

Registered no: 02051703

XMA Limited  
Annual report and financial statements  
for the year ended 31 December 2017

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# XMA Limited

## Annual report and financial statements for the year ended 31 December 2017

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# XMA Limited

## Strategic report for the year ended 31 December 2017

The directors present their strategic on the company for the year ended 31 December 2017.

### Principal activities

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

### Review of the business

During 2017 Turnover has grown by 10.7% to £396.6m from £358.5m reflecting another strong year for the business. Gross margins decreased by 2.92% to £36.6m from £37.7m. Operating profit for the year remain unchanged at £6.2m.

During the year, the company invested in its people and operations. XMA now have a strengthened Board of Directors in place to drive the business forward.

The directors remain convinced that XMA's position is firmly established in the marketplace, and are confident that the company's presence across the breadth of the public sector and corporate markets across a variety of technologies and related services will ensure success over the medium to long term.

Through further investment in our people and systems we strive to expand our business in each of our related markets. The directors remain confident that XMA is well placed to take advantage of opportunities as they arise.

### Key financial performance indicators

	2017 £'000	2016 £'000	Change £'000/%
Turnover	396,643	358,470	38,173
Operating profit	6,224	6,193	31
Operating profit as % of turnover	1.57%	1.73%	(0.16%)

### 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.

**Strategic report for the year ended 31 December 2017  
(continued)**

**Principal risks and uncertainties (continued)**

- 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 market place 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.

By order of the board

  
M.E. Ray  
**Company Secretary**  
23 March 2018

## Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

### Directors

The directors of the company at 31 December 2017, who were directors during the year then ended, and up to the date of signing these financial statements, unless otherwise stated were:

S Madhani  
L Hemani  
C Batchelor  
M E Ray  
P Heath  
P Bertram (resigned 31<sup>st</sup> December 2017)  
I Cunningham (appointed 3<sup>rd</sup> January 2017)

### Future developments

Through further investments in our people and systems we strive to expand our business in all our markets. 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.

### 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.

#### *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 cash flows.

The credit risk on liquid funds is limited because 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.

#### *Liquidity risk*

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

# XMA Limited

## Directors' report for the year ended 31 December 2017 (continued)

### 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 2017 the average payment period of trade creditors was 22 days (2016: 23 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.

### 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 £3,525 (2016: £2,000). There were no political donations made in the year.

### Results and Dividend

The company's profit for the year was £4,938,974 (2016: £4,662,905). A dividend of £3,000,000 has been paid in 2017 (2016: £3,000,000).

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 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.

# XMA Limited

## Directors' report for the year ended 31 December 2017 (continued)

### Statement of directors' responsibilities (continued)

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.

Each of the persons who is a director at the date of approval of this report confirms that there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### 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.

By order of the Board



M E Ray  
Company Secretary  
23 March 2018

## Independent auditors' report to the members of XMA Limited

### Report on the audit of the financial statements

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#### 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 2017 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 2017; the Statement of comprehensive income, and 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.

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#### 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.

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#### 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 when:

- 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.

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#### 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.



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

### *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 2017 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 pages 4 and 5, 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](http://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.

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### **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  
29 March 2018

# XMA Limited

## Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Turnover</b>	4	<b>396,643</b>	358,470
Cost of sales		<b>(360,085)</b>	(320,748)
Gross profit		<b>36,558</b>	37,722
Administrative expenses		<b>(31,414)</b>	(32,017)
Other operating income		<b>1,080</b>	488
<b>Operating profit</b>	5	<b>6,224</b>	6,193
Interest receivable and similar income	7	<b>1</b>	-
Interest payable and similar expenses	7	<b>(3)</b>	(2)
<b>Profit before taxation</b>		<b>6,222</b>	6,191
Tax on profit	8	<b>(1,283)</b>	(1,528)
<b>Profit for the financial year</b>		<b>4,939</b>	4,663
<b>Total comprehensive income for the financial year</b>		<b>4,939</b>	4,663

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

The company has no other comprehensive income.

