

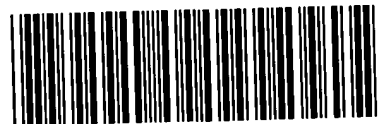
Premier Modular Limited

Annual report and financial statements

Registered number 02487565

30 June 2020

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STATEMENT OF CORPORATE GOVERNANCE

As a UK trading company the local strategic and operational decisions are delegated to UK directors by the board of Waco International Holdings Pty Limited ("Waco International"), our ultimate holding company.

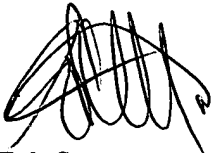
The board of Waco International, as is usual in group structures, controls some elements of corporate governance to ensure visibility, application and importance is consistent across the group.

Readers should refer to the Corporate Governance report in Waco International's annual report for details on the following areas:

- the group board structure, including composition, roles and responsibilities;
- board committees that are not delegated to local operations, namely; audit and risk committee, remuneration committee, social and ethics committee; and,
- group corporate governance departments and roles, being internal audit and group company secretary.

The board of Premier Modular Limited ("Premier Modular") meets once a month, at least ten times a year, and comprises all statutory directors, the group CFO and HR manager plus, from the UK, the two divisional directors, factory manager and HR manager. The UK participants form the executive committee for local governance purposes. The executive committee meets once a week to discuss operational matters in the business and at least six times a year for strategic meetings to discuss longer term projects, set targets and initiatives and to review progress on those matters.

On behalf of the board



E de Sa
Director

22nd December 2020

Catfoss Lane
Brandesburton
Drifffield
East Yorkshire
YO25 8EJ

STRATEGIC REPORT

Principal activities

The principal activity of the company is the manufacture of modular buildings for temporary hire or permanent applications.

Commitment – s172 Companies Act 2006 Statement

In accordance with section 172 of the Companies Act 2006, each of the directors acts in a way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Our directors have regard, amongst other matters, to the:

- likely consequences of any action in the long-term;
- interests of the company's employees;
- need to foster the company's business relations with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for the high standards of business conduct; and
- need to act fairly as between members of the company.

Business model

The business is active in a wide range of sectors with its high quality temporary and permanent modular building solutions.

Based on a single site in East Yorkshire which offers a highly efficient manufacturing model we are able to leverage the skilled labour force in the area which has a high density of modular building, cabin and caravan manufacturing businesses.

The Hire Division offers a genuinely differentiated product to our customers allowing them to occupy high ceiling, wide span buildings at multi-storey levels without the additional cost of basic bracing.

Our high levels of service give our construction clients cost-effective buildings on tight footprints comparable to typical office and welfare facilities, significantly improving the working environments for their employees. Our fleet of quality modular buildings is readily adaptable to offer solutions to markets including healthcare, education, infrastructure, construction and industrial/commercial markets with all the benefits of standard or bespoke solutions to suit the customer's precise needs.

The Sales Division delivers bespoke offsite construction solutions. Again, we operate in diverse market sectors - education, healthcare, retail, MOD, infrastructure and residential where we specialise in medium rise apartments schemes and niche sectors such as emergency housing for the homeless.

The demand for offsite construction continues to rise in every sector as more construction clients recognise the advantages of over in-situ construction solutions. These include faster programmes for earlier occupation and a faster return on investment for the developer; safer working both on site and in the factory; and less disruption to the customers' existing operations and local community during construction. Our buildings also outperform in-situ construction methods when scored against environmental considerations – such as more precise, accurate construction in a factory to reduce heat loss.

Business Review

Any review of this year has to begin with the coronavirus pandemic. This is more fully explored below. More generally, the result for the year is an EBIT of £7.2m (2019: £5.7m), growth of 24.9%.

This level of profitability exceeds that of each of FY17 and FY18 when we successfully delivered the £50m office and welfare accommodation project at Hinkley Point C in Somerset and demonstrates how the underlying business has grown in the interim.

STRATEGIC REPORT *(continued)*

Business Review *(continued)*

The company has been focussed on developing the initiatives set out by the executive committee continuing the themes of “Alchemy of Growth” and “Granularity of Growth” concepts set out by the Group

A mainstay of this strategy for the Sales Division has been to continue to develop the division’s business as usual model to ensure sustainability of the underlying operation. This has been highly successful as it has seen turnover growth of almost 47.8% from £21.3m to £31.4m whilst upholding gross margin rates.

In the Hire Division we have continued increasing in our fleet and a £4.5m investment has once again been totally self-funded, of which we are very proud.

The average utilisation for the modular building fleet was 68.9% up from 67.6% the previous year. Our utilisation at the end of the year was 76.2% compared to 63.3% at the same point last year, even after increasing the fleet size. We have supported group again this year by repatriating over £5.8m of cash as the group has looked to rebalance its financing portfolio across the globe.

Covid-19

The coronavirus pandemic has had an unprecedented impact on the global, national and local economy. The move into lockdown at the end of March was swift and not predictable even a month before it happened.

The UK executive committee met daily in the early weeks of the lockdown to ensure there was assessment of the developments, consensus on action and clear responsibility for the protection of stakeholders’ interests.

