

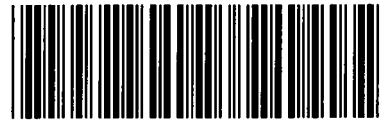
Premier Modular Limited

**Directors' report and financial
statements**

Registered number 2487565

30 June 2018

THURSDAY



A7L6M76I

A05

20/12/2018

#164

COMPANIES HOUSE

Contents

Strategic Report	2
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	6
Independent auditor's report to the members of Premier Modular Limited	7
Profit and loss account	9
Balance sheet	10
Notes	11

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 based at Brandesburton, near Beverley, in East Yorkshire. The area has a long history of modular building, cabin and caravan manufacture and therefore has a good pool of operatives despite the low population density.

The Hire division services a number of temporary accommodation markets including educational, commercial offices, medical and welfare accommodation on construction sites. It has a very high reputation with its client base and a high level of customer loyalty. The service provided uses four building types including our newest product, the Transline Plus module- a more standardised approach to a building that was introduced at the commencement of the accounting year.

Differentiating us from many of our competitors is the ability for most of our products to be able to reach five storeys without the need for basic structural bracing. We have also developed a specialism of locating our solution on a gantry which allows the continued easy movement of pedestrians and vehicles on busy city streets.

The Sales division is able to produce both standardised solutions for markets such as: education, office and residential or more bespoke solutions for many other markets to satisfy customer requirements. It is also building a great reputation in the retail sector where we have jointly developed outlet solutions with our customers for multiple rollouts across the country. The saving in delivery times over traditional construction methods means the return on investment to our client is considerably increased.

Business Review

The year ended 30 June 2018 has seen the business continue to grow strongly and produce a record result of £6.8m profit before interest and taxation which is an increase of 24% over the previous year. The result was fundamentally underpinned by the project at Hinkley Point and by another good year in the Hire division.

The Hire division has seen the average utilisation for the year fall from 69.2% to 66.3% across the product range but with the second half of the year seeing an improvement over the first half when a number of large projects came to an end. Closing utilisation was 3.6% higher in June 2018 than June 2017.

Aside from the Hinkley Point contract, the Sales division improved its performance over the previous year and we firmly believe the division is well placed to improve performance again. During the year we carried out a review of the market places in which the division operates and have increased efforts in traditional market places. In those areas where we have not achieved the success we thought we would, we have taken a more focussed approach so that whilst we have not withdrawn from the market our resources are not diverted from core and successful markets.

During the year the investment in our new Transline Plus fleet has come entirely from cash generated by operations, a testament to how well the business has managed its cash. We have also repatriated £6m to group; the strength of being in a group is that in times of need fellow group companies can support each other – something we have benefited from in our past.

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 2018 we had secured revenue equal to 3 months of the budgeted turnover, but as the budget shows a large growth in

Strategic Report (continued)

business as usual in the second half of FY19, the management were happy at that level and see the year's target being met.

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 used their forecasts for the next three years as a basis to estimate the likely benefit of the utilisation of taxable losses in the medium term.

Hire Fleet

This has been the first full year of our new hire product, the Transline Plus. It has been a great success taking us into markets less suited to our traditional products. We believe Transline Plus will become a major element of our product portfolio and we are looking at ways to enhance the offering in the marketplace. We are continuing to see great interest in the product and will grow investment in the fleet over the next 3 years and beyond.

Our long standing product is still well received in its market although that market itself, being very large prestigious projects is not as buoyant as it was before the Brexit vote. London provides a major proportion of the work and with house prices cooling there are delays in new projects commencing. Our work on some of the major sites that are already active will underpin the business for the next few years.

Principal risks and uncertainties

The shadow of the imminent exit from the EU is still cast over the UK economy; stamp duty changes have affected the investment value of second homes. Against this backdrop we have seen a reduction in the investment in new properties, both residential and commercial, in London. For this reason, in Hire, we have introduced our Transline Plus product to help spread our profile well beyond the confines of the M25 and we are seeing that investment pay off with works in Manchester, Yorkshire and the Midlands. It is still a new product in the marketplace and we must continue to persuade new clients that our product gives a significantly better work environment than traditional cabins and small, low-ceiling height modular units, but we have been very pleased with the initial reaction.

The Sales business has put Premier Modular on the map by delivering the 800 module project at Hinckley Point C on time and to a fabulous quality. The project eclipses any other work we have done in the past and genuinely puts us in the top tier of modular businesses with this success. However the project has effectively been delivered by the end of the FY18 accounting period and whilst there are still commercial aspects to complete, the turnover for the Sales division will fall substantially next year and business as usual must continue to improve its results back to an acceptable level. At the time of writing we see that improvement continuing and believe the division will deliver the targets set for it this year. The work done throughout this year to reposition ourselves and attack markets we had drifted away from does appear to be bearing fruit but it is still a work in progress.

