and recharged to the company as part of a management charge. This management charge, which in 2019 amounted to £1,690,000 (2018: £1,350,000) also includes a recharge of administration costs borne by the parent company on behalf of the company and it is not possible to identify separately the amount relating to these directors.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2019 £'000	2018 £'000
Directors' emoluments	267	232
Pension	16	14
	283	246

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

7 Net interest expense

	2019	2018
	£'000	£'000
Interest receivable and similar income		
Other interest receivable	4	192

	2019	2018
	£'000	£'000
Interest payable and similar expenses		
Interest payable on bank loans and overdrafts	279	167
Other interest payable	9	39
	288	206

8 Tax on profit

	2019	2018
	£'000	£'000
Taxation expense included in statement of comprehensive income		
Current tax		
United Kingdom corporation tax on profits for the year	1,490	1,223
Adjustment in respect of prior years	285	(1)
Total current tax	1,775	1,222
Deferred tax		
Origination and reversal of timing differences	8	(60)
Adjustment in respect of prior years	57	3
Changes in tax rates or laws	-	6
Total deferred tax (note 17)	65	(51)
Tax charge on profit	1,840	1,171

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

8 Tax on profit (continued)

Reconciliation of tax charge

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

	2019	2018
	£'000	£'000
Profit before taxation	7,509	7,504
Profit multiplied by standard rate in the UK of 19% (2018: 19%)	1,427	1,426
Effects of:		
Expenses not deductible for tax purposes	72	79
Income not taxable	-	6
Group relief	-	(342)
Other timing differences	(1)	-
Adjustment in respect of prior years	342	2
Tax charge for the year	1,840	1,171

Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

It is expected that the impact of these changes will not be material.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2019	2,851
Disposals	(215)
At 31 December 2019	2,636
Accumulated amortisation	
At 1 January 2019	2,338
Charge for the year	264
Disposals	(215)
At 31 December 2019	2,387
Net book value	
At 31 December 2019	249
At 31 December 2018	513

The opening goodwill arose on the acquisition of the trade and designated assets and liabilities of Direct IT Distribution Ltd, XMA Print Solutions Limited and QC Supplies Limited, and is being amortised on a straight-line basis over an estimated useful economic life of 10 years, 5 years and 10 years respectively. The goodwill on XMA Print Solutions Limited was fully amortised in 2017.

10 Tangible fixed assets

	Leasehold improvements £'000	Computer equipment £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2019	155	2,064	738	248	3,205
Additions	-	372	38	54	464
Disposals	(7)	(523)	(154)	(86)	(770)
At 31 December 2019	148	1,913	622	216	2,899
Accumulated Depreciation					
At 1 January 2019	126	1,265	582	186	2,159
Charge for the year	19	363	52	37	471
Disposals	(7)	(522)	(150)	(81)	(760)
At 31 December 2019	138	1,106	484	142	1,870
Net book amount					
At 31 December 2019	10	807	138	74	1,029
At 31 December 2018	29	799	156	62	1,046

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2019	553
Disposals	(553)
At 31 December 2019	-
Provision for impairment	
At 1 January 2019	553
Disposals	(553)
At 31 December 2019	-
Net book value	
At 31 December 2019	-
At 31 December 2018	-

Details of subsidiary undertakings:

Name of subsidiary undertaking	Nature of business	Country of incorporation	Type of shares held	Proportion of Equity held	
				Indirectly	Directly
Quarry Court Holdings Limited	Electronic office supplies	United Kingdom	£1 ordinary shares	-	100%
QC Supplies Limited	Electronic office supplies	United Kingdom	£1 ordinary shares	100%	-
Mysuresupply Limited	Electronic office supplies	United Kingdom	£1 ordinary shares	100%	-

On 7 May 2019, Quarry Court Holdings Limited, QC Supplies Limited and Mysuresupply Limited were dissolved. The above subsidiaries were dormant during the year and the registered office was Arrowhead Road, Theale, Reading, RG7 4AH.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

12 Inventories

	31 December 2019 £'000	31 December 2018 £'000
Finished goods held for resale	7,457	20,953

There are no significant differences between the replacement cost of inventory and the carrying amount.