# XMA Limited

## Balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	9	777	1,064
Tangible assets	10	1,007	906
Investments	11	-	-
		<b>1,784</b>	<b>1,970</b>
<b>Current assets</b>			
Inventories	12	18,104	12,979
Debtors	13	39,979	36,604
Cash at bank and in hand		6,494	3,297
		<b>64,577</b>	<b>52,880</b>
<b>Creditors – Amounts falling due within one year</b>	14	<b>(45,208)</b>	<b>(35,917)</b>
<b>Net current assets</b>		<b>19,369</b>	<b>16,963</b>
<b>Total assets less current liabilities</b>		<b>21,153</b>	<b>18,933</b>
Creditors – Amounts falling due after more than one year	15	(1,247)	(1,382)
Provisions for liabilities	16	(1,235)	(819)
<b>Net assets</b>		<b>18,671</b>	<b>16,732</b>
<b>Capital and reserves</b>			
Called up share capital	18	533	533
Share premium account		67	67
Retained earnings		18,071	16,132
<b>Total equity</b>		<b>18,671</b>	<b>16,732</b>

The notes on pages 11 to 26 are an integral part of these financial statements.

The financial statements on pages 8 to 26 were approved by the board of directors on 23 March 2018 and were signed on its behalf by:

  
M E Ray  
Director

  
L Hemani  
Director

Registered number: 02051703

**Statement of changes in equity for the year ended 31 December 2017**

	Called up share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
<b>Balance as at 1 January 2016</b>	533	67	14,469	15,069
Profit for the financial year	-	-	4,663	4,663
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,663	4,663
Dividend paid	-	-	(3,000)	(3,000)
<b>Balance as at 31 December 2016</b>	533	67	16,132	16,732
Profit for the financial year	-	-	4,939	4,939
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,939	4,939
Dividend paid	-	-	(3,000)	(3,000)
<b>Balance as at 31 December 2017</b>	533	67	18,071	18,671

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017

### 1 General Information

XMA Limited (the "Company") is a private company limited by shares and is incorporated in the United Kingdom. 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 IT equipment and related services.

### 2 Accounting policies

#### Statement of compliance

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

#### 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.

#### Basis of presentation

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.

#### 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, see note 23:

- i) from preparing a statement of cash flows;
- ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29;
- 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.

# **XMA Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **2 Accounting policies (continued)**

#### **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.

#### **Revenue recognition**

Revenue 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. Services represents the work done in the year.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

##### **(i) Sale of goods**

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.

##### **(ii) Sale of goods – internet based transactions**

The Company sells goods via its websites for delivery to the customer. Revenue 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.

#### **Other operating income**

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

#### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 2 Accounting policies (continued)

#### Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of purchase.

Depreciation is calculated so as to write off the cost of tangible fixed 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 expensed 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 profit or loss and included in 'Other operating (losses)/gains'.

#### Intangible assets – goodwill

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 twenty years. The goodwill on acquisition of Direct IT Ltd and QC Supplies Ltd is amortised over 10 years and for XMA Print Solutions Ltd is over 5 years. The goodwill for XMA Print Solutions Ltd was fully amortised during the year.

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.

#### Inventories

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

# **XMA Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **2 Accounting policies (continued)**

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting 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. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

#### **(i) 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.

#### **(ii) 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**

#### **(i) Functional and presentation currency**

The Company's functional and presentation currency is the pound sterling.

#### **(ii) 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.

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.

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



# **XMA Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **2 Accounting policies (continued)**

#### **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 leased assets**

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**

##### **(i) 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.

##### **(ii) 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.

#### **Related party disclosure**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### **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.

# **XMA Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **2 Accounting policies (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### **Share capital**

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 accounting estimates and assumptions**

#### **Critical judgements and estimates in applying the accounting policies**

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.

#### **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.

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 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:

	2017	2016
	£'000	£'000
UK	335,466	305,462
EU	58,826	50,480
Other export	2,351	2,528
	<b>396,643</b>	<b>358,470</b>

### 5 Operating profit

	2017	2016
	£'000	£'000
<b>Operating profit is stated after charging :</b>		
Wages and salaries	20,451	21,038
Social security costs	2,360	2,403
Other pension costs	237	245
<b>Staff costs</b>	<b>23,048</b>	<b>23,686</b>
Impairment of trade receivables	114	55
Impairment of inventory (included in 'cost of sales')	505	136
Profit on disposal of tangible fixed assets	(1)	(12)
Inventory recognised as an expense	360,085	317,788
Foreign exchange gains	(52)	(234)
Operating lease charges	1,162	1,248
Services provided by the company's auditor		
Fees payable for the audit	58	46
Fees payable for other services – tax compliance	8	7

