CLIENT TO SIGN

Company Registration No. 06582821 (England and Wales)

PAWSON HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

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PAWSON HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Ms R L Pawson Mr S G Pawson Mr R E Pawson
Secretary	Ms R L Pawson
Company number	06582821
Registered office	Fieldhouses Ashton Lane Braithwell Rotherham South Yorkshire S66 7RL
Auditor	Haigh Accountants Limited Grange Cottage Fulham Lane Womersley Doncaster DN6 9BW
Bankers	Lloyds TSB 9 Wellgate Rotherham S60 2LU

PAWSON HOLDINGS LIMITED

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PAWSON HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2018

The directors present the strategic report for the year ended 31 July 2018.

Fair review of the business
The results for the year are set out on page 7.

In challenging economic conditions, the Pawson Group's 2017/18 financial performance saw an increase in turnover of £643K compared to 2017; an increase of 7.2%. However, rising fuel and payroll costs contributed to a reduction in gross margin from 15.6% in 2017 to 13.9% in 2018. Whilst administrative costs had increased by £78K compared to the previous year and with interest payable decreasing by a negligible 5.7%, profit before tax is £602K. Once Corporation Tax and Dividends are taken into consideration, retained profit of £192K has increased net assets to £1.95m as at 31 July 2018.

The Directors have ensured that the Company's structured fleet replacement programme has continued and has made further financial investment for future growth whilst implementing cost savings where necessary.

With the same core Pawson family values that have prevailed since the Company's incorporation, we will continue to build on and develop successful existing partnerships and also explore new market opportunities.

Principal risks and uncertainties
Against a backdrop of uncertainty throughout the UK as a whole, continued increases in fuel and payroll will provide further margin pressures. Customer demands in respect of costs and delivery requirements also add to these pressures. In the transport sector, difficulties in recruitment and retention of quality drivers remains an issue.

Development and performance
The 2017/18 performance and development is assessed by the key financial ratios and commentary, as summarised above, under the review of the business.

Other performance indicators
The company has taken advantage of the exemption available to medium sized companies concerning non-financial key performance indicators.

By order of the board

Ms R L Pawson
Secretary
17 April 2019

PAWSON HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2018

The directors present their annual report and financial statements for the year ended 31 July 2018.

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

Ms R L Pawson
Mr S G Pawson
Mr R E Pawson
Mr M E Pawson (Resigned 15 March 2019)

Results and dividends
The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £315,920. The directors do not recommend payment of a further dividend.

Auditor
The auditor, Haigh Accountants Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 auditor of the company 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 auditor of the company is aware of that information.

By order of the board

Ms R L Pawson
Secretary
17 April 2019

PAWSON HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2018

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 group and company, 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 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PAWSON HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAWSON HOLDINGS LIMITED

Opinion

We have audited the financial statements of Pawson Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 group's and the parent company's affairs as at 31 July 2018 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 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 group's or the parent 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.

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 group and the parent 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 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 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 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PAWSON HOLDINGS LIMITED

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.



Mark Fox (Senior Statutory Auditor)
for and on behalf of Haigh Accountants Limited

17 April 2019

Chartered Certified Accountants
Statutory Auditor

Grange Cottage
Fulham Lane
Womersley
Doncaster
DN6 9BW

PAWSON HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £	2017 £
Turnover	3	9,560,560	8,917,266
Cost of sales		(8,235,151)	(7,522,138)
Gross profit		1,325,409	1,395,128
Administrative expenses		(524,795)	(446,563)
Operating profit	4	800,614	948,565
Interest receivable and similar income		5	-
Interest payable and similar expenses	8	(198,936)	(211,007)
Profit before taxation		601,683	737,558
Tax on profit	9	(94,115)	(150,043)
Profit for the financial year		507,568	587,515

Profit for the financial year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

PAWSON HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2018

	2018 £	2017 £
Profit for the year	507,568	587,515
Other comprehensive income	-	-
Total comprehensive income for the year	507,568	587,515

Total comprehensive income for the year is all attributable to the owners of the parent company.

