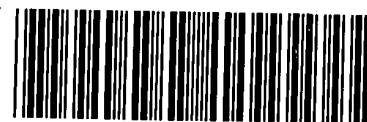


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**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017  
FOR  
MORRIS MCLELLAN LIMITED**

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FOR THE YEAR ENDED 30 JUNE 2017**

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**MORRIS MCLELLAN LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2017**

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**DIRECTORS:**

D Kearle  
J Catlow  
Dr B G Bennett  
T M Morris  
C J Breckon

**SECRETARY:**

R Selden

**REGISTERED OFFICE:**

Morris House  
South Road  
Industrial Estate  
Bridgend  
CF31 3RB

**REGISTERED NUMBER:**

05028677 (England and Wales)

**AUDITORS:**

Brian Scott FCA (Senior Statutory Auditor)  
Graham Paul Limited (Statutory Auditor)  
Court House  
Court Road  
Bridgend  
CF31 1BE

# MORRIS MCLELLAN LIMITED

## GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

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The directors present their strategic report of the company and the group for the year ended 30 June 2017.

### REVIEW OF BUSINESS

#### a) Fair Review of the Business of the Group

The financial statements for trading year ended 30 June 2017 are a fair review of the financial status of the business of the group.

Whilst overall group trading remained strong the divergence in performance between manufacturing, contracting, consulting and wholesaling business units noted in previous years was particularly apparent.

The board considers the overall performance to be satisfactory in the context of a volatile business and economic environment at home and abroad during the trading year, and wishes to thank the management and staff for their hard work to achieve these results.

#### b) Principal Risks and Uncertainties

Risk management is given very careful consideration, and the directors consider there are no identifiable risks and uncertainties over and above normal business risks within the context of the complex set of international economic, financial, and geo political factors during the trading year under review.

#### c) Financial Key Performance Indicators

The group's key financial performance indicators are turnover, operating margins, liquidity, business levels, utilisation of staff and shareholder funds, which are closely monitored throughout the year and measured against budgets.

Turnover and Margins	2016 £	2017 £	Movement
Turnover	42,281,118	53,242,122	(25.96% Increase)
Gross Margin	8,877,170	9,821,288	(10.64% Increase)
Pre-tax Profit	1,684,790	1,409,490	(16.34% Decrease)
<b>Shareholder Funds</b>			
Retained profits for the period excluding dividends	1,381,958	1,182,821	(14% Decrease)
Dividends	550,142	550,080	
Transfer to reserves	831,816	632,741	
Share capital and share premium	8,741,805	8,741,805	
Total shareholder funds	12,313,454	12,946,195	(5.1% Increase)

**MORRIS MCLELLAN LIMITED**

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

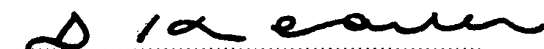
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**d) Other Key Performance Indicators**

The group considers that its other key performance indicators are those of employee matters including health and safety.

<b>Employees and their Remuneration</b>	<b>2016</b>	<b>2017</b>	
Total payroll costs	£11,618,486	£11,391,390	
Average No. of employees	288	285	
Average remuneration per employee	£40,342	£39,935	(0.66% Decrease)

**ON BEHALF OF THE BOARD:**



D Kearle - Director

Date: 5 December 2017

## **MORRIS MCLELLAN LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017**

---

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2017.

The annual report and financial statements are those to be presented at the Annual General Meeting which is being held at Coed- y- Mwstwr Hotel, Bridgend on 5 December 2017

#### **PRINCIPAL ACTIVITIES**

The principal activities of the group in the year under review was that of:

Electrical Contracting  
Mechanical Contracting  
Fire Alarms  
Manufacturing of LV Switchboards and Control Panels  
Manufacturing of HV Power Line Disconnectors and Switches  
Electrical Wholesalers  
Consulting Engineers

#### **DIVIDENDS**

The total distribution of dividends for the year ended 30 June 2017 will be £550,080.

The dividend rates agreed at the 2016 Annual General Meeting were:

Interim dividend of £7.75 per ordinary share with dividend rights paid July 2017  
Final dividend of £ 7.75 per ordinary share with dividend rights payable January 2018

After due consideration of Group profitability, liquidity and the established policy of setting dividends based upon medium term performance the Directors recommend maintaining the shareholder dividend for financial year 2017 at the same level as the previous year.

Accordingly the Directors recommend an interim dividend rate of £7.75 per ordinary share with dividend rights payable on 1 July 2018, and a final dividend of £7.75 per ordinary share with dividend rights payable on 1 January 2019.

