



ELECTRICAL  
BUSINESS SALES

# Electrical business add-backs

What belongs in adjusted profit?

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**2027 edition**    11-minute read

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A practical guide with an electrical add-backs worksheet

Images are illustrative.

# The whole guide on one page

Start with the reported operating profit. Then show each proposed change, the record behind it and the cost of doing the work after you leave. A cost disappearing from your own payslip does not mean the job disappears.

| The question                               | What good looks like                                  | Ask for                                         |
|--------------------------------------------|-------------------------------------------------------|-------------------------------------------------|
| <b>1. Start with the same profit</b>       | One period and one agreed starting figure             | Accounts and a matching trial balance           |
| <b>2. Replace the owner's work</b>         | Duties and their continuing cost sit beside owner pay | Role list, payroll and costed cover             |
| <b>3. Prove that a cost ends</b>           | A specific expense with evidence it will not repeat   | Invoice, ledger entry and forward plan          |
| <b>4. Keep the work safe and supported</b> | Technical tasks remain funded                         | Competence, instrument and registration records |
| <b>5. Give every adjustment a verdict</b>  | Supported and disputed amounts stay separate          | Documents, reviewer and unresolved question     |
| <b>6. Keep profit separate from price</b>  | A clear profit bridge before any value discussion     | Assumptions and transaction questions           |

Use the three-page worksheet to record the evidence, review the continuing costs and calculate the supported and disputed cases separately. The figures you enter stay in your saved copy.

## Start with the evidenced figure

Explore the calculator with your supported adjusted profit. For a free first conversation, bring the line you cannot yet support. Call 01285 704466.

**01285 704466**

[Explore the calculator](#)

# 1. Start with the same profit

Pick the accounts period before proposing an add-back. Write down which profit line you are using and match it to the supporting records. Do not combine last year's result with this year's costs without showing the change.

## What good looks like

FRS 102 accounts use the accrual basis, except for cash-flow information [1]. Match the expense to its accounting period; a payment date alone does not settle the profit adjustment.

## Eldermere Electrical Services

Illustrative example, not a real deal

Eldermere is invented and its figures are illustrative. Annual income is £1,200,000: £750,000 installation, £350,000 maintenance and £100,000 one-off inspection work. Reported operating profit is £160,000.

| Starting record        | What to match                                        |
|------------------------|------------------------------------------------------|
| <b>Signed accounts</b> | Period, business and operating-profit line           |
| <b>Trial balance</b>   | The same reported result                             |
| <b>Expense ledger</b>  | Where each proposed adjustment was charged           |
| <b>Bank payment</b>    | Supporting evidence, not a substitute for the ledger |

## What the buyer is thinking

Give me a route back to the starting figure. I need to see whether the expense was in that result before considering whether it should come out.

## What to check

- ☐ Mark the exact profit line and accounts period on the schedule.
- ☐ Ask your accountant to reconcile any difference before adding adjustments.

## 2. Replace the owner's work

List the work behind your pay: estimating installations, supervising technical work, resolving defects and keeping customers informed. Price the duties that continue, including any work you currently do without recording your time.

### What good looks like

HSE links competence to the task, appropriate training and relevant experience, with reassessment [2]. Specify what the replacement must be able to do before putting a cost against the role.

### Eldermere Electrical Services

Illustrative example, not a real deal

The example removes £70,000 of owner cost and deducts £90,000 for replacement employment cost. The owner adjustment therefore reduces profit by £20,000. The replacement amount is a chosen total cost, not a wage benchmark.

#### Owner duty

#### Evidence for the continuing cost

|                                   |                                                  |
|-----------------------------------|--------------------------------------------------|
| <b>Estimating installations</b>   | Job scope, time needed and costed cover          |
| <b>Technical supervision</b>      | Competence evidence and supervision arrangements |
| <b>Customer and remedial work</b> | Open jobs, complaints and handover tasks         |

### What the buyer is thinking

Removing your cost only tells half the story. Show who will price the next installation and supervise the work, then show the cost left in the business.

