

**PARENT ACCOUNTS FOR POWELLS ELECTRICAL SERVICES LIMITED - 04123229**

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTOR AND**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**  
**FOR**  
**POWELLS GROUP LIMITED**



Langdowns DFK Limited  
Statutory Auditor  
Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

**POWELLS GROUP LIMITED (REGISTERED NUMBER: 04614165)**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**POWELLS GROUP LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**DIRECTOR:** G R Wells

**SECRETARY:** G Turner

**REGISTERED OFFICE:** Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

**BUSINESS ADDRESS:** No 4 Mylen Business Centre  
Beckett Road  
Andover  
Hampshire  
SP10 3HR

**REGISTERED NUMBER:** 04614165 (England and Wales)

**SENIOR STATUTORY AUDITOR:** Graham Taylor

**AUDITORS:** Langdowns DFK Limited  
Statutory Auditor  
Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The results for the period and financial position of the company and group are shown in the annexed financial statements.

This review aims to report a balanced and comprehensive summary of the development and performance of the group during the period and its position at the period end together with some observations on projections for the coming period.

**REVIEW OF BUSINESS**

As a major shopfitting and interiors main contractor the group operates with regard to the key performance indicators of turnover, gross profit and level of overheads. The figures for these for the current year and previous two years are as follows:

	2017 Y/e 31st Dec £000	2016 Y/e 31st Dec £000	2015 Y/e 31st Dec £000
Turnover	24,136	20,859	38,996
Gross Profit	2,880	2,933	2,709
Overheads	2,233	2,950	3,490

The major influence on profit performance in 2017 was the need to continue to diversify into alternative markets as retail continued to be a troubled sector. The turnover for the year was almost exactly on budget (98% of target), and despite gross profit being down 1.8% on last year's results, the effect of overheads being significantly lower than 2016 produced a substantially better overall performance.

Projections for the coming year plus actual management accounts to June 2018 show that the group expects to continue over the next two years with a similar level of turnover and gross profits despite continuing to move away from a total reliance on retail operations.

It is for these reasons allied to the improved performance in 2017 that the Directors consider that the underlying business is sound and as a result the figures are prepared on a going concern basis.

The directors have also prepared forecasts in excess of 12 months from the date these accounts are being approved and are confident that excellent on going contract work expected from existing clients together with good continued support from the group's bankers and suppliers will enable the group to continue as a going concern for the foreseeable future.

**PRINCIPAL RISKS AND UNCERTAINTIES**

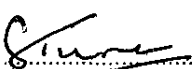
The major threat to the group is still perceived to be the acceptance of any contract which involves too heavy a design responsibility without any provision for the extra costs this may involve in the process.

Having experienced the dramatic effects such design related delays can have it is something which is now being addressed in the tendering process and especially in the calculation of preliminary costs.

The efforts to diversify has however resulted in increased exposure to a few clients as more high value projects are undertaken. This is being managed through the payment schedules of larger contracts where more regular income flows are being built into the tender.

The other major risk is inevitably the final result of the Brexit negotiations and its outcome on business confidence and capital expenditure in the UK. In order to provide the group with options if UK construction is affected detailed investigation is being undertaken as to how the group could expand into Europe on a larger scale than in the past.

**BY ORDER OF THE BOARD:**

  
.....  
G Turner - Secretary

Date: 17th September 2018

**REPORT OF THE DIRECTOR**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The director presents his report with the financial statements of the company and the group for the year ended 31 December 2017.

**DIVIDENDS**

Interim dividends totalling £310 per share were paid on the Ordinary A £1 shares during the year. No dividends were paid on the Ordinary B 1p shares.

The total distribution of dividends for the year ended 31 December 2017 will be £248,000.

**FUTURE DEVELOPMENTS**

The directors are seeking to maintain the existing management policies in the belief that this will maintain the excellent results reported in this report. The more rigorous tendering process implemented has ensured little exposure to risk related to design responsibilities this year and the monitoring of all contracts on a monthly basis by the surveying department has enabled timely action to be taken where any threat to targeted profitability has emerged.

Going forward we will seek to reach out to markets outside of our traditional sector while continuing to fully support our current and future retail partners.

**DIRECTOR**

G R Wells held office during the whole of the period from 1 January 2017 to the date of this report.

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Group Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

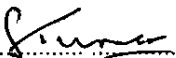
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Langdowns DFK Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD:**

  
.....  
G Turner - Secretary

Date: 17th September 2018

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF POWELLS GROUP LIMITED**

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### **Opinion**

We have audited the financial statements of Powells Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group'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.