For the Hire division the immediate future is to continue to grow the Transline Plus fleet and look at ways of improving our other offerings to our customers through our sales team or our fleet support and delivery teams.

The Sales division will seek to build more, longer term relationships with customers allowing us to understand each others strengths and deliver a complete solution to the end client. We do still see a future for residential work in modular, it is a natural solution as the skilled workforce becomes smaller, but we have limited our approach to the market so it does not drain resources allowing those resources to underpin supporting our work in Education, Healthcare and commercial property.

Strategic Report *(continued)*

Future developments

There are a number of major infrastructure projects starting up over the next 5 years and after our success at Hinckley Point we believe there is a greater chance of Premier Modular securing significant orders from those projects, but timings are not under our control; so, whilst we will pursue those opportunities we see them as impacting on the business in two to three years' time.



E de Sa
Director

18th December 2018

Catfoss Lane
Brandesburton
Driffield
East Yorkshire
YO25 8EJ

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 2018 with 2017 comparatives.

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

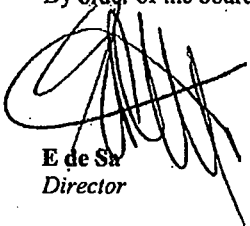
Charitable donations of £3,104 (2017: £2,752) were made during the year.

No contributions were made for political purposes (2017: £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.

By order of the board



E de Sa
Director

18th December 2018

Catfoss Lane
Brandesburton
Driffield
East Yorkshire
YO25 8EJ

**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 prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREMIER MODULAR LIMITED

Opinion

We have audited the financial statements of Premier Modular Limited ("the company") for the year ended 30 June 2018 which comprise the profit and loss account, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Morrill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

19 December 2018

Profit and loss account
for the year ended 30 June 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	71,970	61,063
Cost of sales		(56,665)	(47,685)
		<hr/>	<hr/>
Gross profit		15,305	13,378
Administration expenses		(8,483)	(7,864)
		<hr/>	<hr/>
Operating profit		6,822	5,514
		<hr/>	<hr/>
Interest receivable and similar income	3	-	-
Interest payable and similar expense	3	(7)	(4)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	6,815	5,510
Tax on profit for the financial year	7	133	737
		<hr/>	<hr/>
Profit for the financial year	16	6,948	6,247
		<hr/> <hr/>	<hr/> <hr/>

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

All results arise from continuing activities.

The accompanying notes form part of these financial statements.

Balance sheet
at 30 June 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	8		17,573		13,929
			<u>17,573</u>		<u>13,929</u>
Current assets					
Stocks	9	1,086		2,606	
Debtors	10	24,345		13,756	
Cash		4,218		12,328	
		<u>29,649</u>		<u>28,690</u>	
Creditors: amounts falling due within one year	11	(24,434)		(26,224)	
Net current assets			<u>5,215</u>		<u>2,466</u>
Total assets less current liabilities			<u>22,788</u>		<u>16,395</u>
Creditors: amounts falling due after more than one year	12		(24)		(579)
Net assets			<u>22,764</u>		<u>15,816</u>
Capital and reserves					
Called up share capital	14		16,505		16,505
Special reserve	15		66		66
Profit and loss account	15		6,193		(755)
Shareholders' funds	16		<u>22,764</u>		<u>15,816</u>

These financial statements were approved by the board of directors on 18th December 2018 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, domiciled and registered in England in the U.K. The registered number is 2487565 and the registered address is Catfoss Lane, Brandesburton, Driffield, East Yorkshire, YO25 8EJ.

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.

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 18.

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 as the Directors knows of no reason why the company will not meet its on-going liabilities as they fall due.

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 - 10 years
Fixtures, fittings, tools and equipment	-	3 - 5 years
Modular building systems & equipment 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 hire 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

	2018	2017
	£000	£000
Sale of modular fleet	8,760	5,112
Hire of modular buildings	5,617	5,101
Delivery and erection of modular buildings	11,732	11,784
Construction contract revenue	45,861	39,066
	<hr/>	<hr/>
Total turnover	71,970	61,063
	<hr/>	<hr/>

Revenues from one customer within the GMS division of the business equated to £25,131,599 (2017 £23,325,919) of the Company's total revenues. Revenues from one further customer within the GMS division of the business equated to £11,247,453 (2017: nil) of the company's total revenues.