As we are a manufacturing and construction business we were permitted to remain open during lockdown and therefore our responsibility was to ensure all activities could be carried out safely under covid restrictions.

Employees: the protection and wellbeing of our staff was of paramount importance. We encouraged our office staff to work from home where possible; our factory and site staff had to operate under covid guidelines maintaining social distancing unless appropriate PPE was worn. Hourly paid factory workers were paid an additional rate for a period of time in recognition of their fantastic work to keep production levels high during these difficult times. Initially we furloughed a small number of people but at the end of August there were no furloughed staff and none have been furloughed since. The total furlough claim to HMRC was £0.1m.

We communicated with staff on a daily basis through written media to keep them abreast of all developments and how they affected the company. We slowly reduced the frequency of these communications, ending it when lockdown was lifted. We have re-instigated this communication during the second lockdown on a twice weekly basis.

We reminded staff of our confidential Employee Assistance Programme and encouraged them to use it for additional support.

Shareholders: The shareholders emphasised focus on cash control to mitigate the risks of the pandemic. They asked for us to look at payment holidays, government borrowing and payroll reduction.

With support from our bankers we negotiated a twelve month repayment holiday on our Term Loan and an increase in our overdraft facility. With these amendments in place we did not need to make use of government backed covid loan schemes.

We deferred VAT payments of £0.45m under the HMRC deferral scheme.

The shareholders requested a 17% saving in payroll costs. Some of this was achieved through furlough and we also asked unfurloughed staff to take a 10% salary cut through either gross pay or pension contributions. We had an almost 100% take up on the request from our amazing staff. This did not achieve what the shareholders requested, but the local executive committee felt there had to be a difference in pay between those furloughed and those still working. This reduction ran from 1 April to 30 June.

In September 2019 we set a revised target for the year for our shareholders, significantly above our budget. Despite the disruption of the covid pandemic, we delivered that target, and with it a record profit.

STRATEGIC REPORT *(continued)*

Customers: The daily executive committee meeting looked at maintaining delivery on existing projects in line with customers' requirements. Most customer sites remained open throughout although social distancing meant progress was slowed and we followed our customers' requirements. The Sales Division also built, delivered and handed over Nethergate Academy entirely within this period, on budget and on time reinforcing our focus on customer service.

Work on a £9m MOD scheme in Lincolnshire was also completed and a new Immigration Hall at East Midlands Airport successfully handed over. We are now in the process of delivering a number of projects to provide emergency housing for the homeless in support of Government policy following the pandemic.

The Hire Division teams have worked tirelessly throughout the pandemic, supporting the national effort, the NHS and the Government in the fight against Covid19. We configured and installed modular buildings in just four weeks to extend a re-purposed retail store and create the NHS Nightingale in Exeter. Our programme would typically have taken up to six months to deliver.

Further work has been secured for FY21 which includes the manufacture and installation of 50 covid testing sites to support the Department of Health in increasing capacity for testing. These sites are located from Inverness to Portsmouth.

It is clear that the pandemic did have an adverse effect on the economy but we have been able to offset that by our work for the Government, born out of the quality and flexibility of our services.

Suppliers: Our ability to maintain our levels of service to our customers is underpinned by the service we receive from our supply chain. At the start of the covid lockdown many of our suppliers shut down during the early, confusing messages in the media.

As we had Essential Supplier status due to our NHS and education work, our suppliers reopened to supply us on these covid critical works. We recognise this commitment to Premier and remain grateful.

As a result of the additional work we were awarded and the changes to the bank facility we ensured we paid suppliers on time to protect them during this extremely challenging 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. Market research puts the average fleet utilisation of the industry at 55%-60% so our above average performance supports management's view that the expansion of the fleet has been carefully managed and is delivering the success we seek.

The secured revenue KPI gives management information that can be used for moderating pricing policy and for security of performance. It is management's aim to have secured revenue of four to six months of budgeted revenue. At 30 June 2020 we had secured revenue equal to almost 5 months of the budgeted turnover for 2021 and we have continued to secure work since the year end at levels that maintain that strength of order book.

Deferred Tax Asset

The directors feel it is appropriate to reflect some of the tax losses, accumulated by the business in prior years, and the capital allowance pool 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. In reflection of the uncertainty due to coronavirus the directors applied a higher discount rate to future profits in arriving at the value of the deferred taxation asset.

STRATEGIC REPORT *(continued)*

Hire Fleet

The success of the Hire Division has been spread across all products which has resulted in us investing in most of our product ranges.

Utilisation of our most popular size (12.2m) continues to exceed 75% and drives a need for investment to satisfy demand. We continue to self-fund all capital investment through our cash flow including the continuation of our initiative to sell under-utilised bay lengths to reinvest in our 12.2m bays.

Principal risks and uncertainties

Brexit

We still await the outcome of the trade deal to understand the final implications upon the business. In the meantime we have assessed the major stakeholders affected by Brexit.

Since year end we have delivered, for the Dutch arm of a UK client, our first building into the northern Europe. We won this work because of our relationship and reputation with the UK client and our ability to reliably deliver a solution that could not be sourced locally in Holland. This was delivered under the transition arrangements. There are other opportunities in northern Europe, which we are exploring through our UK customers, demonstrating our determination to provide our customers with the very highest service levels. These opportunities would be delivered in 2021.