**Notes to the financial statements for the year ended 31 December 2017 (continued)****6 Employee information**

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

	<b>2017</b>	2016
	<b>Number</b>	Number
Sales	<b>192</b>	182
Administration	<b>278</b>	293
	<b>470</b>	475
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Directors' emoluments	<b>1,070</b>	1,389
Directors' pension contributions to money purchase schemes	<b>29</b>	17
	<b>1,099</b>	1,406

The above details of directors' emoluments relate to five (2016: five) 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 2017 amounted to £500k (2016 : £525k) 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:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Directors' emoluments	<b>300</b>	857
	<b>300</b>	857

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 7 Net Interest expense

	2017	2016
	£'000	£'000
<b>Interest receivable and similar income</b>		
Other interest receivable	1	-

	2017	2016
	£'000	£'000
<b>Interest payable and similar expenses</b>		
Interest payable on bank loans and overdrafts	-	-
Other interest payable	3	2
	3	2

### 8 Tax on profit

	2017	2016
	£'000	£'000
<b>Taxation expense included in the statement of Comprehensive income</b>		
United Kingdom corporation tax on profits for the year	1,264	1,311
Adjustment in respect of prior years	5	170
	1,269	1,481
<b>Total current tax</b>		
<b>Deferred tax</b>		
Origination and reversal of timing differences	15	33
Adjustment in respect of prior years	1	2
Changes in tax rates or laws	(2)	12
Total deferred tax (note 17)	14	47
<b>Tax charge on profit</b>	1,283	1,528

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 8 Tax on profit (continued)

#### Reconciliation of tax charge

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit before taxation	6,222	6,191
Profit multiplied by standard rate in the UK of 19.25% (2016: 20%)	1,198	1,238
Effects of:		
Expenses not deductible for tax purposes	90	108
Income not taxable	(8)	-
Other timing differences	(2)	12
Adjustment in respect of prior years	5	170
Tax charge for the year	1,283	1,528

#### Tax rate changes

Reductions in main rate of corporation tax were enacted by Finance (No.2) Act 2015 to reduce the rate to 19% from 1 April 2017.

The Chancellor of the Exchequer has announced a further reduction in the rate, to 17% from 1 April 2020. This change was enacted by Finance Act 2016 on 15 September 2016 and the relevant deferred tax balances have been re-measured. These enacted reduced rates of corporation tax were reflected within the prior year financial statements.

**Notes to the financial statements for the year ended  
31 December 2017 (continued)**

**9 Intangible assets**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 2017	2,851
<b>At 31 December 2017</b>	<b>2,851</b>
<b>Accumulated amortisation</b>	
At 1 January 2017	1,787
Charge for the year	287
<b>At 31 December 2017</b>	<b>2,074</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>777</b>
At 31 December 2016	1,064

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, which 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 has been fully amortised during the year.

**10 Tangible fixed assets**

	<b>Leasehold Improvements £'000</b>	<b>Computer equipment £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2017	155	1,310	629	250	2,344
Additions	-	491	43	-	534
Disposals	-	(119)	(3)	-	(122)
<b>At 31 December 2017</b>	<b>155</b>	<b>1,682</b>	<b>669</b>	<b>250</b>	<b>2,756</b>
<b>Accumulated Depreciation</b>					
At 1 January 2017	75	749	482	132	1,438
Charge for the year	26	316	49	42	433
Disposals	-	(119)	(3)	-	(122)
<b>At 31 December 2017</b>	<b>101</b>	<b>946</b>	<b>528</b>	<b>174</b>	<b>1,749</b>
<b>Net book amount</b>					
<b>At 31 December 2017</b>	<b>54</b>	<b>736</b>	<b>141</b>	<b>76</b>	<b>1,007</b>
At 31 December 2016	80	561	147	118	906

# XMA Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 11 Investments

	Shares in subsidiary undertakings £'000	Total £'000
<b>Cost</b>		
At 1 January 2017	553	553
<b>At 31 December 2017</b>	<b>553</b>	<b>553</b>
<b>Provision for impairment</b>		
At 1 January 2017	553	553
<b>At 31 December 2017</b>	<b>553</b>	<b>553</b>
<b>Net book value</b>		
<b>At 31 December 2017</b>	-	-
At 31 December 2016	-	-

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%	-
Mysuresupplies Limited	Electronic office supplies	United Kingdom	£1 ordinary shares	100%	-

All the above subsidiaries are dormant and were registered at Arrowhead Road, Theale, Reading, RG7 4AH.