### **Emphasis of matter - going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the financial statements concerning the group's ability to continue as a going concern. Details of this can be found in note 3 to the financial statements. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

### **Other information**

The director is responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
POWELLS GROUP LIMITED**

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**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Director.

In the light of our knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

**Responsibilities of director**

As explained more fully in the Statement of Director's Responsibilities set out on page three, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is responsible for assessing the group's and the parent 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 director either intends to liquidate the group or the parent company or to cease operations, or has 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Graham Taylor (Senior Statutory Auditor)  
for and on behalf of Langdowns DFK Limited  
Statutory Auditor  
Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

Date: 17<sup>TH</sup> September 2018

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>TURNOVER</b>		<b>24,136,688</b>	<b>20,859,487</b>
Cost of sales		<u>21,256,026</u>	<u>17,925,917</u>
<b>GROSS PROFIT</b>		<b>2,880,662</b>	<b>2,933,570</b>
Administrative expenses		<u>2,233,359</u>	<u>2,950,394</u>
		<b>647,303</b>	<b>(16,824)</b>
Other operating income	4	<u>85,889</u>	<u>412,678</u>
<b>OPERATING PROFIT</b>	6	<b>733,192</b>	<b>395,854</b>
Interest receivable and similar income		<u>618</u>	<u>1,189</u>
		<b>733,810</b>	<b>397,043</b>
Interest payable and similar expenses	7	<u>757</u>	<u>942</u>
<b>PROFIT BEFORE TAXATION</b>		<b>733,053</b>	<b>396,101</b>
Tax on profit	8	<u>112,479</u>	<u>-</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>620,574</b>	<b>396,101</b>
Profit attributable to: Owners of the parent		<u><b>620,574</b></u>	<u><b>396,101</b></u>



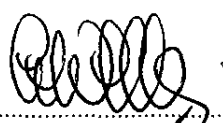
**CONSOLIDATED OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		620,574	396,101
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>620,574</u>	<u>396,101</u>
Total comprehensive income attributable to: Owners of the parent		<u>620,574</u>	<u>396,101</u>

**CONSOLIDATED BALANCE SHEET**  
**31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	11	42,157	64,012
Investments	12	-	-
		<u>42,157</u>	<u>64,012</u>
<b>CURRENT ASSETS</b>			
Stocks	13	8,324	11,247
Debtors	14	1,398,505	6,078,785
Cash at bank and in hand		1,765,865	730,708
		<u>3,172,694</u>	<u>6,820,740</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	2,897,236	6,939,896
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>275,458</u>	<u>(119,156)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>317,615</u>	<u>(55,144)</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	55,489	55,304
<b>NET ASSETS/(LIABILITIES)</b>		<u>262,126</u>	<u>(110,448)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	920	920
Capital redemption reserve	21	110	110
Retained earnings	21	261,096	(111,478)
<b>SHAREHOLDERS' FUNDS</b>		<u>262,126</u>	<u>(110,448)</u>

The financial statements were approved by the director on 14/09/18 and were signed by:

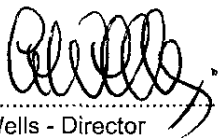
  
G R Wells - Director

**COMPANY BALANCE SHEET**

**31 DECEMBER 2017**

		2017	2016
	Notes	£	£
<b>FIXED ASSETS</b>			
Tangible assets	11	-	-
Investments	12	72	72
		<u>72</u>	<u>72</u>
<b>CURRENT ASSETS</b>			
Debtors	14	1,153	1,153
<b>NET CURRENT ASSETS</b>		<u>1,153</u>	<u>1,153</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,225</u>	<u>1,225</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	920	920
Capital redemption reserve	21	80	80
Retained earnings	21	225	225
<b>SHAREHOLDERS' FUNDS</b>		<u>1,225</u>	<u>1,225</u>
Company's profit for the financial year		248,000	-

The financial statements were approved by the director on 14/09/18 and were signed by:



G R Wells - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 January 2016	920	(507,579)	110	(506,549)
Changes in equity				
Total comprehensive income	-	396,101	-	396,101
Balance at 31 December 2016	920	(111,478)	110	(110,448)
Changes In equity				
Dividends	-	(248,000)	-	(248,000)
Total comprehensive income	-	620,574	-	620,574
Balance at 31 December 2017	920	261,096	110	262,126