### What to check

- ☐ Separate owner remuneration from dividends and other entries with your accountant.
- ☐ Check that replacement cost has not already been charged elsewhere in the bridge.

## 3. Prove that a cost ends

Give an isolated expense a name and a document. A description such as exceptional does not show what happened or whether another bill follows it.

### What good looks like

Use the accounts-period test from FRS 102 [1], then make a separate commercial test: identify the expense, match its ledger entry and explain why the buyer's forward cost schedule excludes it.

### Eldermere Electrical Services

Illustrative example, not a real deal

The example assumes a £20,000 isolated expense was charged in reported profit and will not recur. Removing it increases the figure from £160,000 to £180,000 before the owner adjustment. That treatment is an assumption to test, not an accounting rule.

#### Question

#### Evidence to put beside the answer

|                                |                                              |
|--------------------------------|----------------------------------------------|
| Was it charged in this profit? | Ledger entry reconciled to the trial balance |
| What exactly was bought?       | Invoice and scope of work                    |
| Has a similar cost recurred?   | Comparable ledger lines in other periods     |
| What replaces it?              | Forward cost schedule and explanation        |

### What the buyer is thinking

I can read the invoice. I also need to understand whether next year's business still needs the service, even if it will come from a different supplier.

### What to check

- ☐ Keep unsupported claims outside the supported total.
- ☐ Record the review question beside the amount rather than deleting the uncertainty.

## 4. Keep the work safe and supported

Do not remove a technical cost just because you paid it personally or because its next invoice falls after the sale. Check what the electrical work still needs and who carries the cost.

### What good looks like

For NICEIC Approved Contractors, surveillance evidence includes work lists, specifications, certificates or reports, complaints and competence records [3]. Match proposed savings to the tasks these records show.

| Proposed saving           | Counter-check before changing profit                          |
|---------------------------|---------------------------------------------------------------|
| <b>Tester calibration</b> | Instrument register, service history and next required action |
| <b>Registration</b>       | Scheme terms, invoices and ongoing obligations                |
| <b>Technical training</b> | Task competence and reassessment needs [2]                    |
| <b>Van costs</b>          | Which jobs still need transport and who pays                  |
| <b>Remedial work</b>      | Open complaints, job records and remaining scope              |

The IET publishes different model forms for installation certificates, minor works certificates and condition reports [4]. Identify the work actually done; an inspection income line does not describe every technical task behind it.

### Eldermere Electrical Services

Illustrative example, not a real deal

No further saving for calibration, registration, training, vans or remedial work is added to Eldermere's bridge. These remain questions to check, not extra invented adjustments.

### What the buyer is thinking

Show how the work continues after the cost is removed. If the task remains, put its continuing cost somewhere I can find it.

## 5. Give every adjustment a verdict

Keep the proposed amount and the review decision in separate columns. Use supported, unsupported or needs review. A complete invoice proves a cost was billed; it does not by itself prove an add-back is justified.

### What good looks like

For each line, connect the ledger evidence to the continuing work. NICEIC's work and competence records [3] provide a practical cross-check where the proposed saving concerns an Approved Contractor's technical duties.

| Verdict             | How to use the amount                                           |
|---------------------|-----------------------------------------------------------------|
| <b>Supported</b>    | Include once in the supported bridge, with a named reviewer     |
| <b>Unsupported</b>  | Exclude and record why                                          |
| <b>Needs review</b> | Exclude from the supported case; show its net effect separately |

### Eldermere Electrical Services

Illustrative example, not a real deal

The completed example assumes all three adjustments are supported: add £20,000 isolated expense, add £70,000 owner cost, deduct £90,000 replacement cost. The net adjustment is £0, leaving adjusted profit of £160,000.