13 Debtors

	31 December 2019 £'000	31 December 2018 £'000
Current:		
Trade debtors	26,209	33,217
Amounts owed by group undertakings	15,405	15,206
Other debtors	185	145
Deferred taxation (see note 17)	233	298
Prepayments and accrued income	857	931
	42,889	49,797

14 Creditors – amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Bank loans and overdrafts	788	3,984
Trade creditors	16,049	21,252
Amounts owed to group undertakings	74	9,666
Other taxation and social security	5,465	8,174
Corporation tax	790	1,183
Other creditors	27	21
Accruals and deferred income	5,962	5,249
	29,155	49,529

The company is financed by an overdraft and loan facility. The facility is a group facility secured by an all asset debenture and a floating charge over the undertaking and all property and assets present and future.

Amounts owed to group undertakings are created from the normal course of business they are unsecured, interest free and repayable on demand.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

15 Creditors – amounts falling due after more than one year

	31 December 2019 £'000	31 December 2018 £'000
Deferred income - between one and two years	616	644
Deferred income - between two and five years	504	542
	1,120	1,186

16 Provision for other liabilities

The company had the following provisions during the year:

	Dilapidations £'000	Warranty £'000	Other Provisions £'000	Total £'000
At 1 January 2019	946	97	548	1,591
Amounts used	-	-	(169)	(169)
Reversal to statement of comprehensive income	(355)	(39)	(352)	(746)
At 31 December 2019	591	58	27	676

Dilapidations provision

The provision relates to the property leasing arrangements. There is an obligation to repair damages which incur during the life of the leases held, such as wear and tear. The cost is charged to the statement of comprehensive income as the obligation arises. The provision is expected to be utilised between the years of 2020 to 2030 as the leases terminate.

Warranty

The warranty provision relates to the expected future cost of providing warranty support. The majority of this provision will be utilised within one year.

Other provision

Other provisions relate to other commercial liabilities which are of uncertain timing and amount.

XMA Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

17 Deferred taxation

	2019	2018
	£'000	£'000
At 1 January	298	247
Deferred tax (charge)/credit for the year	(8)	54
Adjustment in respect of prior years	(57)	(3)
At 31 December	233	298

	31 December	31 December
	2019	2018
	£'000	£'000
Capital allowances in advance of depreciation	229	238
Short term timing differences	4	60
	233	298

A deferred tax asset has been recognised based on expectations of recoverability against future taxable profits.

18 Called up share capital

	31 December	31 December
	2019	2018
	£'000	£'000
Allotted, called-up and fully paid		
533,332 ordinary shares of £1 each (2018: 533,332)	533	533

19 Dividends

	2019	2018
	£'000	£'000
Final paid £9.38 per £1 share (2018: £9.38 per £1 share)	5,000	5,000

XMA Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Financial commitments

The company had the following total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £000	2018 £000
Property		
Within one year	974	1,154
Between two and five years	4,642	2,548
Later than five years	814	-
	6,430	3,702

21 Pension commitments

The company operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from the company. The pension cost charge for the year was £437,381 (2018: £339,450). Contributions of £20,757 (2018: £15,024) included in accruals, were payable at the year end.

22 Related party transactions

During the year the company paid rent to Hemani Investment Limited of £264,900 (2018: £264,900). Hemani Investment Limited is a company owned by A Hemani.

23 Controlling parties

The company is a wholly owned subsidiary undertaking of Viglen Limited, a company registered in England and Wales.

The ultimate parent company is Westcoast (Holdings) Limited. Westcoast (Holdings) Limited is the largest and smallest group in which XMA Limited is consolidated. The consolidated financial statements of Westcoast (Holdings) Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors regard A Hemani as the ultimate controlling party by virtue of his interest in the share capital of Westcoast (Holdings) Limited.

24 Post balance sheet event

On 11th March 2020 the World Health Organisation declared the coronavirus a pandemic, Covid-19. The Director's consider the coronavirus to be a non-adjusting post balance sheet event. While the impact of the coronavirus on the Company remains uncertain, the impact on the business has so far been minimal. The Directors currently do not consider there will be any significant impact on the carrying value of assets and liabilities held as at 31st December 2019. More detail is provided in the Strategic report on page 1.