The Directors will seek shareholders endorsement for their 2017 dividend recommendation at the Annual General Meeting.

#### **FUTURE DEVELOPMENTS**

The established strategy of sectoral and geographic diversity to mitigate excessive exposure and volatility in any one market segment continues to guide the groups' development.

In July 2017 the group acquired Templegate Electrical Supplies Limited

In 2018 we will seek to improve performance balance across group companies.

The directors recognise that the complex set of interacting factors affecting business performance can change considerably during the course of a trading year and seek to manage to the best of our ability those within our control and deliver an overall satisfactory performance for shareholders and stakeholders.

#### **EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

## **MORRIS MCLELLAN LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017**

---

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2016 to the date of this report.

D Kearle  
J Catlow  
Dr B G Bennett  
T M Morris  
C J Breckon

Other changes in directors holding office are as follows:

J Kearle - resigned 30 June 2017

#### **HEALTH AND SAFETY**

During the financial year 2017 there were two notifiable incidents. Health and safety performance continues to be a priority, and is regularly reviewed at Board level.

#### **EMPLOYEES**

Employees are kept well informed of the group's workload and how it affects their employment. The directors encourage employee participation in the group's health and safety policy and also brief the employees' immediate supervisors on relevant matters relating to the well being of the group.

#### **DISABLED EMPLOYEES**

Full and fair consideration is given to applications for employment from people with disabilities having due regard to the nature of the group's business and to the applicants aptitudes and abilities. The group supports the continued employment of those who become disabled.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; -
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and 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 directors are 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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**MORRIS MCLELLAN LIMITED**


**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2017**

---

**AUDITORS**

The Auditors Graham Paul, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
.....  
D Kearle - Director

Date: 5 December 2017



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORRIS MCLELLAN LIMITED**

---

### **Opinion**

We have audited the financial statements of Morris McLellan Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 on pages nine to twenty seven. 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).

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.

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 30 June 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 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 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.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, 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, 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 Directors 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 Directors have been prepared in accordance with applicable legal requirements.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORRIS MCLELLAN LIMITED

---

### **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 Directors.

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 directors**


As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 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 directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Our 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.



Brian Scott FCA (Senior Statutory Auditor)  
Graham Paul Limited (Statutory Auditor)  
Court House  
Court Road  
Bridgend  
CF31 1BE

Date: .....

5<sup>th</sup> December 2017

**MORRIS MCLELLAN LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**


	Notes	2017 £	2016 £
<b>TURNOVER</b>	3	53,242,122	42,281,118
Cost of sales		43,420,834	33,403,948
<b>GROSS PROFIT</b>		9,821,288	8,877,170
Administrative expenses		8,417,166	7,297,141
		1,404,122	1,580,029
Other operating income		1,895	103,419
<b>OPERATING PROFIT</b>	5	1,406,017	1,683,448
Interest receivable and similar income		5,996	11,318
		1,412,013	1,694,766
Interest payable and similar expenses	6	2,523	9,976
<b>PROFIT BEFORE TAXATION</b>		1,409,490	1,684,790
Tax on profit	7	226,669	302,832
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,182,821	1,381,958
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		1,182,821	1,381,958
Profit attributable to: Owners of the parent		1,182,821	1,381,958
Total comprehensive income attributable to: Owners of the parent		1,182,821	1,381,958

The notes form part of these financial statements

**CONSOLIDATED BALANCE SHEET**  
**30 JUNE 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	10	-	-
Tangible assets	11	2,164,642	2,155,350
Investments	12	-	-
		<u>2,164,642</u>	<u>2,155,350</u>
<b>CURRENT ASSETS</b>			
Stocks	13	2,214,796	2,452,556
Debtors	14	18,813,940	14,982,859
Investments	15	176	176
Cash at bank		408,570	2,232,541
		<u>21,437,482</u>	<u>19,668,132</u>
<b>CREDITORS</b>			
Amounts falling due within one year	16	9,040,218	9,495,824
<b>NET CURRENT ASSETS</b>		<u>12,397,264</u>	<u>10,172,308</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,561,906</u>	<u>12,327,658</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	17	(1,600,000)	-
<b>PROVISIONS FOR LIABILITIES</b>	20	(15,711)	(14,204)
<b>NET ASSETS</b>		<u><u>12,946,195</u></u>	<u><u>12,313,454</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	44,777	44,777
Share premium	22	8,697,028	8,697,028
Retained earnings	22	4,204,390	3,571,649
<b>SHAREHOLDERS' FUNDS</b>		<u><u>12,946,195</u></u>	<u><u>12,313,454</u></u>