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 January 2016	920	225	80	1,225
Changes in equity				
Balance at 31 December 2016	920	225	80	1,225
Changes in equity				
Dividends	-	(248,000)	-	(248,000)
Total comprehensive income	-	248,000	-	248,000
Balance at 31 December 2017	920	225	80	1,225

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	521,529	139,803
Interest paid		(475)	-
Interest element of hire purchase payments paid		(282)	(942)
Tax paid		(5,392)	(12,478)
Taxation refunded		525,762	-
Net cash from operating activities		1,041,142	126,383
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(14,871)	(34,190)
Sale of tangible fixed assets		21,625	44,116
Interest received		618	1,189
Net cash from investing activities		7,372	11,115
<b>Cash flows from financing activities</b>			
Capital repayments in year		(13,357)	(20,649)
Amount introduced by directors		248,000	-
Equity dividends paid		(248,000)	-
Net cash from financing activities		(13,357)	(20,649)
<b>Increase in cash and cash equivalents</b>		1,035,157	116,849
<b>Cash and cash equivalents at beginning of year</b>	2	730,708	613,859
<b>Cash and cash equivalents at end of year</b>	2	1,765,865	730,708

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017	2016
	£	£
Profit before taxation	733,053	396,101
Depreciation charges	28,674	50,414
Profit on disposal of fixed assets	(13,573)	(34,832)
R&D Tax credit in operating income	(79,045)	(521,460)
Finance costs	757	942
Finance income	(618)	(1,189)
	<b>669,248</b>	<b>(110,024)</b>
Decrease/(increase) in stocks	2,923	(3,807)
Decrease/(increase) in trade and other debtors	4,072,532	(1,339,235)
(Decrease)/increase in trade and other creditors	(4,223,174)	1,592,869
<b>Cash generated from operations</b>	<b>521,529</b>	<b>139,803</b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<b>1,765,865</b>	<b>730,708</b>

**Year ended 31 December 2016**

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<b>730,708</b>	<b>613,859</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. STATUTORY INFORMATION**

Powells Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The company's principal place of business is No. 4 Mylen Business Centre, Beckett Road, Andover, Hampshire, SP10 3HR.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

**3. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

The historical cost convention has been modified by the use of fair values for certain financial instruments in accordance with the accounting policies set out below.

**Basis of consolidation**

These accounts comply fully with the requirements of FRS 102.

**Going concern**

The major influence on profit performance in 2017 was the need to continue to diversify into alternative markets as retail continued to be a troubled sector. The turnover for the year was almost exactly on budget (98% of target), and despite gross profit being down 1.8% on last year's results, the effect of overheads being significantly lower than 2016 produced a substantially better overall performance.

Projections for the coming year plus actual management accounts to June 2018 show that the group expects to continue over the next two years with a similar level of turnover and gross profits despite continuing to move away from a total reliance on retail operations.

It is for these reasons allied to the improved performance in 2017 that the Directors consider that the underlying business is sound and as a result the figures are prepared on a going concern basis.

The directors have also prepared forecasts in excess of 12 months from the date these accounts are being approved and are confident that excellent on going contract work expected from existing clients together with good continued support from the group's bankers and suppliers will enable the group to continue as a going concern for the foreseeable future.

**Significant judgements and estimates**

*The following judgements (apart from those involving estimates) have been made in the process of applying the accounting policies below that have had the most significant effect on amounts recognised in the financial statements:*

Valuing amounts recovered on long term contracts due to the fact that some contracts are carried out over a long period of time and some go on long after the financial year has ended. As a result there are many uncertainties with the final outcome of the contract.

There is also uncertainty in respect of the reconcilability of retentions held as a debtor at the year end. This is because retentions are not typically paid until a certain time period has passed and payment is reliant on there not being any significant defects being found with the work carried out which is not always known until some time in the future.

The group though ensures that ample time and skill is allocated to ensure that the judgements and estimates made are as accurate and reliable as possible.

The group has been in this industry for many years and as such feel that they have very good knowledge and understanding of the industry and their business to enable them to gauge very accurately how contracts will end up and future recoverability of debts.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3. ACCOUNTING POLICIES - continued**

**Turnover**

Turnover represents the fair value of the consideration received or receivable during the period, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the period, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold property	- 25% straight line
Plant, machinery and equipment	- 33.33% straight line, 20% straight line, 20% on reducing balance and 15% straight line
Motor vehicles	- 25% straight line

All fixed assets are initially recorded at cost.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3. ACCOUNTING POLICIES - continued**

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors.

