

Premier Modular Limited

**Directors' report and financial
statements**

Registered number 2487565

30 June 2016

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Strategic Report

Principal activities

The principal activity of the company is that of the hire, manufacture and sale of modular buildings

Business model

The business is split into two operating divisions supported by core support services and a manufacturing/refurbishing facility. The operation is based at Brandesburton, near Beverley, in East Yorkshire as the area has a long history of cabin, modular building and caravan manufacture and therefore has a good pool of operatives with the skills set required for the business.

The Hire division utilises its niche fleet of modular buildings to provide decant, office or welfare facilities on construction sites or long term temporary additional facilities for commercial, accommodation or educational purposes. It prides itself on high quality, rapid customer service and the quality of its fleet. Premier's niche market is in the provision of 3 storey plus accommodation on gantries in densely populated areas such as central London.

The Sales division specialises in bespoke permanent modular solutions based on key standard product lines. Servicing the education, healthcare, accommodation, housing and retail markets in particular it can particularly add value where building manufacture can take place in our factory whilst ground works commence on site, shortening the delivery cycle; retail customers can leverage this approach and be generating margin long before traditional build would allow.

Business Review

The year ended 30 June 2016 has seen the business continue to grow strongly and a result of £2.2m profit before interest and taxation is an increase of 65% over the previous year.

The Hire division has seen the average utilisation for the year rise to 70.6% from 67.9% across the product range. Some individual products and sizes are at far higher levels of utilisation and we have used this as an opportunity to further invest in the fleet with that investment going straight out onto new contracts.

The sales division saw a dip in orders in the early part of the year as the economy drew breath after the surprising General Election result. After the year end we secured our largest ever contract by winning work on the new nuclear power station at Hinkley Point. This work runs over three years and secures the turnover of the division over that period.

Key performance indicators

Aside from financial reporting indicators, the Key Performance Indicators used in the business are Fleet Utilisation (discussed above) and Secured Revenue. The former represents fleet usage and as it approaches 75% indicates the possible requirement for capital expenditure in the future if the business is to continue growing and if Premier is to service its key clients. The secured revenue KPI gives management information that can be used for moderating pricing policy. It is management's aim to have secured revenue of four to six months of budgeted revenue. At 30 June 2016 secured revenue for our hire division stood at record levels and although the Brexit referendum had an effect on the order intake in the sales division the unparalleled success we have achieved in securing the work at Hinkley Point means we see significant growth in the business in the year ended 2017.

Deferred Tax Asset

The directors feel it is appropriate to reflect some of the tax losses, accumulated by the business in prior years, in the Balance Sheet in the form of a deferred taxation asset. In assessing the asset value the directors have reviewed their forecasts for the next three years and applied a reduction to those forecasts to give a prudent estimate of the likely benefit of the utilisation of taxable losses in the medium term.

In arriving at the value of the asset to be disclosed, the directors have looked at the success of the business in recent years compared to its budgets for those years, the budgets for the next 3 years and have applied a level of prudence to the future results to arrive at a taxable profit for Deferred Tax asset recognition purposes.

Strategic Report *(continued)*

Hire Fleet

Expansion of the hire fleet continued during the current year getting us back to the numbers of modular units last seen four years ago. There has now been considerable investment in the fleet size and we envisage this continuing into 2017 and beyond. This investment is underpinning the growth in the hire business that we are targeting as part of our drive outside of London.

Principal risks and uncertainties

The UK economy continues to grow and our major market in London is still reflecting that growth. All eyes are on the effect of the decision to leave the European Union and it is far too early to understand the impact on the economy and separately on the company. Certainly, the market will need time to see how the discussions over "Brexit" before it can respond large capital projects that are in progress will still take time to complete which should protect the hire division in particular.

As part of our move to drive our growth outside of London we have the opportunity to win work with those businesses benefiting from Brexit and therefore mitigate any effect on the London market, should there be an effect.

Future developments

The company continues to look for new markets both geographically and by product.