We have researched the effect of Brexit within our supply chain and the effect on their businesses. Although we source our materials within the UK, some of these materials are still imported. We have received assurance that supply will not be an issue even in the event of WTO arrangement. The effect of tariffs on supply costs and the supply chain will need to be carefully managed but is not expected to affect business prospects.

For our labour force the effect of Brexit is an opportunity as well as a risk. We may see a downturn in business, particularly in London, if the residential market there sees a cooling off through lower investment. However, the lack of availability of labour to support in-situ methods of construction should lead to a further rise in demand for offsite construction. This will support our workforce in Brandesburton.

Covid

Covid remains a concern although we have continued to win work to support the national effort to control the virus and we are also securing good work unrelated to the pandemic.

The promise of a vaccine that allows a level of normality to return is welcome.

Future trading

We started the year with a record business as usual order book. Since year end we have continued to win work in both divisions and we currently anticipate FY21 being as successful as FY20.

The cash flow adjustments we made to our loans and VAT creditor will start to unwind during the latter part of FY21 without putting any strain on the projected cash flow.

STRATEGIC REPORT *(continued)*

Future developments

The executive committee will continue to progress the initiatives started in recent years. These initiatives have seen significant growth in both divisions funding our investment in the hire fleet.

We will continue to grow the Transline Plus fleet but the requirement for investment will reduce now that units are returning from the first hire contract.

The Sales Division is looking to grow by a significant amount again, whilst protecting its margins, and there is a reasonable chance that the next twelve months could see the division win another major project – although not of the size of Hinkley Point.

Throughout the next twelve months the executive committee will focus on the needs of stakeholders and take these, sometimes competing, elements into account whilst managing Premier Modular.

On behalf of the board



E de Sa
Director

22nd December 2020

Catfoss Lane
Brandesburton
Drifffield
East Yorkshire
YO25 8EJ

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS REPORT

The directors present recognise the importance of sustainability and the environment and present the following information:

Energy Consumption (kWh)	
Electricity	712,255
Fuel Oil	162,042
Transport Fuels	1,096,845
Other Fuels	-
Total	1,971,142
Greenhouse Gas Emissions (tCO₂e)	
From Combustion of Fuel	
Fuel Oil	46.16
Transport Fuel for Company Vehicles	143.76
Transport Fuel for Staff Vehicles	141.41
Other Fuels	-
Subtotal	331.33
From Purchased Electricity, Steam, Heat & Cooling	166.06
From Other Activities inc. Process & Fugitive	-
Subtotal	166.06
Total Gross Emissions	497.39
Renewable Electricity	-
Carbon Offsets	-
Domestic Carbon Units	-
Total Net emissions	497.39
Intensity Ratios	
Annual kWh per Employee Hours Worked	3.83
Annual kg CO ₂ e per Employee Hours Worked	0.97

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS REPORT *(continued)*

Conversion Factors	All conversion factors and fuel properties used in this report have been taken from the 2020 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Unless otherwise stated energy is expressed in net calorific value. All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.
Utilities	Electricity consumption expressed in kilowatt-hours has been taken from supplier invoices. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions.
Transport	<p>Diesel is used to fuel forklift trucks. The volume in litres has been taken from invoices. The conversion factors for mineral diesel have been used to calculate greenhouse gas emissions and underlying energy use.</p> <p>For passenger vehicles the mileage, engine size and fuel type are recorded. The conversion factors for "cars (by size): diesel, petrol & hybrid" have been used to calculate the greenhouse gas emissions and underlying energy use.</p>
Other Fuels:	Oil is used to fuel the heating system at the Drifffield site. The volume in litres has been taken from invoices. The conversion factors for fuel oil have been used to calculate greenhouse gas emissions and underlying energy use.
Fugitive Emissions	There were no instances of air-conditioning refrigerant being refilled during the reference period.

On behalf of the board


E de Sa
Director

22nd December 2020

Catfoss Lane
Brandesburton
Drifffield
East Yorkshire
YO25 8EJ

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the company together with the audited accounts and the independent auditor's report for the year ended 30 June 2020.

Stakeholders

The executive committee recognises that there are a number of stakeholders in the business. The main stakeholders are identified as:

Employees

The employees are the most important asset of the business. Their skill is the driver to an added value efficiently run business. The Managing Director presents to the employees at least three times a year reporting on business progress. The company uses a messaging system that communicates information to staff when the screen is in screensaver mode and screens are placed in the production units so all employees can see the messages.

Health & Safety of staff is paramount and toolbox talks are held each morning for production staff to inform them on matters in the factories including H&S reminders.

The company subscribes to a confidential Employee Assistance Programme that can offer advice and support to staff on many matters to help them cope with situations both within and outside the workplace.

Shareholders

The company is a wholly owned subsidiary of the Waco International group and is required to generate the return on investment set by the shareholders.

The board of the main group agrees a budget for each financial year along with a forecast for the two following years. Accounts are prepared and submitted to group each month to monitor progress against budget and a monthly reporting pack is created for consolidation into the group board pack.