The financial statements were approved by the Board of Directors on 22 November 2017 and were signed on its behalf by:


  
D Kearle - Director

The notes form part of these financial statements

**COMPANY BALANCE SHEET**  
**30 JUNE 2017**

	Notes	£	2017	£	£	2016	£
<b>FIXED ASSETS</b>							
Intangible assets	10			-			-
Tangible assets	11			-			-
Investments	12			13,010,448			13,010,448
				<u>13,010,448</u>			<u>13,010,448</u>
<b>CURRENT ASSETS</b>							
Debtors	14	5,062,142			1,855,482		
<b>CREDITORS</b>							
Amounts falling due within one year	16	1,497,425			1,051,108		
<b>NET CURRENT ASSETS</b>				<u>3,564,717</u>			<u>804,374</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				16,575,165			13,814,822
<b>CREDITORS</b>							
Amounts falling due after more than one year	17			6,302,741			3,502,741
<b>NET ASSETS</b>				<u>10,272,424</u>			<u>10,312,081</u>
<b>CAPITAL AND RESERVES</b>							
Called up share capital	21			44,777			44,777
Share premium	22			8,697,028			8,697,028
Retained earnings	22			1,530,619			1,570,276
<b>SHAREHOLDERS' FUNDS</b>				<u>10,272,424</u>			<u>10,312,081</u>
Company's profit for the financial year				<u>510,423</u>			<u>544,847</u>

The financial statements were approved by the Board of Directors on 22 November 2017 and were signed on its behalf by:

  
D Kearle - Director

The notes form part of these financial statements

**MORRIS MCLELLAN LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 July 2015</b>	44,777	2,739,833	8,697,028	11,481,638
<b>Changes in equity</b>				
Dividends	-	(550,142)	-	(550,142)
Total comprehensive income	-	1,381,958	-	1,381,958
<b>Balance at 30 June 2016</b>	<u>44,777</u>	<u>3,571,649</u>	<u>8,697,028</u>	<u>12,313,454</u>
<b>Changes in equity</b>				
Dividends	-	(550,080)	-	(550,080)
Total comprehensive income	-	1,182,821	-	1,182,821
<b>Balance at 30 June 2017</b>	<u>44,777</u>	<u>4,204,390</u>	<u>8,697,028</u>	<u>12,946,195</u>

The notes form part of these financial statements

**MORRIS MCLELLAN LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 July 2015</b>	44,777	1,575,571	8,697,028	10,317,376
<b>Changes in equity</b>				
Dividends	-	(550,142)	-	(550,142)
Total comprehensive income	-	544,847	-	544,847
<b>Balance at 30 June 2016</b>	<u>44,777</u>	<u>1,570,276</u>	<u>8,697,028</u>	<u>10,312,081</u>
<b>Changes in equity</b>				
Dividends	-	(550,080)	-	(550,080)
Total comprehensive income	-	510,423	-	510,423
<b>Balance at 30 June 2017</b>	<u>44,777</u>	<u>1,530,619</u>	<u>8,697,028</u>	<u>10,272,424</u>

The notes form part of these financial statements

**MORRIS MCLELLAN LIMITED****CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(2,830,661)	391,967
Interest paid		(2,240)	(8,128)
Interest element of hire purchase payments paid		(283)	(1,848)
Tax paid		(195,739)	(306,920)
<b>Net cash from operating activities</b>		<b>(3,028,923)</b>	<b>75,071</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(248,661)	(758,029)
Sale of tangible fixed assets		889	83
Interest received		5,996	11,318
<b>Net cash from investing activities</b>		<b>(241,776)</b>	<b>(746,628)</b>
<b>Cash flows from financing activities</b>			
New loans in year		2,000,000	-
Capital repayments in year		(3,192)	(11,057)
Equity dividends paid		(550,080)	(443,675)
<b>Net cash from financing activities</b>		<b>1,446,728</b>	<b>(454,732)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,823,971)</b>	<b>(1,126,289)</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<b>2,232,541</b>	<b>3,358,830</b>
<b>Cash and cash equivalents at end of year</b>	2	<b>408,570</b>	<b>2,232,541</b>