PAWSON HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 JULY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		3,401,021		2,680,507
Current assets					
Stocks	15	649,414		458,689	
Debtors	16	2,160,991		2,429,066	
Cash at bank and in hand		277,439		144,754	
		3,087,844		3,032,509	
Creditors: amounts falling due within one year	17	(3,029,496)		(2,613,736)	
Net current assets			58,348		418,773
Total assets less current liabilities			3,459,369		3,099,280
Creditors: amounts falling due after more than one year	18		(1,301,322)		(1,155,534)
Provisions for liabilities	21		(203,198)		(180,545)
Net assets			1,954,849		1,763,201
Capital and reserves					
Called up share capital	23		100		100
Profit and loss reserves			1,954,749		1,763,101
Total equity			1,954,849		1,763,201

The financial statements were approved by the board of directors and authorised for issue on 17 April 2019 and are signed on its behalf by:

Ms R L Pawson
Director

PAWSON HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 JULY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	**12**		500		500
Current assets					
Debtors	**16**	445,570		570,593	
Cash at bank and in hand		70,510		15,590	
		516,080		586,183	
Creditors: amounts falling due within one year	**17**	(168,574)		(271,552)	
Net current assets			347,506		314,631
Total assets less current liabilities			348,006		315,131
Capital and reserves					
Called up share capital	**23**		100		100
Profit and loss reserves			347,906		315,031
Total equity			348,006		315,131

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £348,795 (2017 - £385,262 profit).

The financial statements were approved by the board of directors and authorised for issue on 17 April 2019 and are signed on its behalf by:

Ms R L Pawson
Director

Company Registration No. 06582821

PAWSON HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2016		100	1,491,507	1,491,607
Year ended 31 July 2017:				
Profit and total comprehensive income for the year		-	587,515	587,515
Dividends	**10**	-	(315,921)	(315,921)
Balance at 31 July 2017		100	1,763,101	1,763,201
Year ended 31 July 2018:				
Profit and total comprehensive income for the year		-	507,568	507,568
Dividends	**10**	-	(315,920)	(315,920)
Balance at 31 July 2018		100	1,954,749	1,954,849

PAWSON HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2016		100	245,690	245,790
Year ended 31 July 2017:				
Profit and total comprehensive income for the year		-	385,262	385,262
Dividends	**10**	-	(315,921)	(315,921)
Balance at 31 July 2017		100	315,031	315,131
Year ended 31 July 2018:				
Profit and total comprehensive income for the year		-	348,795	348,795
Dividends	**10**	-	(315,920)	(315,920)
Balance at 31 July 2018		100	347,906	348,006

PAWSON HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	27		1,302,368		1,316,888
Interest paid			(198,936)		(211,007)
Income taxes paid			(136,713)		(124,472)
Net cash inflow from operating activities			966,719		981,409
Investing activities					
Purchase of tangible fixed assets		(1,220,613)		(1,114,152)	
Proceeds on disposal of tangible fixed assets		186,125		160,706	
Interest received		5		-	
Net cash used in investing activities			(1,034,483)		(953,446)
Financing activities					
Repayment of borrowings		221,750		(58,660)	
Repayment of bank loans		(55,112)		(46,879)	
Payment of finance leases obligations		389,080		375,028	
Dividends paid to equity shareholders		(315,920)		(315,921)	
Net cash generated from/(used in) financing activities			239,798		(46,432)
Net increase/(decrease) in cash and cash equivalents			172,034		(18,469)
Cash and cash equivalents at beginning of year			26,270		44,739
Cash and cash equivalents at end of year			198,304		26,270
Relating to:					
Cash at bank and in hand			277,439		144,754
Bank overdrafts included in creditors payable within one year			(79,135)		(118,484)

PAWSON HOLDINGS LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	28		417,887		167,669
Interest paid			(88)		(768)
Income taxes paid			(46,959)		(79,173)
Net cash inflow from operating activities			370,840		87,728
Investing activities					
Dividends received		-		180,000	
Net cash (used in)/generated from investing activities			-		180,000
Financing activities					
Payment of finance leases obligations		-		(1,650)	
Dividends paid to equity shareholders		(315,920)		(315,921)	
Net cash used in financing activities			(315,920)		(317,571)
Net increase/(decrease) in cash and cash equivalents			54,920		(49,843)
Cash and cash equivalents at beginning of year			15,590		65,433
Cash and cash equivalents at end of year			70,510		15,590

1 Accounting policies

Company information

Pawson Holdings Limited ("the company") is a private limited company, limited by shares, domiciled and incorporated in England and Wales. The registered office is Fieldhouses, Ashton Lane, Braithwell, Rotherham, South Yorkshire, S66 7RL.