Where goods are sold using finance leases, the entity recognises turnover from the sale of goods and the rights to receive future lease payments as a debtor. Minimum lease payments are apportioned between finance income and the reduction of the lease debtor with finance income allocated so as to produce a constant periodic rate of interest on the net investment in the finance lease.

**Pension costs and other employee benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

The group also pays employees holiday pay. The holiday year runs in line with the group financial year and so the cost of this is incurred throughout the year as holiday is taken by the employee.

Certain employees are also provided company cars or are paid a car allowance to fully incentivise them to perform their job to the required standard. The group also provides private medical insurance to certain employees. This is all at the discretion of management.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Intercompany loans are held on the balance sheet at cost with no interest charged on these.

Directors loans are held on the balance sheet at cost with interest charged at approved HMRC rates.

**Operating lease agreements**

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

There are no lease incentives in relation to any operating leases in operation during the year.

**Long term contracts**

Profits on long term contracts are taken if the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the period in which they are first foreseen.

Contract work has been valued at cost plus attributable profit less payments received on account and provision for foreseeable losses. The director considers that the addition of any attributable overheads would not materially alter these valuations.

Cumulative turnover is compared with total payments on account. If turnover exceeds payments on account an "amount recoverable on contracts" is established and separately disclosed within debtors. If payments on account are greater than turnover to date, the excess is classified as a deduction from any balance on that contract in stocks, with any residual balance in excess of cost being classified within creditors.

In respect of retentions held back under contracts with customers, these are recognised in the accounts on raising the invoice. All significant rectification work necessary under the contract is complete prior to the final invoice so the costs in relation to this are accounted for in the attributable profit recognised on the contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**4. OTHER OPERATING INCOME**

	2017	2016
	£	£
Discounts received	12,867	7,636
Management charges receivable	13,782	13,782
Tax credits received	59,240	391,138
Exchange gains	-	122
	<u>85,889</u>	<u>412,678</u>

During the previous year the subsidiary Powells Limited received a Research & Development Corporation Tax Credit relating to the years ended 31st December 2014 and 2015 amounting to £391,138 (after fees paid for the work in this regard).

During the current year the subsidiary received a further Tax Credit for the 2016 year end amounting to £59,240. The subsidiary anticipates receiving a further Tax Credit in respect of 2017 in due course, but as the size of this credit could not yet be accurately assessed, no amount has yet been included in these accounts.

**5. EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	2,140,720	1,930,500
Social security costs	264,469	259,092
Other pension costs	41,100	84,316
	<u>2,446,289</u>	<u>2,273,908</u>

The average number of employees during the year was as follows:

	2017	2016
Administrative	38	43
Contract	7	9
	<u>45</u>	<u>52</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 45 (2016 - 52).

Directors emoluments for Powells Group Limited directors, including monies received from subsidiary companies;

Directors' remuneration	210,433	159,061
Directors' pension contributions to money purchase schemes	10,386	51,279

Information regarding the highest paid director is as follows;

	2017	2016
	£	£
Emoluments etc	210,433	159,061
Pension contributions to money purchase schemes	10,386	51,279

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. OPERATING PROFIT**

The operating loss is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation - owned assets	28,674	31,218
Depreciation - assets on hire purchase contracts	-	19,196
Foreign exchange differences	(3)	(122)
Operating lease costs: land and buildings	71,582	72,891
Auditors' remuneration	13,500	13,500

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Interest on overdue tax	475	-
Hire purchase	282	942
	757	942

**8. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	112,479	-
Tax on profit	112,479	-

Up to and including the current period, the group has made contributions to an Employee Benefit Trust totalling £1,377,679, on which no corporation tax relief has been given. It is recognised that at an undetermined point in time, tax relief is likely to be available for some or all of this amount, at the tax rate applicable to the business for the accounting periods in which the contributions are regarded as deductible expenses.

As both the amount of this expenditure that qualifies for relief is currently undetermined, as is the timing for the crystallisation of this tax asset, then no amount for this has been included as an asset in the group's Balance Sheet as at 31st December 2017.