The notes form part of these financial statements



**MORRIS MCLELLAN LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017 £	2016 £
Profit before taxation	1,409,490	1,684,790
Depreciation charges	234,402	209,904
Loss on disposal of fixed assets	4,078	2,545
Finance costs	2,523	9,976
Finance income	(5,996)	(11,318)
	<u>1,644,497</u>	<u>1,895,897</u>
Decrease/(increase) in stocks	237,760	(320,255)
Increase in trade and other debtors	(3,831,081)	(3,872,693)
(Decrease)/increase in trade and other creditors	<u>(881,837)</u>	<u>2,689,018</u>
<b>Cash generated from operations</b>	<u><u>(2,830,661)</u></u>	<u><u>391,967</u></u>

**2. CASH AND CASH EQUIVALENTS**

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

**Year ended 30 June 2017**

	30.6.17 £	1.7.16 £
Cash and cash equivalents	<u>408,570</u>	<u>2,232,541</u>

**Year ended 30 June 2016**

	30.6.16 £	1.7.15 £
Cash and cash equivalents	<u>2,232,541</u>	<u>3,358,830</u>

The notes form part of these financial statements

## MORRIS MCLELLAN LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

---

#### 1. STATUTORY INFORMATION

Morris McLellan 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.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

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

##### **Basis of consolidation**

The consolidated financial statements include the profit and loss accounts and balance sheets of the company and its subsidiary undertakings made up to the 30th June 2017. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

##### **Turnover**

Turnover, which excludes value added tax and trade discounts, comprises income from contracts which are billed either on the basis of agreed billing schedules or on the basis of time incurred. In either case the profit arising is calculated so as to equate with the deemed stage of completion of the contract. In the case of fixed price contracts, where income received significantly exceeds the proportion of work done, the excess balance is accounted for as deferred income. Any losses on contracts are accounted for as and when first recognised.

##### **Goodwill**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the separable net assets acquired. Goodwill arising on the acquisition is written off over a period of eight years on a straight line basis. Purchased goodwill is capitalised and written off over the expected useful economic life of four years.

##### **Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of nil years.

##### **Intangible assets**

The cost of intangible fixed assets is their purchase cost. Amortisation is calculated to write off the cost of the intangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned as follows:

Licences	-	10 years
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

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2. ACCOUNTING POLICIES - continued

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Short leasehold	- Over the life of the lease
Long leasehold	- at varying rates on cost
Plant and machinery	- 33% on cost and 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 25% on cost and 20% on cost
Computer equipment	- 20% on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pension costs and other post-retirement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

2. ACCOUNTING POLICIES - continued

**Long term contracts**

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

**Investments**

Current assets investments are stated at the lower of costs and net realisable value.

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	2017 £	2016 £
Contract	48,111,715	37,084,657
Wholesale / Retail	5,130,407	5,196,461
	<u>53,242,122</u>	<u>42,281,118</u>

An analysis of turnover by geographical market is given below:

	2017 £	2016 £
U.K.	41,579,941	33,544,824
Middle East	8,653,718	6,069,176
South East Asia	714,660	320,533
Africa	183,077	153,063
Europe	1,887,454	1,838,839
China	-	9,594
Americas	223,272	309,599
Oceania	-	35,490
	<u>53,242,122</u>	<u>42,281,118</u>

4. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	10,009,735	10,235,674
Social security costs	1,011,543	1,039,506
Other pension costs	360,112	343,306
	<u>11,381,390</u>	<u>11,618,486</u>

**MORRIS MCLELLAN LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017****4. EMPLOYEES AND DIRECTORS - continued**

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

	2017	2016
Management and Administration	112	103
Consultants	30	34
Production	143	151
	<u>285</u>	<u>288</u>

The average number of employees by undertakings that are proportionately consolidated during the year was 285.

	2017 £	2016 £
Directors' remuneration	564,631	503,738
Directors' pension contributions to money purchase schemes	<u>51,974</u>	<u>100,175</u>

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

	2017	2016
Money purchase schemes	<u>3</u>	<u>4</u>

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc	145,561	138,568
Pension contributions to money purchase schemes	<u>41,074</u>	<u>-</u>

**5. OPERATING PROFIT**

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

	2017 £	2016 £
Hire of plant and machinery	341,791	238,600
Other operating leases	250,132	240,519
Depreciation - owned assets	234,402	209,904
Loss on disposal of fixed assets	4,078	2,545
Auditors' remuneration	7,580	7,150
Auditors' remuneration - Other services	47,950	46,873
Auditors' remuneration for non audit work	52,158	3,197
Foreign exchange differences	<u>(1,895)</u>	<u>(103,419)</u>