The group consists of Pawson Holdings Limited and all of its subsidiaries.

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 £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Pawson Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 July 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 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 Accounting policies **(Continued)**

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Sales of goods are recognised on their despatch to the customer, which is the point at which the risks and rewards of ownership of the goods pass to the customer. Turnover in respect of service contracts is recognised when the company obtains the right to receive consideration for the services rendered to its customer. Rentals receivable under operating leases are credited to turnover on a straight line basis over the lease term.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5% straight line
Plant and machinery	10% straight line
Fixtures, fittings & equipment	20% straight line
Computer equipment	20% straight line
Motor vehicles	10% or 11% straight line

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 recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

1.7 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1 Accounting policies **(Continued)**

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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for consumption or distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

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.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and bank current account positive balances. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 and cash and bank balances, 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.

1 **Accounting policies** **(Continued)**

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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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 group 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 group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

1.11 Equity instruments

Equity instruments issued by the group 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 group.

1.12 *Taxation*

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

1 Accounting policies (Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 group'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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 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.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Leases

Management exercises judgement in determining the classification of leases as finance leases or operating leases at inception of the lease. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of the minimum lease payments amounts to substantially all of the fair value of the asset, the lease is classified as a finance lease. All other leases are classified as operating leases.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be conferred only on the occurrence or non-occurrence of uncertain future events outside the group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such payment cannot be reliably estimated. The group does not recognise contingent liabilities but, when necessary, discloses them in the notes to the financial statements.

2 Judgements and key sources of estimation uncertainty (Continued)

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.

Impairment of assets

Where there are indications of impairment, management performs an impairment test. For trade debtors this may simply be a review of the age profile of the debtors against the relevant payment terms and consideration of the debtors' payment history. Any other relevant factors, of which management are aware, will also be considered, together with comparison of historical impairment provisions against actual outcomes.

Stocks

A stock provision is booked where the realisable value from the sale of the stock is estimated to be lower than the stock carrying value. Management has estimated the stock provisioning level for different products/product categories, based on various factors, including expected sales profiles of the items, the prevailing sales prices, the item's technological status and expected losses associated with slow-moving or obsolete stock items.

Tangible fixed assets and depreciation

In order to implement the group's accounting policy in respect of tangible fixed assets, management has to estimate the useful life of each category of such assets, determine which category individual assets belong, estimate the possibility and amount of residual values and allocate the cost of some assets between their major components, when such components have different useful lives. Management relies on industry knowledge, local facts, commonly used accounting practices, prior experience, specialist/professional advice (both current and historic) and any other relevant information which they are aware of, in order to make these estimates.

3 Turnover and other revenue

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

	2018	2017
	£	£
Turnover analysed by class of business		
Transport by HGV's	8,172,054	7,841,862
Commercial vehicle sales and hire	1,005,304	655,963
Storage and rental income	185,848	189,618
Commercial vehicle maintenance & parts	191,085	174,920
Training services	6,269	54,903
	9,560,560	8,917,266

	2018	2017
	£	£
Other significant revenue		
Interest income	5	-

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	9,270,223	8,722,645
European Union (non UK)	180,478	66,705
Rest of the world	109,859	127,916
	9,560,560	8,917,266

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	259,301	504,372
Loss on disposal of tangible fixed assets	54,673	3,115
Cost of stocks recognised as an expense	4,463,765	3,887,124
Operating lease charges	42,929	28,382

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2018 £	2017 £
For audit services		
Audit of the financial statements of the group and company	1,500	1,500
Audit of the financial statements of the company's subsidiaries	5,000	5,000
	6,500	6,500

6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Directors	4	4	4	4
Other management	4	4	1	1
Direct services	53	46	-	-
Administration	18	14	-	-
	79	68	5	5

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Wages and salaries	1,962,712	1,815,646	42,941	48,229
Social security costs	167,486	158,024	1,933	2,658
Pension costs	38,714	35,473	24,123	24,113
	2,168,912	2,009,143	68,997	75,000

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	51,103	52,845
Company pension contributions to defined contribution schemes	24,123	24,113
	75,226	76,958

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 4).