**9. INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**10. DIVIDENDS**

	2017	2016
	£	£
Ordinary A shares of £1 each		
Interim	248,000	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. TANGIBLE FIXED ASSETS**

**Group**

	Short leasehold property £	Plant, machinery and equipment £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2017	98,830	186,952	1,000	191,152	477,934
Additions	-	14,871	-	-	14,871
Disposals	-	-	-	(76,986)	(76,986)
At 31 December 2017	98,830	201,823	1,000	114,166	415,819
<b>DEPRECIATION</b>					
At 1 January 2017	75,655	173,475	-	164,792	413,922
Charge for year	6,952	10,655	-	11,067	28,674
Eliminated on disposal	-	-	-	(68,934)	(68,934)
At 31 December 2017	82,607	184,130	-	106,925	373,662
<b>NET BOOK VALUE</b>					
At 31 December 2017	16,223	17,693	1,000	7,241	42,157
At 31 December 2016	23,175	13,477	1,000	26,360	64,012

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
<b>COST</b>	
At 1 January 2017	47,958
Disposals	(15,460)
Transfer to ownership	(32,498)
At 31 December 2017	-
<b>DEPRECIATION</b>	
At 1 January 2017	24,668
Eliminated on disposal	(7,408)
Transfer to ownership	(17,260)
At 31 December 2017	-
<b>NET BOOK VALUE</b>	
At 31 December 2017	-
At 31 December 2016	23,290

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

12. FIXED ASSET INVESTMENTS

Company

Shares in  
group  
undertakings  
£

**COST**

At 1 January 2017  
and 31 December 2017

72

**NET BOOK VALUE**

At 31 December 2017

72

At 31 December 2016

72

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**Powells Limited**

Registered office:

Nature of business: Building and shopfitting

Class of shares:  
Ordinary

%  
holding  
100.00

31.12.17  
£

31.12.16  
£

Aggregate capital and reserves

480,956

96,770

Profit for the year

632,286

473,856

**Powells Electrical Services Limited**

Registered office:

Nature of business: Electrical shopfitting

Class of shares:  
Ordinary

%  
holding  
100.00

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. FIXED ASSET INVESTMENTS - continued**

**Powells Joinery Limited**

Registered office:

Nature of business: Joinery manufacturing for the construction industry

Class of shares:	%
Ordinary	holding 100.00

	31.12.17	31.12.16
	£	£
Aggregate capital and reserves	(220,209)	(208,497)
Loss for the year	(11,712)	(77,755)

The subsidiary Powells Joinery Limited, Registered Number 04057517 has taken advantage of exemption from audit under section 479A of the Companies Act 2006 in its individual accounts as a result of Powells Group Limited providing a statutory guarantee under section 479C in respect of Powells Joinery Limited outstanding liabilities as at 31st December 2017.

Dormant subsidiary Powells Electrical Services Limited, Registered Number 04123229 has claimed exemption from the requirement to prepare individual accounts under section 394A of the Companies Act 2006 as a result of Powells Group Limited providing a statutory guarantee under section 394C in respect of Powells Electrical Services Limited outstanding liabilities as at 31st December 2017 and its dormant status.

The directors of Powells Electrical Services Limited, Registered Number 04123229 are exempt from the requirement to deliver a copy of the dormant subsidiary's individual accounts to the registrar by virtue of section 448A of the Companies Act 2006 as a result of Powells Group Limited providing a statutory guarantee under section 448C in respect of Powells Electrical Services Limited outstanding liabilities as at 31st December 2017 and its dormant status.

*The company's investments are held directly.*

All subsidiaries are included in the consolidated accounts.

The registered office of the subsidiaries is Fleming Court, Leigh Road, Eastleigh, Hants, SO50 9PD.

The place of business for the employees is No 4 Mylen Business Centre, Beckett Road, Andover, Hants, SP10 3HR.

**13. STOCKS**

	Group	
	2017	2016
	£	£
Stocks	8,324	11,247

Stocks comprise raw materials.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	371,143	3,617,261	-	-
Amounts owed by group undertakings	-	-	928	928
Other debtors	372,312	357,715	225	225
Amounts recoverable on long- term contracts	569,244	1,341,754	-	-
Directors' current accounts	-	68,418	-	-
Tax	-	539,330	-	-
Prepayments and accrued income	85,806	154,307	-	-
	<u>1,398,505</u>	<u>6,078,785</u>	<u>1,153</u>	<u>1,153</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group	
	2017	2016
	£	£
Hire purchase contracts (see note 17)	-	12,960
Payments on account	172,753	1,863,720
Trade creditors	1,250,553	2,578,838
Tax	19,866	5,392
Social security and other taxes	341,411	973,189
VAT	5,175	7,882
Other creditors	823,950	1,357,960
Directors' current accounts	179,582	-
Accruals and deferred income	103,946	139,955
	<u>2,897,236</u>	<u>6,939,896</u>

The bank holds a fixed and floating charge over the group's assets. The hire purchase agreements are secured against their respective assets financed.