Capital expenditure requests are approved by group after testing against the required return on investment required by the shareholders.

Premier Modular further supports the group by distributing cash held within the UK to other members of the group to ensure the correct weighted average cost of capital is achieved for the group.

Customers

Customers are key to the success of any company and we pride ourselves on delivering the highest quality of service to our customers.

As part of our initiatives, we have identified that engaging with the client earlier in the procurement process encourages a design that maximises the benefit of offsite manufacturing, allows value engineering of a solution to achieve the client's price expectations and ensures programmes are built around the faster delivery times, again driving customer perceived value. Through this approach we are delivering even greater customer satisfaction.

On the delivery of a project we send a customer questionnaire to the client. Return of the questionnaire is not guaranteed but all completed questionnaires are reviewed and we revert to the client if there are any issues identified. The number of questionnaires is statistically small so we do not record average scores over a period.

Suppliers

The business believes suppliers should be viewed as partners to help us deliver the best service to our customers. Local to our factory we are a major employer in the area through the subcontractors and agency staff we use to complement our own employees.

DIRECTORS' REPORT *(continued)*

Suppliers *(continued)*

We have long-standing relationships with many suppliers but also look to bring new suppliers on board to spread any risk. This also helps to ensure our current suppliers are not put under pressure to overtrade, particularly in the current challenging economic conditions.

We reflect the approach we are taking to developing solutions with our customers by including suppliers within that procurement process to promote the best outcome for all.

We also look to employ subcontractors local to our installation site where possible, which supports the project's local economy.

Environment

The executive committee recognises the importance of our commitment to minimising any impact of our operations on the environment.

The business is an environmentally responsible business: we install temporary buildings in the hire division, and in our sales business we install, for some clients, buildings that can be easily dismantled and relocated if required. We are also developing a track record of relocating modular buildings owned by our clients that were not originally supplied by Premier. All this sets modular construction apart from in-situ methods of construction in terms of sustainability and recycling.

We recycle our waste, targeting and achieving zero waste to landfill.

During the reference period Premier Modular has completed ESOS audits to identify any opportunities to reduce energy consumption. The audits made recommendations resulting in an estimated reduction of 19% in overall energy consumption. The necessary measures to achieve these savings have an estimated investment cost of £21,000. The recommendations included replacing all lighting with LED equivalents, and implementing automated control for lighting and heating. In response to Covid-19 many meetings are now conducted remotely, significantly reducing business travel.

See further details under the energy consumption and greenhouse gas emissions report

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes principal risks and uncertainties associated with the business together policies for managing these risks.

Having undertaken a going concern review, the Directors have considered the Company's principal risk areas, including the continuing impact of the COVID-19 pandemic, that they consider material to the assessment of going concern.

The business undertook a number of measures during the first lockdown that protected the business against the change in the economic climate. These measures included additional overdraft facilities and a term loan repayment holiday. We also carried out stress tests against large falls in revenue. The business was able to withstand those stress tests.

To further protect liquidity the following major steps were taken in response to the Coronavirus epidemic: a term loan repayment holiday of twelve months commenced in June 2020 repayable over the remaining life of the loan; bank facilities were reallocated within the current structure to increase the overdraft facility by £1m; a number of staff were furloughed under the Government's Job Retention Scheme in April and most had returned to work by July; staff took a three month salary reduction of 10% (not repayable); and, a VAT deferral of £450k was taken under HMRC Covid rules, to be repaid in 2021.

DIRECTORS' REPORT *(continued)*

Going Concern *(continued)*

We have traded far above those levels, as demonstrated by the result for FY20 being a record, entered FY21 with record secured order levels for business as usual and with the continuation of successful order wins post year end that have seen the necessity to add a further shift pattern in some of our production units – whilst also protecting our margins.

The business has continued to win work during the second national lockdown. The directors again carried out a stress test of the potential effect of Covid on the business and believe it is in a secure position.

The directors are of the opinion that it is correct to continue to prepare the accounts on a going concern basis.

Directors

The directors who held office during the year and up to the date of signing the financial statements:

S Goodburn
E de Sa
C Glover

D Harris and D Padiachy have been appointed as directors as at 1st July 2020.

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 £3,315 (2019: £4,045) were made during the year.

No contributions were made for political purposes (2019: £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 auditors are 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 auditors are aware of that information.

On behalf of the board



E de Sa
Director

22nd December 2020

Catfoss Lane
Brandesburton
Driffield
East Yorkshire
YO25 8EJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditors' report to the members of Premier Modular Limited

Report on the audit of the financial statements

Opinion

In our opinion, Premier Modular Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2020; the Profit and loss account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the

Independent auditors' report to the members of Premier Modular Limited (*continued*)

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent auditors' report to the members of Premier Modular Limited (*continued*)

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Lee Wilkinson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22nd December 2020

Profit and loss account
for the year ended 30 June 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	65,762	52,752
Cost of sales		(49,304)	(38,673)
Gross profit		16,458	14,079
Administrative expenses		(9,136)	(8,390)
Operating profit		7,322	5,689
Interest receivable and similar income	3	-	2
Interest payable and similar expense	3	(318)	(7)
Profit on ordinary activities before taxation	4	7,004	5,684
Tax on profit for the financial year	7	(745)	(196)
Profit for the financial year		6,259	5,488

