

**Company Registration No. 01534161 (England and Wales)**

**Powersystems UK Limited**

**Annual report and financial statements  
for the year ended 31 December 2019**

**Powersystems UK Limited**

**Company information**

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**Directors** Derek Earby (Non executive director)  
Stuart Wilsmore (Non executive director)  
Christopher Jenkins  
Eirwyn Thomas  
Rachel Berry

**Secretary** Eirwyn Thomas

**Company number** 01534161

**Registered office** Badminton Road Trading Estate  
Badminton Road  
Yate  
Bristol  
BS37 5GG

**Independent auditor** Saffery Champness LLP  
St Catherine's Court  
Berkeley Place  
Clifton  
Bristol  
BS8 1BQ

**Bankers** National Westminster Bank plc  
PO Box 1369  
16 The Plain  
Thornbury  
Bristol  
BS35 2BF

**Solicitors** Clarke Willmott  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BA

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**Powersystems UK Limited**

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## **Powersystems UK Limited**

### **Strategic report**

**For the year ended 31 December 2019**

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

#### **Fair review of the business**

The company continues to operate successfully, designing and installing high voltage electrical infrastructure and grid connections for industrial customers and generators. Core markets include Renewable generation schemes (windfarms, solar, hydro and energy from waste), Grid scale support schemes (Generation and Battery), Electric vehicle charging and Industrial projects.

On 2nd January 2019, Powersystems completed the transition to an employee owned business. The founding owners transferred their entire shareholding to a Trust - Powersystems EOT Ltd. Finance for the share purchase agreement was from company cash reserves and future deferred payments. This ownership model provides a great opportunity for all employees to benefit in Powersystems success and should result in increased productivity, staff retention and improved service levels.

Our continual focus to deliver quality projects for our clients with a priority on high engineering, quality and safety standards has resulted in the company building strong long-term relationships with clients leading to future repeat work opportunities.

#### **Financial performance**

The financial year ending 31st December 2019 saw a significant decline in company turnover to £13,538,354 [£26,934,399 :2018]; This was attributable to a reduction in the number of renewable generation schemes being constructed. In particular windfarm construction suffered a downturn from the removal of subsidies and there were delays or cancellations of STOR generation and Battery schemes. The Electric vehicle charging market was also slower to develop than we had expected in 2019. However, contribution to company profit before taxation was slightly increased to £565,395 [£500,481 :2018]. This was due to a reduction in administrative expenses and careful financial management of projects throughout the year. Profit and loss reserves stand at £7,575,684 and with no borrowings, the company remains on a strong financial footing.

#### **Principal risks and uncertainties**

The past has seen our business dependant on the thriving renewable energy generation sector that has been driven by government subsidies. We actively continue to service this sector as generation technologies mature and move towards subsidy free projects. We will closely monitor government policies to ensure that we remain flexible to align our business capability and objectives in line with any future changes in policy. We will also continuously develop alternative business streams away from the dependence on the renewables sector.

The economic and political uncertainty surrounding Brexit remains unsolved and the impact from this is likely to effect capital investment from private companies within the industrial and commercial market. Our diversity across different sectors means we are confident we should minimise the impact suffered until an outcome to Brexit is realised.

The Covid-19 Pandemic provides an unprecedented risk to the company and UK economy. The company has adopted industry best practice to mitigate risks and modify operating procedures to enable services to be delivered. All IT systems have functioned well enabling office and engineering staff to successfully work from home and ensure business continues as usual.

Staff health, safety and welfare remains a key priority given the sectors that we work in. A continued focus on this being "Priority No1" will ensure even safer delivery of our services across all sectors and protection of our work force.

**Powersystems UK Limited**

**Strategic report (continued)**

**For the year ended 31 December 2019**

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**Future Outlook**

The company is in a very positive position of securing orders for over £30 million to date during 2020, with a further £25 million to be signed imminently. This will provide security of work throughout 2021 and into 2022.

The company remains a recognised leader in the onshore windfarm industry being the high voltage electrical contractor of choice for many windfarm developers. We look to expand on these relationships as we move with our customers into complimentary markets such as Battery, Solar, Grid Stabilisation and green Hydrogen projects.