Notes (continued)

3 Interest receivable/payable and similar income

	2018 £000	2017 £000
Interest receivable and other similar income	-	-
Interest payable and other similar expense	(7)	(4)
	<u>(7)</u>	<u>(4)</u>

4 Profit on ordinary activities before taxation

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

	2018 £000	2017 £000
Hire of plant and machinery – rentals payable under operating leases	246	230
Hire of other assets – operating leases	619	321
Depreciation of tangible fixed assets	1,899	1,830
Loss on disposal of fixed assets	-	-
Profit on disposal of hire assets	(171)	(176)
Auditor's remuneration:		
Audit of these financial statements	60	75
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	30	30
	<u>30</u>	<u>30</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	
	2018	2017
Management and administration	128	134
Production	108	103
	<u>236</u>	<u>237</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	10,320	9,837
Social security costs	968	885
Contributions to defined contribution plans	337	304
	<u>11,625</u>	<u>11,026</u>

Notes *(continued)*

6 Directors' remuneration

	2018 £000	2017 £000
Emoluments	535	469
Company contributions to money purchase pension schemes	26	24
	<hr/> 561 <hr/>	<hr/> 493 <hr/>

The emoluments of the highest paid director were £398,878 (2017: £338,907), and company pension contributions of £19,365 (2017: £16,775) were made to a money purchase scheme on his behalf.

	2018 Number	2017 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	<hr/> 2 <hr/>	<hr/> 2 <hr/>

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2018	2017
£000	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
	<u> </u>	<u> </u>
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences		
Current year	(149)	(992)
Prior year adjustment	-	36
Change in deferred tax rate	16	219
	<u> </u>	<u> </u>
	(133)	(737)
	<u> </u>	<u> </u>
Tax credit on profit on ordinary activities	(133)	(737)
	<u> </u>	<u> </u>

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 19.00% (2017: 19.75%). The differences are explained below:

	2018	2017
	£000	£000
Profit on ordinary activities before tax	6,815	5,510
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 19.75%)	1,295	1,088
<i>Effects of:</i>		
Non-deductible expenses	(6)	385
Movement on other timing differences	(339)	(6)
Capital allowances in excess of depreciation	-	-
Utilisation of brought forward tax losses	(950)	(1,467)
Recognition of deferred tax asset on losses	(149)	(992)
Prior year adjustment	-	36
Change in rate of deferred tax	16	219
	<u> </u>	<u> </u>
Total income tax charge/(credit) in the income statement	(133)	(737)
	<u> </u>	<u> </u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2018 has been calculated based on the rate of 17% (2017: 17%) substantively enacted at the balance sheet date.

Notes (continued)

8 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Modular buildings and systems held for hire	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
<i>Cost</i>						
At beginning of year	6,130	511	1,083	18,828	1,332	27,884
Additions	319	-	30	5,188	6,186	11,723
Transfers in/(out)	37	-	-	(37)	(5,665)	(5,665)
Disposals	(14)	-	-	(2,230)	-	(2,244)
At end of year	6,472	511	1,113	21,749	1,853	31,698
<i>Depreciation</i>						
At beginning of year	5,893	505	965	6,592	-	13,955
Charge for year	24	1	82	1,792	-	1,899
Transfers in/(out)	35	-	-	(35)	-	0
Disposals	(12)	-	-	(1,717)	-	(1,729)
At end of year	5,940	506	1,047	6,632	-	14,125
<i>Net book value</i>						
At 30 June 2017	237	6	118	12,236	1,332	13,929
At 30 June 2018	532	5	66	15,117	1,853	17,573

9 Stocks

	2018 £000	2017 £000
Raw material and consumables	691	706
Work in progress	395	1,900
	1,086	2,606

Notes (continued)

10 Debtors: Amounts falling due within one year

	2018 £000	2017 £000
Amounts recoverable on contracts	10,416	7,742
Trade debtors	3,953	3,029
Other debtors	10	64
Amounts due from group undertakings	7,394	585
Prepayments and accrued income	213	110
Deferred tax – See Note 13	2,359	2,226
	<u>24,345</u>	<u>13,756</u>

The above amounts recoverable includes retention debtors of £2,203k (2017:£1,307k) of which £934k (2017:£1,070k) falls due after more than one year.

11 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	9,009	10,388
Amounts owed to group undertakings	327	332
Other taxation and social security	1,707	1,717
Accruals and deferred income	13,391	13,787
	<u>24,434</u>	<u>26,224</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

	2018 £000	2017 £000
Accruals and deferred income	<u>24</u>	<u>579</u>

Notes (continued)

13 Deferred tax

The elements of deferred taxation are as follows:

	2018 £000	2017 £000
Tax Losses	2,359	2,226

14 Called up share capital

	2018 £000	2017 £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	(755)	(689)
Profit for the financial year	-	6,948	6,948
At end of year	66	6,193	6,259

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

	2018 £000	2017 £000
Profit for the financial year	6,948	6,247
Net increase in shareholders' funds	6,948	6,247
Opening shareholders' funds	15,816	9,569
Closing shareholders' funds	22,764	15,816

17 Operating leases

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

	2018		2017	
	Land and building £000	Other £000	Land and building £000	Other £000
Less than one year	562	85	51	49
Between two and five years	1,863	55	32	258
More than five years	4,169	-	-	-
	6,594	140	83	307

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