**MORRIS MCLELLAN LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017****6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017 £	2016 £
Bank interest	44	8,128
Corporation tax interest	2,196	-
Hire purchase	283	1,848
	<u>2,523</u>	<u>9,976</u>

**7. 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	274,497	341,358
Prior year adjustments	(49,335)	(31,848)
Total current tax	<u>225,162</u>	<u>309,510</u>
Deferred tax	1,507	(6,678)
Tax on profit	<u>226,669</u>	<u>302,832</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	<u>1,409,490</u>	<u>1,684,790</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.750% (2016 - 20%)	278,374	336,958
Effects of:		
Expenses not deductible for tax purposes	13,924	25,959
Capital allowances in excess of depreciation	-	(8,917)
Depreciation in excess of capital allowances	4,663	-
Utilisation of tax losses taxed at 20%	-	22,522
Adjustments relating to prior periods	(49,335)	(31,848)
Other adjustments	-	508
FRS 102 Transition	-	(35,672)
Deferred tax movement	1,507	(6,678)
Profit from overseas operations	(22,464)	-
Total tax charge	<u>226,669</u>	<u>302,832</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

8. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

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

9. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1 each		
Interim	13,020	13,020
Ordinary Non Voting Cap & Div shares of £1 each		
Interim	537,060	537,122
	<u>550,080</u>	<u>550,142</u>

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Totals £
<b>COST</b>			
At 1 July 2016 and 30 June 2017	<u>3,013,803</u>	<u>50,000</u>	<u>3,063,803</u>
<b>AMORTISATION</b>			
At 1 July 2016 and 30 June 2017	<u>3,013,803</u>	<u>50,000</u>	<u>3,063,803</u>
<b>NET BOOK VALUE</b>			
At 30 June 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2016	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

## 11. TANGIBLE FIXED ASSETS

Group	Freehold property £	Short leasehold £	Long leasehold £	Plant and machinery £
<b>COST</b>				
At 1 July 2016	1,011,861	278,232	1,249,421	960,336
Additions	26,604	-	47,607	79,601
Disposals	-	-	-	(1,700)
At 30 June 2017	1,038,465	278,232	1,297,028	1,038,237
<b>DEPRECIATION</b>				
At 1 July 2016	437,645	85,540	151,227	889,208
Charge for year	22,582	56,852	26,080	39,645
Eliminated on disposal	-	-	-	(1,700)
At 30 June 2017	460,227	142,392	177,307	927,153
<b>NET BOOK VALUE</b>				
At 30 June 2017	578,238	135,840	1,119,721	111,084
At 30 June 2016	574,216	192,692	1,098,194	71,128
	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>				
At 1 July 2016	1,000,838	132,316	216,102	4,849,106
Additions	41,507	-	53,342	248,661
Disposals	(2,376)	(10,195)	-	(14,271)
At 30 June 2017	1,039,969	122,121	269,444	5,083,496
<b>DEPRECIATION</b>				
At 1 July 2016	879,854	88,577	161,705	2,693,756
Charge for year	40,734	22,508	26,001	234,402
Eliminated on disposal	(208)	(7,396)	-	(9,304)
At 30 June 2017	920,380	103,689	187,706	2,918,854
<b>NET BOOK VALUE</b>				
At 30 June 2017	119,589	18,432	81,738	2,164,642
At 30 June 2016	120,984	43,739	54,397	2,155,350

Included in fixed assets are assets held under hire purchase. The net book value of these assets is £Nil (2016: £11,626) and depreciation of £Nil (2016: £4,260) has been charged during the year.



**MORRIS MCLELLAN LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017****12. FIXED ASSET INVESTMENTS**

The group or the company's investments at the balance sheet date in the share capital of companies include the following;

**Subsidiaries****J.W. & E. Morris & Son Limited**

Nature of business: Electrical Contracting Services

	% holding		
Class of shares:			
Ordinary	100.00		
		2017	2016
		£	£
Aggregate capital and reserves		14,391,633	13,393,379
Profit for the year		1,548,334	1,444,503

**McLellan & Partners Limited**

Nature of business: Consulting Engineers

	% holding		
Class of shares:			
Ordinary	100.00		
		2017	2016
		£	£
Aggregate capital and reserves		1,220,122	1,618,442
Profit / (loss) for the year		(348,320)	(57,250)