### What the buyer is thinking

Let me see the unresolved lines without treating them as agreed. If new evidence changes a verdict, I need to follow that change through the total.

### What to check

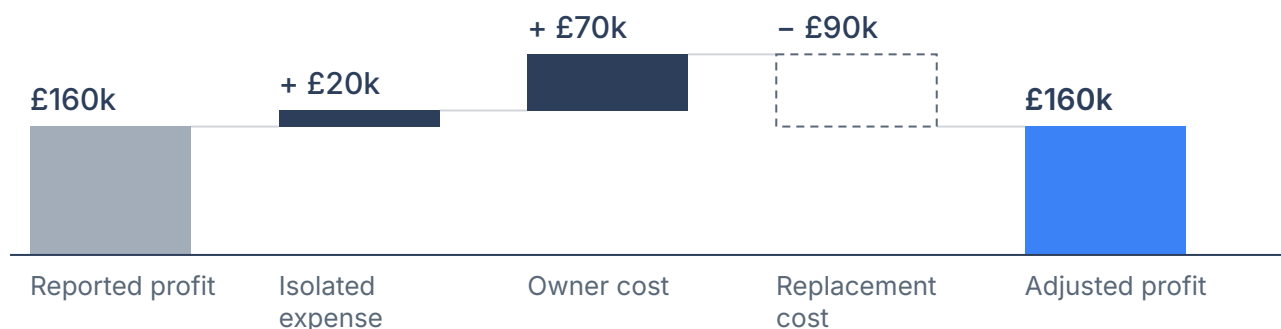
- ☐ Give each line a document reference, reviewer and decision date.
- ☐ Calculate supported profit first, then the separate disputed case.
- ☐ Reconcile the schedule after changing either a cost or its verdict.

## 6. Keep profit separate from price

Finish the profit bridge before discussing value, price, working capital terms or cash you receive.

### Eldermere's supported profit bridge

Illustrative



$£160,000 + £20,000 + £70,000 \text{ less } £90,000 = £160,000$ . All three adjustments are assumed supported in this illustration.

### Eldermere Electrical Services

Illustrative example, not a real deal

The illustrative assumption of three times adjusted profit gives an operating-business value of £480,000 from £160,000. Record the contractual price and seller cash calculation separately.

### A public example and its limit

In April 2026, two businesses announced a completed management buyout linked to founder retirement [5]. The group includes electrical contracting [6]. The parent company's individual accounts for the year ended January 2026 invoke a small-group consolidation exemption. They record 22 average monthly persons, including directors, employed by that individual company [7]. The filing supports a smaller-group succession example, not a turnover or price comparison.

### What the buyer is thinking

Keep the operating figure visible beside the separate questions about price, debt, cash and remaining balances.

### What to check

- ☐ Ask your accountant to review the supported bridge.
- ☐ Ask your transaction advisers how the proposed terms treat cash, debt and working capital.

# Electrical add-backs worksheet

Page 1 of 3: evidence. Start from the reported operating profit for one accounts period. Give each proposed adjustment an amount, reason and document reference. Continue the same line on the next sheet.

## Business, accounts period and reported operating profit (£)

| Adjustment          | Amount (£)           | Reason               | Document reference   |
|---------------------|----------------------|----------------------|----------------------|
| Isolated expense    | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Owner cost removed  | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Replacement cost    | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Other proposed line | <input type="text"/> | <input type="text"/> | <input type="text"/> |

## Where the reported profit reconciles to the accounts; further evidence needed

Type your answers in and save a copy, or print the page and fill it in by hand. Nothing you enter is sent to us.

# Check the continuing cost

Page 2 of 3: review the same adjustment lines. Record whether the cost recurs, any replacement cost and the reviewer. Mark each verdict supported, unsupported or needs review. Only supported lines enter the first total.