The company has no other comprehensive income / expenses 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 2020

	<i>Note</i>	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	7		23,807		22,334
Right of use assets	8		5,888		-
			29,695		22,334
Current assets					
Stocks	9	2,279		1,464	
Debtors: amounts due in more than one year	10	17,299		11,765	
Debtors: amounts falling due within one year	11	16,886		16,977	
Cash at bank and in hand		5,113		1,228	
		41,577		31,434	
Creditors: amounts falling due within one year	12	(27,751)		(25,516)	
Net current assets			13,826		5,918
Total assets less current liabilities			43,521		28,252
Creditors: amounts falling due after more than one year	13		(9,010)		-
Net assets			34,511		28,252
Capital and reserves					
Called up share capital	16		16,505		16,505
Special reserve			66		66
Profit and loss account			17,940		11,681
Shareholders' funds			34,511		28,252

These financial statements on pages 16 to 37 were approved by the board of directors on 22nd December 2020 and were signed on its behalf by:



E de Sa
Director

Company No: 02487565

Statement of Changes in Equity

at 30 June 2020

	Share Capital	Special reserve	Profit and loss account	Total
	£000	£000	£000	£000
Balance as at 1 July 2018	16,505	66	6,193	22,764
Profit for the financial year	-	-	5,488	5,488
Balance as at 1 July 2019	16,505	66	11,681	28,252
Profit for the financial year	-	-	6,259	6,259
Balance as at 30 June 2020	16,505	66	17,940	34,511

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

(forming part of the financial statements)

1 Accounting policies

Premier Modular Limited is a company incorporated, domiciled and registered 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 financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

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.
- IFRS 7 Financial Instruments: Disclosures.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement', (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IAS 1 Presentation of financial statements: 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and 40A-D (requirements for a third statement of financial position)

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.

IFRS 16 - Leases

The company applied IFRS 16 from 1 July 2019. As a result, the company has changed its accounting policy for lease contracts.

IFRS 16 was applied using the modified retrospective approach and there was no impact on retained earnings at 1 July 2019 as the right of use assets were measured at an amount equal to the remaining lease liabilities.

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group.

Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases, including operating leases. In other words, majority of leases are 'on-balance sheet'.

Notes *(continued)*

1 Accounting policies *(continued)*

IFRS 16 – Leases *(continued)*

For all leases, which were classified as operating under IAS 17, the group recognised right of use assets and lease liabilities.

On transition to IFRS 16, the company also applied the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore the definition of a lease under IFRS16 was applied only to contracts entered into or changed on or after 1 July 2019. The effects of IFRS 16 are discussed further in note 1.6.

A. Leases classified as operating leases under IAS 17

At 1 July 2019 transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the applicable incremental borrowing rate at 1 July 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under

IAS 17:

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

B. Impact on financial statements

On transition to IFRS 16, the group recognised right of use assets for £6.7 million and additional lease liabilities for £6.7 million. Right of use assets are included within property, plant and equipment and lease liabilities are included within non-current and current borrowings. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation for the current year increased by £770k because of IFRS 16. When measuring the lease liabilities at present value, a weighted average incremental borrowing rate of 3.5% was applied in 2020. The new rules did not have a material impact on operating profit, however interest expense increased by £213k, was directly expensed in the current year in terms of the recognition exemptions.

1.1.1 Statement of compliance

The Company financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS's") and the requirements of the Companies Act 2006.

1.1.2 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)

1.1.3 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where estimates and judgement are applied by management in applying accounting policies are set out in note 1.17.

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Companies forecasts and projections, taking account of reasonably possible changes in trading performance show that the company should be able to meet its liabilities as they fall due.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes principal risks and uncertainties associated with the business together policies for managing these risks.

Having undertaken a going concern review, the Directors have considered the Company's principal risk areas, including the continuing impact of the COVID-19 pandemic, that they consider material to the assessment of going concern.

The business undertook a number of measures during the first lockdown that protected the business against the change in the economic climate. These measures included additional overdraft facilities and a term loan repayment holiday. We also carried out stress tests against large falls in revenue. The business was able to withstand those stress tests. To further protect liquidity the following major steps were taken in response to the Coronavirus epidemic: a term loan repayment holiday of twelve months commenced in June 2020 repayable over the remaining life of the loan; bank facilities were reallocated within the current structure to increase the overdraft facility by £1m; a number of staff were furloughed under the Government's Job Retention Scheme in April and most had returned to work by July; staff took a three month salary reduction of 10% (not repayable); and, a VAT deferral of £450k was taken under HMRC Covid rules, to be repaid in 2021.

We have traded far above those levels, as demonstrated by the result for FY20 being a record, entered FY21 with record secured order levels for business as usual and with the continuation of successful order wins post year end that have seen the necessity to add a further shift pattern in some of our production units – whilst also protecting our margins.

The business has continued to win work during the second national lockdown. The directors again carried out a stress test of the potential effect of Covid on the business and believe it is in a secure position.

