

**Weldex (International) Offshore Holdings Limited**

**Annual report and financial statements**

**Registered number SC380577**

**30 November 2016**



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## Strategic Report

The Strategic Report is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### Principal Activities

The principal activity of the Group during the year was the hire and supply of cranes, lifting equipment and labour.

The principal activity of the Company is as a holding company.

### Business Review

The Company owns 100% of the share capital Weldex (International) Offshore Limited.

The Group's main key performance indicators are Turnover and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The trading company has continued to trade profitably and to increase its market share. The Directors are pleased with the results for the year. The Group is the largest crawler crane hire company in the UK and has continued to increase its market share throughout this financial year and the current financial year. The crane fleet includes cranes ranging from 40t to 1,350t capacity.

By continuing to reinvest in its fleet the Group ensures that it has a very modern fleet of cranes allowing it to offer clients the most up to date equipment.

The Directors believe the Group is well placed to provide services to the Renewable, Oil and Gas and Construction Sectors.

The consolidated group loss before tax for the year amounted to £4,407,000 (2015: loss of £3,158,000).

### Principal Risks and Uncertainties

Competition – the Group continually invests in new equipment to ensure it can offer clients a wide range of the most up to date equipment, thereby ensuring it stays ahead of competitors.

Liquidity Risk – the Group's principal financial instruments are bank balances and hire purchase funding. These are used to raise funds for the Group's capital expenditure requirements and to finance the Group's ongoing operations.

Credit Risk – trade debtors are monitored daily to ensure limits are adhered to. Clear policies are in place for new clients.

### Key Performance Indicators

A range of financial and non financial Key Performance Indicators are reviewed by the Board including those relating to utilisation of the crane fleet, employee turnover, health and safety and quality issues.

|                      | 2016 | 2015 | Measure                   |
|----------------------|------|------|---------------------------|
| <b>Financial</b>     |      |      |                           |
| Turnover             | 21.1 | 22.3 | £millions                 |
| Gross Profit Margin  | 61   | 63   | Gross profit/turnover (%) |
| <b>Non-financial</b> |      |      |                           |
| Employee numbers     | 136  | 134  | Number of employees       |

By order of the board

  
**MJ McGilvray**  
Secretary

18-20 Harbour Road  
Inverness  
IV1 1UA

26 June 2017

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 November 2016.

### Proposed dividend

The Directors do not recommend the payment of an equity dividend.

No dividends were paid during the year (2015: £nil).

### Directors

The Directors who held office during the year were as follows:

N Fraser  
N Yarrow (Resigned 30 November 2016)  
DM McGilvray  
MJ McGilvray  
IM McGilvray  
B Caplan  
J Arrowsmith (Appointed 30 November 2016)

### Going concern

The Directors have prepared trading and cash flow projections and, following the year end, the redemption date of the shareholder loan notes and preference shares has been extended from 30 November 2017 to 31 May 2019. On the basis of this information the Directors are satisfied that it is appropriate to prepare the accounts of the Company and the Group on a going concern basis.

### Political and charitable contributions

The Group made charitable donations of £5,000 during the year (2015: £18,715).

### 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/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

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

By order of the board

  
MJ McGilvray  
Secretary

18-20 Harbour Road  
Inverness  
IV1 1UA

26 June 2017

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

The Directors are responsible for preparing the Strategic Report and 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## KPMG LLP

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
United Kingdom

### **Independent auditor's report to the members of Weldex (International) Offshore Holdings Limited**

We have audited the financial statements of Weldex (International) Offshore Holdings Limited for the year ended 30 November 2016 set out on pages 5 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

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

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alex Sanderson (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