## Business and accounts period

| Adjustment          | Recurs? Why?         | Replacement cost (£) | Reviewer, date and verdict |
|---------------------|----------------------|----------------------|----------------------------|
| Isolated expense    | <input type="text"/> | <input type="text"/> | <input type="text"/>       |
| Owner cost removed  | <input type="text"/> | <input type="text"/> | <input type="text"/>       |
| Replacement cost    | <input type="text"/> | <input type="text"/> | <input type="text"/>       |
| Other proposed line | <input type="text"/> | <input type="text"/> | <input type="text"/>       |

Check replacement costs appear once only. List unsupported claims and reasons for exclusion.

Type your answers in and save a copy, or print the page and fill it in by hand. Nothing you enter is sent to us.

# Calculate both cases

Page 3 of 3: transfer the amounts once. In each column, add the lines marked Add and take off the line marked Less. The disputed case includes the supported adjustments plus those needing review. Unsupported claims are excluded from both.

## Business and accounts period

| Calculation                               | Supported case (£)   | Including disputed lines (£) |
|-------------------------------------------|----------------------|------------------------------|
| <b>Add: reported operating profit</b>     | <input type="text"/> | <input type="text"/>         |
| <b>Add: total costs removed</b>           | <input type="text"/> | <input type="text"/>         |
| <b>Less: total continuing costs added</b> | <input type="text"/> | <input type="text"/>         |
| <b>Equals: adjusted profit</b>            | <input type="text"/> | <input type="text"/>         |

## Disputed less supported (£), then the evidence or decision needed to resolve it

In the notes box, record the signed difference: disputed-case adjusted profit less supported adjusted profit. The PDF does not calculate. These are profit scenarios, not prices or tax calculations.

Type your answers in and save a copy, or print the page and fill it in by hand. Nothing you enter is sent to us.

# Sources and validity

1. Financial Reporting Council: FRS 102, September 2024 edition, paragraph 2.48 and accrual-basis glossary. Applicable FRS 102 accounts. Supports the accrual principle, not acceptance of an add-back.
2. Health and Safety Executive: Working with electrical equipment, updated Apr 2025, competence section. Great Britain. Competence depends on the task; no salary, calibration interval or universal qualification is inferred.
3. NICEIC: Approved Contractor scheme rules, section 12.3, version date not displayed. This scheme only; the record list is not a universal statutory retention rule.
4. Institution of Engineering and Technology: Model forms, date not displayed. A4 installation, minor works and condition-report form distinctions. No technical testing interval is stated here.
5. Yee Group: Management buyout secures future growth for Yee Group and Cool Services, April 2026. Target announcement of completed MBO and founder retirement. The separate legal completion day, price and turnover are not supplied.
6. Yee Group: Company services, date not displayed. Electrical contracting alongside other services. UK multi-disciplinary business, not a proved same-size or pure electrical comparable.
7. Yee Group Limited: Accounts for the year ended January 2026, approved September and filed September 2026. Notes 1.1 and 3: individual-company statements, small-group consolidation exemption and 22 average monthly persons including directors. The 22 is neither a combined group workforce, full-time equivalents nor an electrician count. The period precedes the buyout announcement; no completion-day workforce, turnover, profit, price or finance terms are established.

**Checked Oct 2026.** We review every guide after the Autumn Budget in October 2026. Take advice on the accounting, tax and transaction terms for your business. An earnings adjustment does not decide tax treatment.

**The example.** Eldermere Electrical Services is invented, not a Reads client or a real sale. Its £20,000 isolated expense and £90,000 replacement cost are chosen assumptions. The assumed records support the completed example; they are not actual invoices or employment quotations. Its figures and three-times value assumption are not market evidence. Images are illustrative.

**Using the worksheet.** The evidence and counter-checks are practical review prompts, not legal duties or a promise that a buyer will accept an adjustment. The public transaction gives succession context only.

# Start with the line you can explain



Put your supported adjusted profit into the calculator, then bring the unresolved line to a free first conversation. There is no obligation to go further.

[Explore the calculator](#)

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