**13. STOCKS**

	<b>Group</b>	
	2017	2016
	£	£
Raw materials	832,685	1,041,521
Finished goods	1,382,111	1,411,035
	<u>2,214,796</u>	<u>2,452,556</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	7,873,714	8,037,383	-	-
Bad debt provision	(517,842)	(276,630)	-	-
Amounts owed by group undertakings	-	-	1,735,874	1,469,482
Amounts recoverable on contract	7,388,920	6,593,092	-	-
Other debtors	3,375,367	34,726	3,326,268	386,000
VAT	73,046	-	-	-
Prepayments	620,735	594,288	-	-
	<u>18,813,940</u>	<u>14,982,859</u>	<u>5,062,142</u>	<u>1,855,482</u>

15. CURRENT ASSET INVESTMENTS

	Group	
	2017	2016
	£	£
Unlisted investments	<u>176</u>	<u>176</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts (see note 18)	400,000	-	400,000	-
Hire purchase contracts (see note 19)	-	3,192	-	-
Trade creditors	5,840,318	5,565,843	-	-
Tax	278,041	248,618	1,565	22,676
Social security and other taxes	367,334	346,168	64,060	49,942
VAT	-	410,927	35,086	35,057
Proposed dividends	550,080	550,080	550,080	550,080
Other creditors	1,233,603	2,370,996	446,634	393,353
Accruals and deferred income	370,842	-	-	-
	<u>9,040,218</u>	<u>9,495,824</u>	<u>1,497,425</u>	<u>1,051,108</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans (see note 18)	1,600,000	-	1,600,000	-
Amounts owed to group undertakings	-	-	4,702,741	3,502,741
	<u>1,600,000</u>	<u>-</u>	<u>6,302,741</u>	<u>3,502,741</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

18. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Amounts falling due within one year or on demand:				
Bank loans	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2017 £	2016 £
Net obligations repayable:		
Within one year	<u>-</u>	<u>3,192</u>

Group

	Non-cancellable operating leases	
	2017 £	2016 £
Within one year	540,835	486,733
Between one and five years	592,934	1,031,446
In more than five years	2,346,000	2,617,000
	<u>3,479,769</u>	<u>4,135,179</u>

20. PROVISIONS FOR LIABILITIES

	Group	
	2017 £	2016 £
Deferred tax	<u>15,711</u>	<u>14,204</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017

20. PROVISIONS FOR LIABILITIES - continued

Group

	Deferred tax £
Balance at 1 July 2016	14,204
Provided during year	1,507
Balance at 30 June 2017	<u>15,711</u>

21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2017 £	2016 £
840	Ordinary	£1	840	840
34,649	Ordinary Non Voting Cap & Div	£1	34,649	34,649
9,288	Ordinary Non Voting Cap only	£1	9,288	9,288
			<u>44,777</u>	<u>44,777</u>

22. RESERVES

Group

	Retained earnings £	Share premium £	Totals £
At 1 July 2016	3,571,649	8,697,028	12,268,677
Profit for the year	1,182,821		1,182,821
Dividends	(550,080)		(550,080)
At 30 June 2017	<u>4,204,390</u>	<u>8,697,028</u>	<u>12,901,418</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 July 2016	1,570,276	8,697,028	10,267,304
Profit for the year	510,423		510,423
Dividends	(550,080)		(550,080)
At 30 June 2017	<u>1,530,619</u>	<u>8,697,028</u>	<u>10,227,647</u>

## MORRIS MCLELLAN LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2017

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#### 23. PENSION COMMITMENTS

Defined Contribution Scheme:

	2017 £	2016 £
Contributions payable for the year	360,112	343,306

#### 24. CONTINGENT LIABILITIES

The company has entered into a Composite Accounting Agreement dated 23rd November 2012, together with the two other group companies, McLellan and Partners Limited and J W& E Morris & Son Limited.

Each participating company has provided a guarantee to Barclays Bank plc.

Under the terms of the agreement and the guarantees, the bank is authorised to allow set-off for interest purposes and in certain circumstances to set-off credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System.

#### 25. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

#### 26. POST BALANCE SHEET EVENTS

On the 6 July 2017, Morris McLellan Ltd purchased 100 % of the share capital of Templegate Electrical Supplies Limited.

#### 27. ULTIMATE CONTROLLING PARTY

The company and group are controlled by the directors, both executive and non-executive, by virtue of their ownership of 82% of the share capital with full voting rights.