The directors are of the opinion that it is correct to continue to prepare the accounts on a going concern basis.

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.

Notes (continued)

1 Accounting policies (continued)

1.4 Non-derivative financial instruments (continued)

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

Policy applicable before 1 July 2019

1.6.1 *Finance leases as lessee*

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. Finance lease assets are treated in accordance with the accounting policy applicable to that asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.6.2 *Operating leases as lessee*

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases and the leased assets are not recognised on the company's balance sheet. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

Policy applicable from 1 July 2019

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed monthly lease payments (including in-substance fixed payments), less any lease incentives receivable. The company's leasing arrangements are predominantly vanilla in nature. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to

Notes (continued)

1 Accounting policies (continued)

Policy applicable from 1 July 2019 (continued)

obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

1.7 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.

1.8 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.

1.9 Research costs

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

1.10 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Taxation *(continued)*

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.

1.11 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.

1.12 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.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive '5 step' framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Under IFRS 15, sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion of the usage of the projects, and there are no unfulfilled obligation which could affect the customers' acceptance of the products and when the entity has a present right to payment for the asset. Delivery occurs when the products are delivered to a specific location and erected at that location, the risks have been transferred and the customer has accepted the products in accordance with the sales agreement.

A receivable is recognised when control transfers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Where the sale of goods requires installation/erection, control is transferred to the customer over a period of time. Revenue is recognised as work progresses using an output method in accordance with agreed-upon contractual terms. The amount of revenue and corresponding receivable are recognised based on surveys/milestones, as per the contract, performed by Premier and by the customer.

Where surveys/milestones reached indicate that revenue is to be recognised but has not been invoiced, a receivable is recognised.

No element of financing is deemed present as the sales are typically made with a credit term of 30 days from invoice date, which is consistent with market practice. The company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

Notes (continued)

1 Accounting policies (continued)

Hire and Hire Related Services

Currently, rental income on equipment for hire and related services to customers is recognised in profit and loss on a straight-line basis over the term of the rental.

Revenue from hire related services is only as a result of the rental of the related equipment and therefore not disclosed separately in the financial statements.

Contract Revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Any expected loss on a contract is recognised immediately in profit or loss.

Contract revenue is billed as work progresses using an output method in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. The recognised amount includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred using the input method per the standard.

Contract assets and contract liabilities

The timing of revenue recognition, billings and cash collections results in billed, accounts receivable unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet.

For our contract revenue amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones.

Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we sometimes receive advances or deposits from our customers, particularly on our larger and longer-term contracts, before revenue is recognized, resulting in contract liabilities.

For our hire and shorter-term contracts, we generally receive deposits from customers upon contract execution and upon achievement of contractual milestones. These deposits are returned when revenue is recognized.

This is consistent with construction work in progress which represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and

recognised losses. 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 work in progress is presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the revenue recognised, then the difference is presented as deferred income within trade and other payables.

Notes *(continued)*

1 Accounting policies *(continued)*

Contracts with customers

Contracts with customer are also accounted for under IFRS 15 and are billed as work progresses using an output method in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. The recognised amount includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

1.13 Impairment excluding stocks, and deferred tax assets

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

A) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The company does not apply hedge accounting and derivative financial instruments (which is only the interest rate swap agreement) continue to be carried at FVTPL.

Our trade receivables 'contractual cash flows' consists solely of principal and interest and the business model remains that of 'hold to collect'. Trade receivables continue to be held at amortised cost. The company doesn't hold debt or equity securities other than investments in subsidiaries (which are carried at cost).

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.

1.14 Impairment excluding stocks, and deferred tax assets

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

Notes (continued)

1 Accounting policies (continued)

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

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.

1.15 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.

1.16 Estimations and judgements applied by management in applying accounting policies

The following estimations and judgements, which could have a significant effect on the 2020 financial statements, were made by management in applying the accounting policies at 30 June 2020.

Revenue from contracts with customers

The following are the critical judgements and estimates in applying accounting policies that the Directors have made in the

process of applying IFRS 15 Revenue from Contracts with Customers and that have the most significant effect on the amounts

recognised in the financial statements.

Estimates in determining the recognition of revenue on construction contracts over time – construction contract revenue is

recognised in accordance with the stage of completion of the contract where the contract’s outcome can be estimated reliably.

The principal method used to recognise the stage of completion of a contract is an in-house or external survey of the work

performed and costs to complete.

There is a judgment involved in identifying the performance obligations in a contract and allocation of the transaction price. Management estimate the stand-alone selling price at contract inception based on observable prices of the services rendered in similar circumstances to similar customers. Transaction price is allocated to performance obligations based on their relative stand-alone selling prices.

Notes (continued)

1 Accounting policies (continued)

Impairment of obsolete equipment for hire

The Company reviews and tests the carrying value of hire-equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of recoverable amounts of each group of assets.

The recoverable amounts of cash-generating units ("CGU") and individual assets have been determined based on the higher of value-in-use and fair value less cost of disposal ("FVLCD") calculations. Expected future cash flows used to determine the value in use or FVLCD of hire equipment is inherently uncertain and could materially change over time.

When determining the value in use, management applies significant judgement to forecasting future cash flows and determining the appropriate discount and growth rates to be applied.