The electricity infrastructure within the UK in the coming years is in the process of rapidly changing. This is due to meeting increased demand from Electric vehicles. This along with increased distributed generation (mainly from subsidy free renewables supported by battery energy storage) should provide great opportunities for Powersystems to continue to succeed and thrive as the high voltage specialist of choice for many well-established customers.

The future is electric at Powersystems.

On behalf of the board

Christopher Jenkins

**Director**

14 September 2020

**Powersystems UK Limited**

**Directors' report**

**For the year ended 31 December 2019**

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

**Principal activities**

The principle activity of the company remains the installation of power distribution systems for generation schemes and industrial clients.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Derek Earby	(Non executive director)
Stuart Wilsmore	(Non executive director)
Christopher Jenkins	
Eirwyn Thomas	
Rachel Berry	

**Results and dividends**

The results for the year are set out on page 8.

During the year the company paid dividends totalling £nil (2018: £nil).

The directors' report does not include a fair review of the business, details of the risks and uncertainties and future developments, as this information is documented within the Strategic Report as required under s414C(11).

**Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

**Auditor**

Saffery Champness LLP have expressed their willingness to continue in office.

**Powersystems UK Limited**

**Directors' report (continued)**

**For the year ended 31 December 2019**

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**Statement of directors' responsibilities**

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

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

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

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Christopher Jenkins

**Director**

14 September 2020

## **Powersystems UK Limited**

### **Independent auditor's report**

**To the members of Powersystems UK Limited**

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#### **Opinion**

We have audited the financial statements of Powersystems UK Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Powersystems UK Limited**

### **Independent auditor's report (continued)**

#### **To the members of Powersystems UK Limited**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Powersystems UK Limited**

**Independent auditor's report (continued)**

**To the members of Powersystems UK Limited**

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**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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

**Neil Davies (Senior Statutory Auditor)**

**for and on behalf of Saffery Champness LLP**

15 September 2020

**Chartered Accountants**

**Statutory Auditors**

St Catherine's Court  
Berkeley Place  
Clifton  
Bristol  
BS8 1BQ

**Powersystems UK Limited**

**Statement of comprehensive income  
For the year ended 31 December 2019**

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		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>3</b>	13,538,354	26,934,399
Cost of sales		(9,137,291)	(21,293,302)
		<hr/>	<hr/>
<b>Gross profit</b>		4,401,063	5,641,097
Administrative expenses		(3,792,719)	(5,128,205)
		<hr/>	<hr/>
<b>Operating profit</b>	<b>4</b>	608,344	512,892
Interest receivable and similar income	<b>6</b>	13,443	42,613
Interest payable and similar expenses	<b>7</b>	(56,392)	(55,024)
		<hr/>	<hr/>
<b>Profit before taxation</b>		565,395	500,481
Tax on profit	<b>9</b>	(147,670)	(139,051)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<u>417,725</u>	<u>361,430</u>

The income statement has been prepared on the basis that all operations are continuing operations.

**Powersystems UK Limited**

**Statement of financial position  
As at 31 December 2019**

		2019		2018	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		2,722,257		2,937,536
Investments	11		1		1
			<u>2,722,258</u>		<u>2,937,537</u>
<b>Current assets</b>					
Stocks	13	550,146		1,691,379	
Debtors	14	5,605,116		8,660,033	
Cash at bank and in hand		4,284,383		21,251,185	
		<u>10,439,645</u>		<u>31,602,597</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,160,267)</u>		<u>(7,513,915)</u>	
<b>Net current assets</b>			<u>6,279,378</u>		<u>24,088,682</u>
<b>Total assets less current liabilities</b>			<u>9,001,636</u>		<u>27,026,219</u>
<b>Provisions for liabilities</b>	17		<u>(1,420,952)</u>		<u>(1,863,260)</u>
<b>Net assets</b>			<u><u>7,580,684</u></u>		<u><u>25,162,959</u></u>
<b>Capital and reserves</b>					
Called up share capital	20		5,000		5,000
Profit and loss reserves	21		7,575,684		25,157,959
<b>Total equity</b>			<u><u>7,580,684</u></u>		<u><u>25,162,959</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14 September 2020 and are signed on its behalf by:

Christopher Jenkins  
Director

Company Registration No. 01534161

Powersystems UK Limited

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

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	Share capital	Profit and loss reserves	Total
Notes	£	£	£
<b>Balance at 1 January 2018</b>	5,000	24,796,529	24,801,529
<b>Year ended 31 December 2018:</b>			
Profit and total comprehensive income for the year	-	361,430	361,430
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	5,000	25,157,959	25,162,959
<b>Year ended 31 December 2019:</b>			
Profit and total comprehensive income for the year	-	417,725	417,725
Gift to Employee Ownership Trust	-	(18,000,000)	(18,000,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	<u>5,000</u>	<u>7,575,684</u>	<u>7,580,684</u>

Powersystems UK Limited

Statement of cash flows  
For the year ended 31 December 2019

	Notes	£	2019 £	£	2018 £
<b>Cash flows from operating activities</b>					
Cash generated from operations	25		1,230,167		766,939
Interest paid			(56,392)		(55,024)
Income taxes paid			(145,916)		(183,355)
<b>Net cash inflow from operating activities</b>			<u>1,027,859</u>		<u>528,560</u>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(51,969)		(121,300)	
Proceeds on disposal of tangible fixed assets		43,865		26,609	
Movements on other investments and loans		-		2,000,000	
Interest received		13,443		42,613	
<b>Net cash generated from investing activities</b>			<u>5,339</u>		<u>1,947,922</u>
<b>Financing activities</b>					
Gift to Employee Ownership Trust		(18,000,000)		-	
<b>Net cash used in financing activities</b>			<u>(18,000,000)</u>		<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<u>(16,966,802)</u>		<u>2,476,482</u>
Cash and cash equivalents at beginning of year			<u>21,251,185</u>		<u>18,774,703</u>
<b>Cash and cash equivalents at end of year</b>			<u><u>4,284,383</u></u>		<u><u>21,251,185</u></u>

**Powersystems UK Limited**

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

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**1 Accounting policies**

**Company information**

Powersystems UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Badminton Road Trading Estate, Badminton Road, Yate, Bristol, BS37 5GG.

**1.1 Accounting convention**

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 405 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the subsidiary undertaking is not material to the group. The financial statements present information about the company as an individual entity and not about its group.

**1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Turnover**

The turnover shown in the statement of comprehensive income represents the value of goods supplied and services rendered during the year, exclusive of value added tax.

Turnover and related costs on each long term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of work done, and when a profitable outcome to the contract can be assessed with reasonable certainty, includes attributable profit.

Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Contract completion is calculated against the percentage of costs incurred as at the reporting date or where applicable the number of labour hours completed against total expected labour hours. Full provision is made for losses on a contract immediately as they are identified.

**1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

**1 Accounting policies (continued)**

Land and buildings Freehold	2% per annum straight line
Plant and machinery	25% per annum reducing balance
Fixtures, fittings & equipment	25% per annum reducing balance
Motor vehicles	25% per annum reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

**1.5 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

**1.6 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**1 Accounting policies (continued)**

**1.7 Stocks**

Stocks are valued on an average cost (AVCO) basis at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

The cost of work in progress is represented by the excess of costs incurred over costs of sale recognised to date.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.8 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

**1.9 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**1 Accounting policies (continued)**

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

***Other financial liabilities***

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.10 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1 Accounting policies (continued)**

**1.11 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

**1.12 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

**1.13 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**1 Accounting policies (continued)**

**1.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.15 Retirement benefits**

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement.

**2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Long term contracts***

The nature of the primary revenue stream is such that the entity must estimate the performance and outcome of long term contracts in order to record related amounts in line with the applicable accounting standard. The directors employ the use of a detailed budget for each job as well as previous experience. The budget information is reviewed on a monthly basis and adjusted where objective evidence supports a change. Further detail regarding the accounting policy is included in note 1.3.

***Provisions***

Provisions are recognised on a project by project basis, where Powersystems UK Limited have an obligation for remedial work. Provisions are recognised based on average cost per unit and are revised annually in line with actual spend.