Geographically the business wishes to grow outside of London to reduce the proportion, but not value, of the work secured there as it is believed greater growth opportunities exist outside of the capital through commercial customers rather than construction companies.

As part of this process the business is reviewing its product offering and looking at a product more appropriate for the new market place.



E de Sa
Director

Catfoss Lane
Brandesburton
Driffield
East Yorkshire
YO25 8EJ

23 March 2017

Directors' report

The Directors present their annual report on the affairs of the company together with the accounts and the independent auditor's report for the year ended 30 June 2016.

Directors

The directors who held office during the year and changes up to the date of this report were as follows:

S Goodburn
E de Sa
C Glover

Certain directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report.

Charitable and political donations

Charitable donations of £1,821 (2015: £851) were made during the year.

No contributions were made for political purposes (2015: £nil).

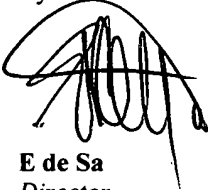
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



E de Sa
Director

Catfoss Lane
Brandesburton
Driffield
East Yorkshire
YO25 8EJ

23 March 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent¹;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Premier Modular Limited

We have audited the financial statements of Premier Modular Limited for the year ended 30 June 2016 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of Premier Modular Limited (continued)

Matters on which we are required to report by exception

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.



**David Morrill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

29 March 2017

Profit and loss account
for the year ended 30 June 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	41,677	43,645
Cost of sales		(31,980)	(35,547)
		<hr/>	<hr/>
Gross profit		9,697	8,098
Administration expenses		(7,495)	(6,761)
		<hr/>	<hr/>
Operating profit		2,202	1,337
		<hr/>	<hr/>
Interest receivable and similar income	3	6	3
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	2,208	1,340
Tax on profit for the financial year	7	(36)	1,488
		<hr/>	<hr/>
Profit for the financial year	16	2,172	2,828
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than the profit for the period. As such no Statement of Other Comprehensive Income is presented.

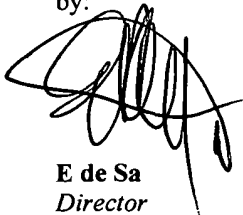
All results arise from continuing activities.

Balance sheet

at 30 June 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets (including £142k (2015: nil) held for sale)	8		13,412		10,959
			<u>13,412</u>		<u>10,959</u>
Current assets					
Stocks	9	1,273		1,099	
Debtors	10	10,239		12,374	
Cash		5,020		4,936	
		<u>16,532</u>		<u>18,409</u>	
Creditors: amounts falling due within one year	11	(18,894)		(20,124)	
Net current liabilities			<u>(2,362)</u>		<u>(1,715)</u>
Total assets less current liabilities			<u>11,050</u>		<u>9,244</u>
Creditors: amounts falling due after more than one year	12		(1,481)		(1,847)
Net assets			<u>9,569</u>		<u>7,397</u>
Capital and reserves					
Called up share capital	14		16,505		16,505
Special reserve	15		66		66
Profit and loss account	15		(7,002)		(9,174)
Shareholders' funds	16		<u>9,569</u>		<u>7,397</u>

These financial statements were approved by the board of directors on 23 March 2017 and were signed on its behalf by:



E de Sa
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Premier Modular Limited is a company incorporated and domiciled in the U.K.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not affected the reported financial position, financial performance and cash flows of the Company.

The Company's ultimate parent undertaking, Waco International Holdings Proprietary Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Waco International Holdings Proprietary Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 19.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets,
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Notes (continued)

1 Accounting policies (continued)

1.2 Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reason: the company's intermediate parent company, Waco UK Holdings Limited, has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of accumulated depreciation.

Depreciation is provided on all tangible fixed assets, on rates calculated to write off the cost less the estimated residual value, of each asset on a straight line basis over its estimated useful economic life as follows:

Short leasehold land and buildings	-	Life of lease
Plant and machinery	-	3 - 15 years
Fixtures, fittings, tools and equipment	-	3 - 15 years
Modular building systems held for hire	-	5 - 15 years

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Commitments under operating leases are shown in a note to the accounts.