Deferred Tax Asset

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Assessing the recoverability of deferred tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Leases

The company has applied IFRS 16 relating to leases in the year. This has resulted in leases being recognised as a right to use asset on the balance sheet. The company has recognised the leases at an amount equal to the remaining lease liabilities but has applied a discount factor to future payments as permitted in the standard. IFRS 16 also requires the calculation and application of an interest charge to the liability. Some small liability amounts relating to car leases that expired within the financial year have not been brought into the IFRS 16 calculations. The value of this can be seen in note 17.

2 Turnover

	2020	2019
	£000	£000
Sale of modular fleet	10,247	8,364
Hire of modular buildings	8,226	7,165
Delivery and erection of modular buildings	15,860	13,158
Construction contract revenue	31,429	24,065
	<hr/>	<hr/>
Total turnover	65,762	52,752
	<hr/>	<hr/>

Revenues from one customer within the sales division of the business equated to 13% (2019 nil) of the Company's total revenues. In the previous year there were no customers who contributed this level of revenue.

Notes (continued)

2 Turnover (continued)

Assets and liabilities related to contracts with customers

The following section provided information about receivables, contract assets and contract liabilities:

Contract assets and liabilities	2020 £000	2019 £000
Contract assets * (note 12)	10,110	10,756
Contract liabilities (note 13)	743	1,339

**Unconditional rights to consideration are presented separately as a receivable. A right to consideration is unconditional if only the passage of time is required before payment is due. Although the group has an enforceable right to payment for performance completed to date, it does not necessarily have a present unconditional right to consideration until goods are actually delivered and invoiced.*

Turnover of £398,110 recognised during the year was included in the contract liability balance at the beginning of the period. (In 2019: £1,451,268).

The following table shows unsatisfied performance obligations resulting from long-term contracts based on expected time to recognise the revenue.

	2020 £000	2019 £000
Revenue recognisable in the next 12 months	27,462	20,217
Revenue recognisable in greater than 12 months	6,385	4,791
Total	33,847	25,008

Changes in contract assets and liabilities

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the balance sheet.

For the company contract revenue amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones.

Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, the company sometimes receives advances from customers, particularly on larger and longer-term contracts, before revenue is recognised, resulting in contract liabilities.

These assets and liabilities are reported on the balance sheet on a contract-by-contract basis at the end of each reporting period.

For our hire and shorter-term contracts, the group generally receives deposits from customers upon contract execution and upon achievement of contractual milestones. With the implementation of IFRS 15 there have not been significant changes in the recognition and measurement of contract assets and liabilities during the period.

Contract costs

No such incremental costs were incurred that may qualify for capitalisation under IFRS 15.

Performance obligations and revenue recognition policies

For an extended description of the nature and timing of the satisfaction of performance obligations in contracts with customers including the group's accounting policies and assessments regarding the timing of and method adopted for revenue recognition transaction price and variability, payment terms, warranties and significant judgements when applying IFRS 15, see accounting policies note 1.

Notes (continued)

3 Net interest receivable/payable and similar income

	2020 £000	2019 £000
Interest receivable and other similar income	-	2
Interest payable and other similar expense	(318)	(7)
	<u>(318)</u>	<u>(5)</u>

4 Profit on ordinary activities before taxation

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

	2020 £000	2019 £000
Hire of plant and machinery – rentals payable under operating leases	-	224
Hire of other assets – operating leases	-	643
Depreciation of tangible fixed assets (note 8)	2,544	2,174
Profit on disposal of hire assets	(1,855)	(316)
Auditor's remuneration:		
Audit of these financial statements	88	75
Depreciation of right of use assets (note 9)	770	-
	<u>1,547</u>	<u>2,800</u>

Included within Auditor's remuneration is £4,000 (2019: £4,000) in relation to the audit fee of parent undertakings borne by the Company.

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Management and administration	123	117
Production	113	95
	<u>236</u>	<u>212</u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	11,469	10,435
Social security costs	1,056	1,010
Other pension costs	430	395
	<u>12,955</u>	<u>11,840</u>

Directors' remuneration

	2019 £000	2019 £000
Emoluments	541	537
Company contributions to money purchase pension schemes	9	9
	<u>550</u>	<u>546</u>

The emoluments of the highest paid director were £396,234 (2019: £391,467), and company pension contributions of £1,213 (2019: £1,213) were made to a money purchase scheme on his behalf.

One of the directors' S Goodburn is remunerated in full by the company's ultimate parent company Waco International Holdings Proprietary Limited. This is recharged through a management fee paid to Waco International Holdings that covers a range of support charges.