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**3 Turnover and other revenue**

An analysis of the company's turnover is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by class of business</b>		
Installation turnover	13,538,354	26,934,399
	<u>                    </u>	<u>                    </u>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Other revenue</b>		
Interest income	13,443	42,613
	<u>                    </u>	<u>                    </u>

**4 Operating profit**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	17,200	16,700
Depreciation of owned tangible fixed assets	237,600	288,715
Profit on disposal of tangible fixed assets	(14,217)	(925)
	<u>                    </u>	<u>                    </u>

**5 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	475,181	604,719
Company pension contributions to defined contribution schemes	57,499	240,000
	<u>                    </u>	<u>                    </u>
	<u>532,680</u>	<u>844,719</u>

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**5 Directors' remuneration (continued)**

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	240,827	214,445
Company pension contributions to defined contribution schemes	28,499	80,000
	<u>269,326</u>	<u>294,445</u>

**6 Interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Interest income</b>		
Interest on bank deposits	13,443	42,613
	<u>13,443</u>	<u>42,613</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	13,443	42,613
	<u>13,443</u>	<u>42,613</u>

**7 Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Other interest on financial liabilities	56,392	55,024
	<u>56,392</u>	<u>55,024</u>

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**8 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Production staff	32	29
Administrative staff	35	41
Directors	5	4
	<u>72</u>	<u>74</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,149,432	3,674,221
Social security costs	357,835	426,429
Pension costs	164,453	553,033
	<u>3,671,720</u>	<u>4,653,683</u>

**9 Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	161,539	145,916
	<u>161,539</u>	<u>145,916</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,869)	(6,865)
	<u>(13,869)</u>	<u>(6,865)</u>
<b>Total tax charge</b>	<u>147,670</u>	<u>139,051</u>

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**9 Taxation (continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit before taxation	565,395	500,481
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	107,425	95,091
Tax effect of expenses that are not deductible in determining taxable profit	28,556	33,096
Change in unrecognised deferred tax assets	1,633	-
Permanent capital allowances in excess of depreciation	10,056	10,057
Deferred tax adjustments in respect of prior years	-	807
	<u>          </u>	<u>          </u>
Taxation charge for the year	147,670	139,051
	<u>          </u>	<u>          </u>

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

**10 Tangible fixed assets**

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2019	2,696,250	744,463	235,077	936,136	4,611,926
Additions	-	30,673	3,318	17,978	51,969
Disposals	-	-	(1,972)	(174,109)	(176,081)
At 31 December 2019	2,696,250	775,136	236,423	780,005	4,487,814
<b>Depreciation and impairment</b>					
At 1 January 2019	369,929	582,230	137,794	584,437	1,674,390
Depreciation charged in the year	53,925	71,709	24,633	87,333	237,600
Eliminated in respect of disposals	-	-	(734)	(145,699)	(146,433)
At 31 December 2019	423,854	653,939	161,693	526,071	1,765,557
<b>Carrying amount</b>					
At 31 December 2019	2,272,396	121,197	74,730	253,934	2,722,257
At 31 December 2018	2,326,321	162,233	97,283	351,699	2,937,536

**11 Fixed asset investments**

	Notes	2019 £	2018 £
Investments in subsidiaries	12	1	1

**Powersystems UK Limited**

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

**11 Fixed asset investments (continued)**

**Movements in fixed asset investments**

	Shares in group undertakings
	£
<b>Cost or valuation</b>	
At 1 January 2019 & 31 December 2019	1
	<hr/>
<b>Carrying amount</b>	
At 31 December 2019	1
	<hr/> <hr/>
At 31 December 2018	1
	<hr/> <hr/>

**12 Subsidiaries**

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Powersystems UK EOT Limited	England and Wales	Ordinary	100.00	

**13 Stocks**

	2019	2018
	£	£
Raw materials and consumables	288,386	326,841
Work in progress	261,760	1,364,538
	<hr/>	<hr/>
	550,146	1,691,379
	<hr/> <hr/>	<hr/> <hr/>

**14 Debtors**

	2019	2018
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	2,878,645	3,068,001
Gross amounts owed by contract customers	2,586,049	5,413,331
Prepayments and accrued income	140,422	178,701
	<hr/>	<hr/>
	5,605,116	8,660,033
	<hr/> <hr/>	<hr/> <hr/>

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

**15 Creditors: amounts falling due within one year**

	Notes	2019 £	2018 £
Payments received on account		523,844	1,298,682
Trade creditors		566,960	3,617,578
Amounts due to group undertakings		1	1
Corporation tax		161,539	145,916
Other taxation and social security		652,382	333,947
Other creditors	<b>18</b>	2,057,009	1,849,438
Accruals and deferred income		198,532	268,353
		<u>4,160,267</u>	<u>7,513,915</u>

**16 Loans and overdrafts**

	2019 £	2018 £
Directors' loans	2,057,009	1,848,655
Other loans	-	783
	<u>2,057,009</u>	<u>1,849,438</u>
Payable within one year	<u>2,057,009</u>	<u>1,849,438</u>

These loans are unsecured with no fixed date for repayment and attract or accrue interest at the HM Revenue and Customs official rate. Gross interest paid during the year amounted to £56,392 (2018:£51,840).