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	11,795	15,995
Interest on finance leases and hire purchase contracts	81,567	90,878
Other interest on financial liabilities	104,110	102,846
	197,472	209,719
Other finance costs:		
Other interest	1,464	1,288
Total finance costs	198,936	211,007

9 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	53,869	136,713

9 Taxation **(Continued)**

Deferred tax		
Origination and reversal of timing differences	40,246	13,330
Total tax charge	94,115	150,043

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

	2018 £	2017 £
Profit before taxation	601,683	737,558
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.67%)	114,320	145,078
Tax effect of expenses that are not deductible in determining taxable profit	1,917	2,133
Other	(4,969)	2,832
Effect of change in deferred tax rate	(17,153)	-
Taxation charge	94,115	150,043

10 Dividends

	2018 £	2017 £
Interim paid	315,920	315,921

11 Tangible fixed assets

Group	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 August 2017	235,742	148,848	23,470	23,203	3,647,308	4,078,571
Additions	-	3,313	-	-	1,217,300	1,220,613
Disposals	-	-	-	-	(565,574)	(565,574)
At 31 July 2018	235,742	152,161	23,470	23,203	4,299,034	4,733,610
Depreciation and impairment						
At 1 August 2017	55,659	66,353	14,091	17,208	1,244,752	1,398,063
Depreciation charged in the year	10,903	13,187	3,383	3,759	228,069	259,301
Eliminated in respect of disposals	-	-	-	-	(324,775)	(324,775)
At 31 July 2018	66,562	79,540	17,474	20,967	1,148,046	1,332,589
Carrying amount						
At 31 July 2018	169,180	72,621	5,996	2,236	3,150,988	3,401,021
At 31 July 2017	180,083	78,625	9,379	5,995	2,406,425	2,680,507

Company	Plant and machinery
	£
Cost	
At 1 August 2017 and 31 July 2018	10,000
Depreciation and impairment	
At 1 August 2017 and 31 July 2018	10,000
Carrying amount	
At 31 July 2018	-

12 Fixed asset investments

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Investments in subsidiaries	13	-	-	500	500

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 August 2017 and 31 July 2018	500
Carrying amount	
At 31 July 2018	500
At 31 July 2017	500

13 Subsidiaries

Details of the company's subsidiaries at 31 July 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Logistics and Construction Academy Limited	England	Training	Ordinary	100.00	
Pawson Commercial Vehicle Sales and Hire Limited	England	Comercial vehicle sales & hire	Ordinary	100.00	
Pawson Fleet Services Limited	England	Commercial vehicle maintenance & parts	Ordinary	100.00	
Pawson Self Storage Limited	England	Storage & rental income	Ordinary	100.00	
Pawson Transport Limited	England	Transport by HGV's	Ordinary	100.00	

13 Subsidiaries (Continued)

The smaller subsidiaries, Pawson Fleet Services Limited, Pawson Self Storage Limited and Logistics and Construction Academy Limited are exempt from audit of their own individual financial statements by virtue of S.479A of the Companies Act 2006.

14 Financial instruments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,607,585	1,752,552	432,840	558,399
Carrying amount of financial liabilities				
Measured at amortised cost	4,096,227	3,373,461	122,830	224,355

15 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Finished goods and goods for resale	649,414	458,689	-	-

16 Debtors

	Group		Company	
	2018	2017	2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,607,585	1,750,570	499	1,788
Amounts owed by group undertakings	-	-	432,341	554,629
Other debtors	90,530	33,463	170	1,982
Prepayments and accrued income	462,876	627,440	12,560	12,194
	2,160,991	2,411,473	445,570	570,593
Deferred tax asset (note 21)	-	17,593	-	-
	2,160,991	2,429,066	445,570	570,593

17 Creditors: amounts falling due within one year

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans and overdrafts	19	135,846	173,696	-	-
Obligations under finance leases	20	747,888	561,207	-	-
Other borrowings	19	373,458	151,708	-	-
Trade creditors		919,746	640,585	12,477	12,109
Amounts owed to group undertakings		-	-	87,853	117,746
Corporation tax payable		53,869	136,713	45,556	46,959
Other taxation and social security		180,722	259,096	188	238
Other creditors		538,203	610,175	20,000	92,000
Accruals and deferred income		79,764	80,556	2,500	2,500
		3,029,496	2,613,736	168,574	271,552

Other creditors include £485,166 (2017: £479,079) of invoice discounting advances which are secured on various of the group's trade debtors.