	2020 Number	2019 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

Notes (continued)

6 Taxation

Recognised in the profit and loss account

	2020	2019
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	(22)	-
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences		
Current year	767	195
Prior year adjustment	-	-
Change in deferred tax rate	-	-
	745	195
Tax charge	745	195

Factors affecting the tax charge / credit for the current period

The current tax for the period is lower than (2019: lower) the standard rate of corporation tax in the UK 19.00% (2019: 19%). The differences are explained below:

	2020	2019
	£000	£000
Profit before tax	7,004	5,684
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,331	1,080
<i>Effects of:</i>		
Non-deductible expenses	90	19
Income not taxable for tax purposes	(4)	(6)
Movement on other timing differences	7	15
Utilisation of brought forward tax losses	10	-
Adjustment in respect of previous period	(22)	-
Recognition of deferred tax asset on losses	(352)	(796)
Change in rate of deferred tax	(324)	(117)
Total income tax charge in the profit and loss account	745	195

Notes (continued)

7 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
Cost						
At beginning of year	6,591	511	1,135	27,912	2,075	38,224
Additions	-	82	96	4,457	313	4,948
Transfers in/(out)	37	-	-	(37)	-	-
Disposals	(5)	-	-	(3,293)	-	(3,298)
At end of year	6,623	593	1,231	29,039	2,388	39,874
Depreciation						
At beginning of year	6,002	506	1,094	8,288	-	15,890
Charge for year	39	9	55	2,441	-	2,544
Transfers in/(out)	28	-	-	(28)	-	0
Disposals	(5)	-	-	(2,362)	-	(2,367)
At end of year	6,064	515	1,149	8,339	-	16,067
Net book value						
At 30 June 2019	589	5	41	19,624	2,075	22,334
At 30 June 2020	559	78	82	20,700	2,388	23,807

8 Right-of-use Assets

	30 Jun 2020 £000
Operating lease commitments discounted using incremental borrowing rate	
Rental of main site	6,315
Other	343
Total	6,658
Depreciation	
Rental of main site	529
Other	241
Total Depreciation	770
Carrying Value	5,888

Notes (continued)

9 Stocks

	2020 £000	2019 £000
Raw material and consumables	1,484	820
Work in progress	795	644
	<u>2,279</u>	<u>1,464</u>

10 Debtors: Amounts falling due in more than one year

	2020 £000	2019 £000
Trade debtors - Retentions	-	222
Amounts owed from group undertakings	17,299	11,543
	<u>17,299</u>	<u>11,765</u>

The amounts owed from group undertakings relates to a balance with a UK group company, Waco UK Holdings Limited. The loan is interest free and payable on demand but it is unlikely the full balance will be received within 12 months.

11 Debtors: Amounts falling due within one year

	2020 £000	2019 £000
Contract assets	10,110	10,756
Trade debtors	5,144	3,910
Amounts owed from group undertakings	8	-
Other debtors	-	21
Prepayments and accrued income	228	127
Deferred tax – See Note 13	1,396	2,163
	<u>16,886</u>	<u>16,977</u>

The above amounts recoverable includes retention debtors of £1,795k (2019:£1,495k).

Notes (continued)

12 Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank loans & overdrafts	814	-
Trade creditors	13,646	11,047
Amounts owed to group undertakings	-	329
Other taxation and social security	1,450	1,353
Accruals	10,502	11,448
Contract liabilities	743	1,339
Lease liabilities	596	-
	<u>27,751</u>	<u>25,516</u>

Contract liabilities relate to payments received in advance on hire contracts where turnover is recognised over the life of the hire period.

Details relating to bank loans taken out in the year are disclosed in note 14

13 Creditors: Amounts falling after more than one year

	2020 £000	2019 £000
Bank loans	3,390	-
Lease liabilities	5,292	-
Amounts owed to group undertakings	328	-
	<u>9,010</u>	<u>-</u>

The Amounts owed to group undertakings relates to a balance with a UK group company, Waco Modular Buildings that is registered as dormant. The loan is interest free and the company does not expect to pay the balance within 12 months.

14 Bank Loans & Overdrafts

The company entered into two loan agreements in the year. The first was for a principle amount of £3.35m over a period of 36 months commencing in September 2019. The interest rate for this loan is 2.5% above the UK base rate. The second loan is an asset finance agreement that enables the business to draw down against a set amount to fund capital expenditure. The first and only draw down in the year was for £1.75m in April 2020. This loan is repayable over 36 months and is at a flat interest rate of 4%.

Notes (continued)

15 Deferred tax

The elements of deferred taxation are as follows:

	2020 £000	2019 £000
Tax Losses	1,396	2,163

Having assessed the future profits of the business the directors believe it reasonable to recognise a Deferred Tax Asset of £1,396k. As a result there are unrecognised Tax Losses of £827,613.

16 Called up share capital

	2020 £000	2019 £000
<i>Disclosure of authorised share capital</i>		
<i>Allotted, called-up and fully paid</i>		
16,504,993 (2019: 16,504,993) ordinary shares of £1 each at beginning and end of year	16,505	16,505

17 Operating leases to IFRS 16 position

	Property £000	Other £000	Total £000
Operating leases position as at 01/07/2019	7,799	62	7,861
Not included in opening position	5	24	29
Short term not included IFRS 16	-	(17)	(17)
Discount on recognition	(1,519)	-	(1,519)
On recognition of IFRS 16	6,285	69	6,354
Leases added in year	30	274	304
Operating leases commitments as per note 8	6,315	343	6,658
Charged to P&L			
Interest charged for the year	211	2	213
Depreciation	(529)	(240)	(769)

Notes *(continued)*

18 Ultimate parent company

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

The only 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:

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