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group	
	2017	2016
	£	£
Hire purchase contracts (see note 17)	-	397
Other creditors	55,489	54,907
	<u>55,489</u>	<u>55,304</u>

**17. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

**Group**

	Hire purchase contracts	
	2017	2016
	£	£
Net obligations repayable:		
Within one year	-	12,960
Between one and five years	-	397
	<u>-</u>	<u>13,357</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**17. LEASING AGREEMENTS - continued**

**Group**

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	25,233	61,542
Between one and five years	54,865	46,250
	<u>80,098</u>	<u>107,792</u>

**18. SECURED DEBTS**

The following secured debts are included within creditors:

	Group	
	2017	2016
	£	£
Hire purchase contracts	-	13,357

**19. FINANCIAL INSTRUMENTS**

The carrying amounts of the group's financial instruments are as follows:

	2017	2016
	£	£
<b>Financial assets</b>		
Debt instruments measured at amortised cost or transaction price:		
- Trade debtors	371,143	3,617,261
- Other debtors (including amounts relating to long term contracts, taxation and prepayments and accrued income)	1,027,362	2,461,524
	<u>1,398,505</u>	<u>6,078,785</u>
<b>Financial liabilities</b>		
Measured at amortised cost or transaction price:		
- Trade creditors	1,250,553	2,578,838
- Hire purchase contracts	0	13,357
- Other creditors (including amounts relating to other loans, taxation and social security and accruals and deferred income)	1,702,172	4,403,005
	<u>2,952,725</u>	<u>6,995,200</u>

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
800	Ordinary A	£1	800	800
12,000	Ordinary B	1p	120	120
			<u>920</u>	<u>920</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**21. RESERVES**

**Group**

	Retained earnings £	Capital redemption reserve £	Totals £
At 1 January 2017	(111,478)	110	(111,368)
Profit for the year	620,574		620,574
Dividends	(248,000)		(248,000)
At 31 December 2017	<u>261,096</u>	<u>110</u>	<u>261,206</u>

**Company**

	Retained earnings £	Capital redemption reserve £	Totals £
At 1 January 2017	225	80	305
Profit for the year	248,000		248,000
Dividends	(248,000)		(248,000)
At 31 December 2017	<u>225</u>	<u>80</u>	<u>305</u>

**22. PENSION COMMITMENTS**

The group operates a defined contribution pension scheme and contributes to other defined contribution pension schemes for its directors and employees. The assets of the schemes are held separately from those of the company in independently administered funds. There were unpaid contributions due at the period end in relation to these schemes amounting to £8,253 (2016: £7,601).

**23. DIRECTOR'S ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to a director subsisted during the years ended 31 December 2017 and 31 December 2016:

	2017 £	2016 £
<b>Mr G R Wells</b>		
Balance outstanding at start of year	68,418	49,910
Amounts advanced	-	26,972
Amounts repaid	(68,418)	(8,464)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>68,418</u>

During the period Mr G R Wells had a maximum overdrawn balance on his directors loan account of £68,418 (2016: (68,418)).

The loan in respect of the director Mr G R Wells was unsecured, interest free and repaid during the year.

**24. RELATED PARTY DISCLOSURES**

Mr G R Wells maintained control of the group during the current and previous period by virtue of the fact that he owns 87% of the issued shares in the parent company, Powells Group Limited.

The company has taken advantage of the exemption available under Section 33.11 of FRS 102 not to disclose transactions with group companies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**24. RELATED PARTY DISCLOSURES - continued**

**Key management personnel of the entity or its parent (in the aggregate)**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Sales	<b>6,625</b>	918
Amounts recoverable on contracts due from related party	<b>3,317</b>	3,514
Amount due from related party	<b>199</b>	1,102

The sales during the period were made at cost.

The key management personnel remuneration is £397,978 (2016: £397,978). This includes the director whose remuneration is shown in note 4.

**Other related parties**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Sales	<b>17</b>	3,820
Management charge income	<b>13,782</b>	13,782
Rental charges incurred	<b>10,000</b>	10,000
Amount due from related party	<b>22,678</b>	2,756
Amount due to related party	<b>9,617</b>	13,091

The sales during the period were made at cost.