18 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans and overdrafts	19	148,540	205,151	-	-
Obligations under finance leases	20	1,152,782	950,383	-	-
		1,301,322	1,155,534	-	-

Amounts included above which fall due after five years are as follows:

Payable by instalments	766	18,375	-	-

19 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans	205,251	260,363	-	-
Bank overdrafts	79,135	118,484	-	-
Other loans	373,458	151,708	-	-
	657,844	530,555	-	-
Payable within one year	509,304	325,404	-	-
Payable after one year	148,540	205,151	-	-
Amounts included above which fall due after five years:				
Payable by instalments	766	18,375	-	-

The bank borrowings are secured by fixed and floating charges over the assets of the two largest subsidiaries in the group, via all assets debentures, and a group cross-guarantee.

Other loans consist of advances received under a stocking finance arrangement which are secured by fixed charges on the assets concerned.

There are three bank loans; they are repayable at approximately £4,600 per month in total, excluding interest which is charged at varying rates ranging from approximately 3.0% pa to 4.8% pa and they will be fully repaid in less than five years, with the exception of a minimal amount shown above.

20 Finance lease obligations

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	853,588	561,207	-	-
In two to five years	1,318,682	950,383	-	-
	2,172,270	1,511,590	-	-
Less: future finance charges	(271,600)	-	-	-
	1,900,670	1,511,590	-	-

20 Finance lease obligations **(Continued)**

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is approximately four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Net obligations under finance leases and hire purchase contracts are secured by fixed charges on the assets concerned.

The 2017 future finance charges were not included in the 2017 future minimum lease payments shown above.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the group or 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:

Group	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	203,198	180,545	-	-
Accelerated depreciation	-	-	-	17,593
	203,198	180,545	-	17,593

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2018 £	Company 2018 £
Liability at 1 August 2017	162,952	-
Charge to profit or loss	57,399	-
Effect of change in tax rate - profit or loss	(17,153)	-
Liability at 31 July 2018	203,198	-

22 Retirement benefit schemes

	2018	2017
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	38,714	35,473

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

	Group and company	
	2018	2017
Ordinary share capital	**£**	**£**
Issued and fully paid		
100 Ordinary shares of £1 each	100	100

The 100 Ordinary shares consist of 80 A Ordinary shares and 20 B Ordinary shares, which rank equally in all respects, save as to dividends.

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	38,844	38,844	-	-
Between two and five years	21,580	60,424	-	-
	60,424	99,268	-	-

25 Events after the reporting date

Group and Company

Equity dividends of £82,980 (2017: £236,940) have been declared after the balance sheet date.

26 Related party transactions

Dividends of £315,920 (2017: £315,921) were paid during the year to directors and close members of their families.

The company and the group has rent free use of the property it occupies, which is owned by members of the Pawson family.

The year-end balances on interest free loans from directors and members of their close family were £20,000 (2017: £92,000).

27 Cash generated from group operations

	2018	2017
	£	£
Profit for the year after tax	507,568	587,515
Adjustments for:		
Taxation charged	94,115	150,043
Finance costs	198,936	211,007
Investment income	(5)	-
Loss on disposal of tangible fixed assets	54,673	3,115
Depreciation and impairment of tangible fixed assets	259,301	504,372
Movements in working capital:		
(Increase) in stocks	(190,725)	(122,881)
Decrease in debtors	310,422	98,134
Increase/(decrease) in creditors	68,083	(114,417)
Cash generated from operations	1,302,368	1,316,888

28 Cash generated from operations - company

	2018	2017
	£	£
Profit for the year after tax	348,795	385,262
Adjustments for:		
Taxation charged	45,556	46,959
Finance costs	88	768
Investment income	-	(180,000)
Depreciation and impairment of tangible fixed assets	-	5,195
Movements in working capital:		
Decrease/(increase) in debtors	125,023	(121,467)
(Decrease)/increase in creditors	(101,575)	30,952
Cash generated from operations	417,887	167,669