Notes (continued)

1 Accounting policies (continued)

1.7 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Stock

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Research costs

Expenditure on research is written off to the profit and loss account in the year in which it is incurred.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

1.12 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

1.13 Turnover

Turnover represents the amounts (net of VAT and trade discounts) receivable from the provisions of goods and services to the customer during the year. All turnover arises within the United Kingdom.

The turnover streams are: the sale of buildings formerly part of the hire fleet where we recognise revenue at the point of sale; the hire of modular buildings, where we recognise the turnover over the contract period; the installation and uplift costs of the buildings generating hire revenue where we recognise the revenue over the installation and uplift periods; and, the long term contract accounting of the delivery and erection of modular buildings constructed for sale.

1.14 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

1.15 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes (continued)

1 Accounting policies (continued)

1.15 Impairment excluding stocks, and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.16 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2 Turnover

	2016	2015
	£000	£000
Sale of modular fleet	3,842	1,848
Hire of modular buildings	4,203	3,021
Delivery and erection of modular buildings	12,025	15,290
Construction contract revenue	21,607	23,486
	<hr/>	<hr/>
Total turnover	41,677	43,645
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Interest receivable and similar income

	2016	2015
	£000	£000
Other finance income	6	3
	<u>6</u>	<u>3</u>
	<u><u>6</u></u>	<u><u>3</u></u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2016	2015
	£000	£000
Hire of plant and machinery – rentals payable under operating leases	187	167
Hire of other assets – operating leases	349	398
Depreciation of tangible fixed assets	1,792	1,435
Loss on disposal of fixed assets	-	9
Profit on disposal of hire assets	(72)	(328)
Auditor's remuneration:		
Audit of these financial statements	75	75
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	30	26
	<u>30</u>	<u>26</u>
	<u><u>30</u></u>	<u><u>26</u></u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2016	2015
Management and administration	96	98
Production	111	86
	<u>207</u>	<u>184</u>
	<u><u>207</u></u>	<u><u>184</u></u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	7,956	6,884
Social security costs	749	738
Contributions to defined contribution plans	457	468
	<u>9,162</u>	<u>8,090</u>
	<u><u>9,162</u></u>	<u><u>8,090</u></u>

Notes *(continued)*

6 Directors' remuneration

	2016 £000	2015 £000
Emoluments	451	396
Company contributions to money purchase pension schemes	23	22
	<u>474</u>	<u>418</u>

The emoluments of the highest paid director were £338,850 (2015: £298,407), and company pension contributions of £16,151 (2015: £15,635) were made to a money purchase scheme on his behalf.

	2016 Number	2015 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2016	2015
£000	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences		
Current year	(122)	(1,488)
Prior year adjustment	(4)	
Change in deferred tax rate	162	
	<hr/>	<hr/>
	36	(1,488)
	<hr/>	<hr/>
Tax credit on profit on ordinary activities	36	(1,488)
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax for the period is lower than the standard rate of corporation tax in the UK 20% (2015: 20.75%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	2,208	1,340
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00%	442	278
<i>Effects of:</i>		
Non-deductible expenses	35	50
Movement on other timing differences	23	(47)
Capital allowances in excess of depreciation	(260)	(69)
Utilisation of brought forward tax losses	(240)	(212)
Recognition of deferred tax asset on losses	(126)	(1,488)
Change in rate of deferred tax	162	-
	<hr/>	<hr/>
Total income tax charge/(credit) in the income statement	36	(1,488)
	<hr/> <hr/>	<hr/> <hr/>

Reductions in the UK corporation tax rate from 20.75% to 20% (effective from 1 April 2015). In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

Notes (continued)