**17 Provisions for liabilities**

	Notes	2019 £	2018 £
Provision against contracts		1,320,693	1,749,132
Deferred tax liabilities	<b>18</b>	100,259	114,128
		<u>1,420,952</u>	<u>1,863,260</u>

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

**17 Provisions for liabilities (continued)**

Movements on provisions apart from deferred tax liabilities:

	<b>Provision against contracts £</b>
At 1 January 2019	1,749,132
Utilisation of provision	(428,439)
At 31 December 2019	<u>1,320,693</u>

A provision has been recognised in the year in respect of ongoing revenue contracts. The total provided is £1,320,693 and is a best estimate of the amount required to settle the obligations in full.

**18 Deferred taxation**

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Liabilities 2019 £</b>	<b>Liabilities 2018 £</b>
<b>Balances:</b>		
Accelerated Capital allowances	<u>100,259</u>	<u>114,128</u>
		<b>2019</b>
<b>Movements in the year:</b>		<b>£</b>
Liability at 1 January 2019		114,128
Credit to profit or loss		(13,869)
Liability at 31 December 2019		<u>100,259</u>

The deferred tax liability set out above is expected to reverse, but its reversal is uncertain of timing. The balance relates to accelerated capital allowances.

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

**19 Retirement benefit schemes**

	<b>2019</b>	<b>2018</b>
<b>Defined contribution schemes</b>	<b>£</b>	<b>£</b>
Charge to profit or loss in respect of defined contribution schemes	164,453	553,033

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**20 Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
500,000 Ordinary shares of £0.01 each (2018: 5,000 Ordinary shares of £1 each)	5,000	5,000

The company has one class of share which has no right to fixed income.

**21 Profit and loss reserves**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At the beginning of the year	25,157,959	24,796,529
Profit for the year	417,725	361,430
Gift to Employee Ownership Trust	(18,000,000)	-
At the end of the year	7,575,684	25,157,959

**Powersystems UK Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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**22 Related party transactions**

**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	566,722	844,719
	<u>566,722</u>	<u>844,719</u>

At the year end, the company owed the directors of the company £2,057,099 (2018: £1,848,655). Interest in the year relating to this loan amounted to £56,473 (2018: £50,469). Within the period advances from director's totalled £834,693 (2018: £1,451,506). The company repaid advances to the directors of £1,043,048 (2018: £1,320,820).

Director's received dividends totalling £nil (2018: £nil), in the year.

**Transactions with related parties**

During the year, the Company made a gift of £18,000,000 to the Powersystems UK Employee Ownership Trust.

**23 Ultimate controlling party**

There is not considered to be an ultimate controlling party.

**24 Events after the reporting date**

Following the year end, the World Health Organisation declared a global pandemic in regards to the coronavirus outbreak. No amounts have been included within the financial statements in regards to this, as the board of directors are confident that it will have no material impact on the 2019 Financial Statements.

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

25 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	417,725	361,430
<b>Adjustments for:</b>		
Taxation charged	147,670	139,051
Finance costs	56,392	55,024
Investment income	(13,443)	(42,613)
Gain on disposal of tangible fixed assets	(14,217)	(925)
Depreciation and impairment of tangible fixed assets	237,600	288,715
(Decrease)/increase in provisions	(428,439)	1,749,132
<b>Movements in working capital:</b>		
Decrease in stocks	1,141,233	1,357,205
Decrease/(increase) in debtors	3,054,917	(1,967,187)
Decrease in creditors	(3,369,271)	(1,172,893)
<b>Cash generated from operations</b>	<u>1,230,167</u>	<u>766,939</u>

26 Analysis of changes in net funds

	1 January 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	21,251,185	(16,966,802)	4,284,383
	<u>21,251,185</u>	<u>(16,966,802)</u>	<u>4,284,383</u>

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