**Notes to the financial statements for the year ended  
31 December 2017 (continued)**

**12 Inventories**

	<b>31 December 2017</b>	31 December 2016
	<b>£'000</b>	£'000
Finished goods held for resale	<b>18,104</b>	12,979

There is no significant difference between the replacement cost of the inventory and its carrying amount.

**13 Debtors**

	<b>31 December 2017</b>	31 December 2016
	<b>£'000</b>	£'000
<b>Current:</b>		
Trade debtors	<b>38,534</b>	34,562
Other debtors	<b>151</b>	270
Deferred taxation (see note 17)	<b>247</b>	261
Prepayments and accrued income	<b>1,047</b>	1,511
	<b>39,979</b>	36,604

**14 Creditors – Amounts falling due within one year**

	<b>31 December 2017</b>	31 December 2016
	<b>£'000</b>	£'000
Trade creditors	<b>21,683</b>	20,281
Amounts owed to group undertakings	<b>16,389</b>	6,932
Other taxation and social security	<b>771</b>	1,451
Corporation tax	<b>1,223</b>	1,312
Other creditors	<b>34</b>	23
Accruals and deferred income	<b>5,108</b>	5,918
	<b>45,208</b>	35,917

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

**Notes to the financial statements for the year ended  
31 December 2017 (continued)**

**15 Creditors – Amounts falling due after more than one year**

	31 December 2017 £'000	31 December 2016 £'000
Deferred Income- between 1 and 2 years	688	816
Deferred Income- between 2 and 5 years	559	566
	<b>1,247</b>	<b>1,382</b>

**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 2017	54	159	606	819
Additions dealt with in statement of comprehensive income	490	-	-	490
Unused amounts reversed to statement of comprehensive income	-	(12)	(62)	(74)
<b>At 31 December 2017</b>	<b>544</b>	<b>147</b>	<b>544</b>	<b>1,235</b>

**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, such as wear and tear. The cost is charged to comprehensive income as the obligation arises. The provision is expected to be utilised between the years of 2017 to 2020 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.

**Notes to the financial statements for the year ended  
31 December 2017 (continued)**

**17 Deferred taxation**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
At 1 January	<b>261</b>	308
Deferred tax charge for the year	<b>(13)</b>	(45)
Adjustment in respect of prior years	<b>(1)</b>	(2)
<b>At 31 December</b>	<b>247</b>	261

  

	<b>31 December</b>	31 December
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Capital allowances in advance of depreciation	<b>241</b>	257
Short term timing differences	<b>6</b>	4
	<b>247</b>	261

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

**18 Called up share capital**

	<b>31 December</b>	31 December
	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Allotted, called-up and fully paid</b>		
533,332 ordinary shares of £1 each (2016: 533,332)	<b>533</b>	533

**19 Dividends**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Final paid £5.63 per £1 share (2016: £5.63per £1 share)	<b>3,000</b>	3,000

**20 Financial commitments**

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

	<b>2017</b>	2016
	<b>£000</b>	£000
Within one year	1,093	1,034
Between two and five years	3,555	2,262
	<b>4,648</b>	3,296

**Notes to the financial statements for the year ended  
31 December 2017 (continued)**

**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 £236,763 (2016: £245,381). Contributions of £33,186 (2016: £22,340) included in accruals, were payable at the year end.

**22 Related party transactions**

During the year under review the company paid rent to Hemani Property Limited £264,900 (2016: £264,900). Hemani Property Limited is a company owned by Mr A Hemani. At the 31<sup>st</sup> December 2017 £nil was included in debtors (2016: £nil) and £nil (2016: £nil) was included in creditors in respect of these transactions.

**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 Arrowhead Park, Arrowhead Road, Theale, Berkshire, RG7 4AH. The directors regard Mr A Hemani as the ultimate controlling party by virtue of his interest in the share capital of Westcoast (Holdings) Limited.