8 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Modular buildings and systems held for hire	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At beginning of year	6,379	734	1,194	7	13,604	1,859	23,777
Additions	165	-	37	-	4,140	4,364	8,706
Transfers in/out	(99)	-	-	-	99	(4,398)	(4,398)
Disposals	(60)	-	-	-	(539)	-	(599)
At end of year	6,385	734	1,231	7	17,304	1,825	27,486
Depreciation							
At beginning of year	6,207	657	991	7	4,956	-	12,818
Charge for year	67	23	82	-	1,620	-	1,792
Transfers in/out	(75)	-	-	-	75	-	-
Disposals	(60)	-	-	-	(476)	-	(536)
At end of year	6,139	680	1,073	7	6,175	-	14,074
Net book value							
At 30 June 2015	172	77	203	-	8,648	1,859	10,959
At 30 June 2016	246	54	158	-	11,129	1,825	13,412

Assets held for sale £142k (2015: nil)

9 Stocks

	2016 £000	2015 £000
Raw material and consumables	506	355
Work in progress	767	744
	1,273	1,099

Notes *(continued)*

10 Debtors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts recoverable on contracts	4,377	5,961
Trade debtors	3,144	4,461
Other debtors	1,118	188
Prepayments and accrued income	148	276
Deferred tax – See Note 13	1,452	1,488
	<u>10,239</u>	<u>12,374</u>

The above amounts recoverable includes retention debtors of £739k (2015:£561k)

Included in Deferred Taxation is an amount recoverable after one than one year £798k (2015:£863k)

11 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	8,092	8,873
Amounts owed to group undertakings	319	327
Other taxation and social security	1,556	1,810
Accruals and deferred income	8,927	9,114
	<u>18,894</u>	<u>20,124</u>

Deferred income relates to payments received in advance on hire contracts where turnover is recognised over the life of the hire period.

12 Creditors: Amounts falling after more than one year

	2016 £000	2015 £000
Amounts owed to group undertakings	1,358	1,666
Accruals and deferred income	123	181
	<u>1,481</u>	<u>1,847</u>

Amounts owed to group undertakings are interest free and repayable on demand. However the group undertakings to whom these amounts are due have indicated that they will not demand repayment of these amounts within 12 months from the date of reporting date.

Notes (continued)

13 Deferred tax

The elements of deferred taxation are as follows:

	2016 £000	2015 £000
Tax Losses	1,452	1,488

Amount of temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised: £6,455k (2015: £7,147k)

14 Called up share capital

	2016 £000	2015 £000
<i>Allotted, called-up and fully paid</i> 16,504,993 ordinary shares of £1 each at beginning and end of year	16,505	16,505

15 Reserves

The movement in the year was as follows:

	Special reserve £000	Profit and loss account £000	Total £000
At beginning of year	66	(9,174)	(9,108)
Profit for the financial year	-	2,172	2,172
At end of year	66	(7,002)	(6,936)

The special reserve was created in 1996 by the cancellation of 1,846,046 ordinary shares of £1 each following an undertaking given to the Court. This undertaking required the company to credit a special reserve with £66,518 being the profit accruing between the date of the application for the capital reduction and the date of approval of the application.

Notes *(continued)*

16 Reconciliation of movement in shareholders' funds

	2016	2015
	£000	£000
Profit for the financial year	2,172	2,828
Net increase in shareholders' funds	2,172	2,828
Opening shareholders' funds	7,397	4,569
Closing shareholders' funds	9,569	7,397

17 Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and building £000	Other £000	Land and buildings £000	Other £000
Less than one year	-	-	77	-
Between two and five years	321	190	308	169
More than five years	-	-	14	-
	321	190	399	169

Notes *(continued)*

18 Ultimate parent company

The company is a subsidiary undertaking of Waco International Holdings Proprietary Limited, which is the ultimate parent company, incorporated in South Africa.

The largest group in which the results of the company are consolidated is that headed by Waco International Holdings Proprietary Limited. The consolidated accounts of this company are available to the public and may be obtained from:

Waco International Holdings Proprietary Limited
PostNet Suite #108
Private Bag X23
Gallo Manor
Johannesburg
South Africa
2052

19 Explanation of transition to FRS101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

The adoption of FRS101 has not resulted in the restatement of any comparatives at 30 June 2015.