28 June 2017

**Consolidated Profit and Loss Account**  
*for the year ended 30 November 2016*

|                                      | <i>Note</i> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|--------------------------------------|-------------|----------------------|----------------------|
| <b>Turnover</b>                      | <b>2</b>    | <b>21,074</b>        | <b>22,276</b>        |
| Cost of sales                        |             | <b>(8,275)</b>       | <b>(8,228)</b>       |
| <b>Gross profit</b>                  |             | <b>12,799</b>        | <b>14,048</b>        |
| Administrative expenses              |             | <b>(11,248)</b>      | <b>(11,216)</b>      |
| Other operating income               | <b>3</b>    | <b>14</b>            | <b>14</b>            |
| <b>Operating profit</b>              |             | <b>1,565</b>         | <b>2,846</b>         |
| Interest payable and similar charges | <b>7</b>    | <b>(5,972)</b>       | <b>(6,004)</b>       |
| <b>Loss before taxation</b>          |             | <b>(4,407)</b>       | <b>(3,158)</b>       |
| Tax (expense)/credit on loss         | <b>8</b>    | <b>(420)</b>         | <b>1,076</b>         |
| <b>Loss for the financial period</b> |             | <b>(4,827)</b>       | <b>(2,082)</b>       |

All activities are continuing.

The Group had no other comprehensive income during the current or prior year.

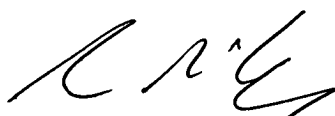
The notes on pages 11 to 25 form part of these financial statements.

## Consolidated Balance Sheet

at 30 November 2016

|                                                                                     | Note | 2016<br>£000    | 2016<br>£000   | 2015<br>£000    | 2015<br>£000   |
|-------------------------------------------------------------------------------------|------|-----------------|----------------|-----------------|----------------|
| <b>Fixed assets</b>                                                                 |      |                 |                |                 |                |
| Intangible assets – goodwill                                                        | 9    |                 | 20,288         |                 | 21,780         |
| Tangible assets                                                                     | 10   |                 | 102,089        |                 | 108,964        |
|                                                                                     |      |                 | <u>122,377</u> |                 | <u>130,744</u> |
| <b>Current assets</b>                                                               |      |                 |                |                 |                |
| Stocks                                                                              | 12   | 230             |                | 172             |                |
| Debtors                                                                             | 13   | 9,699           |                | 7,208           |                |
| Cash at bank and in hand                                                            | 14   | 188             |                | 1,085           |                |
|                                                                                     |      | <u>10,117</u>   |                | <u>8,465</u>    |                |
| <b>Creditors: amounts falling due within one year</b>                               | 15   | (14,778)        |                | (16,477)        |                |
| <b>Shareholder loan notes and shares classed as liabilities due within one year</b> | 16   | (56,100)        |                | -               |                |
|                                                                                     |      | <u>(60,761)</u> |                | <u>(16,477)</u> |                |
| <b>Net current liabilities</b>                                                      |      |                 | (60,761)       |                 | (8,012)        |
| <b>Total assets less current liabilities</b>                                        |      |                 | 61,616         |                 | 122,732        |
| <b>Creditors: amounts falling due after more than one year</b>                      | 17   |                 | (56,383)       |                 | (112,815)      |
| <b>Provisions for liabilities</b>                                                   | 19   |                 | (10,608)       |                 | (10,451)       |
| <b>Accruals and deferred income</b>                                                 | 21   |                 | (56)           |                 | (70)           |
| <b>Net liabilities</b>                                                              |      |                 | <u>(5,431)</u> |                 | <u>(604)</u>   |
| <b>Capital and reserves</b>                                                         |      |                 |                |                 |                |
| Called up share capital                                                             | 22   |                 | 10             |                 | 10             |
| Share premium account                                                               |      |                 | 951            |                 | 951            |
| Profit and loss account                                                             |      |                 | (6,392)        |                 | (1,565)        |
| <b>Equity shareholders' deficit</b>                                                 |      |                 | <u>(5,431)</u> |                 | <u>(604)</u>   |

These financial statements were approved by the board of directors on 26 June 2017 and were signed on its behalf by:

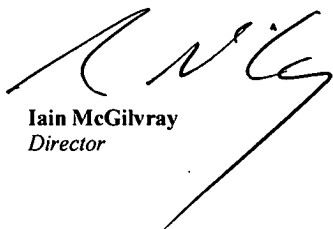
  
Iain McGilvray  
Director

Company registered number: SC380577

**Company Balance Sheet**  
*at 30 November 2016*

|                                                                                     | <i>Note</i> | <b>2016<br/>£000</b> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> | <b>2015<br/>£000</b> |
|-------------------------------------------------------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
| <b>Fixed assets</b>                                                                 |             |                      |                      |                      |                      |
| Investments                                                                         | 11          |                      | 57,746               |                      | 57,746               |
| <b>Current assets</b>                                                               |             |                      |                      |                      |                      |
| Debtors                                                                             | 13          | 1,411                |                      | 1,674                |                      |
| Cash at bank and in hand                                                            |             | 11                   |                      | 4                    |                      |
|                                                                                     |             | <u>1,422</u>         |                      | <u>1,678</u>         |                      |
| <b>Creditors: amounts falling due within one year</b>                               | 15          | (1,073)              |                      | (1,067)              |                      |
| <b>Shareholder loan notes and shares classed as liabilities due within one year</b> | 16          | (56,100)             |                      | -                    |                      |
| <b>Net current (liabilities)/assets</b>                                             |             |                      | <u>(55,751)</u>      |                      | <u>611</u>           |
| <b>Total assets less current liabilities</b>                                        |             |                      | <u>1,995</u>         |                      | <u>58,357</u>        |
| <b>Creditors: amounts falling due after more than one year</b>                      | 17          |                      | (21,680)             |                      | (74,414)             |
| <b>Net liabilities</b>                                                              |             |                      | <u>(19,685)</u>      |                      | <u>(16,057)</u>      |
| <b>Capital and reserves</b>                                                         |             |                      |                      |                      |                      |
| Called up share capital                                                             | 22          |                      | 10                   |                      | 10                   |
| Share premium account                                                               |             |                      | 951                  |                      | 951                  |
| Profit and loss account                                                             |             |                      | (20,646)             |                      | (17,018)             |
| <b>Equity shareholders' deficit</b>                                                 |             |                      | <u>(19,685)</u>      |                      | <u>(16,057)</u>      |

These financial statements were approved by the board of directors on 26 June 2017 and were signed on its behalf by:

  
Iain McGilvray  
Director

## Consolidated Cash Flow Statement

for the year ended 30 November 2016

|                                                         | Note | 2016<br>£000    | 2015<br>£000    |
|---------------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flow from operating activities</b>              |      |                 |                 |
| Loss for the year                                       |      | (4,827)         | (2,082)         |
| Adjustments for:                                        |      |                 |                 |
| Depreciation and amortisation                           |      | 8,794           | 8,822           |
| Foreign exchange loss/(gain) on hire purchase contracts | 4    | 157             | (116)           |
| Interest payable and similar expenses                   | 7    | 5,972           | 6,004           |
| Gain on sale of fixed assets                            | 4    | (509)           | (442)           |
| Release of government grants                            | 21   | (14)            | (14)            |
| Taxation                                                | 8    | 420             | (1,076)         |
|                                                         |      | <hr/>           | <hr/>           |
|                                                         |      | 9,993           | 11,096          |
| Increase in stocks                                      |      | (58)            | (24)            |
| (Increase)/decrease in trade and other debtors          |      | (3,189)         | 532             |
| Increase in trade and other creditors                   |      | 200             | 5,283           |
|                                                         |      | <hr/>           | <hr/>           |
|                                                         |      | 6,946           | 16,887          |
| Interest paid                                           |      | (3,416)         | (3,405)         |
| Tax received/(paid)                                     |      | 435             | (484)           |
|                                                         |      | <hr/>           | <hr/>           |
| <b>Net cash from operating activities</b>               |      | <b>3,965</b>    | <b>12,998</b>   |
|                                                         |      | <hr/>           | <hr/>           |
| <b>Cash flows from investing activities</b>             |      |                 |                 |
| Proceeds from sale of tangible fixed assets             |      | 7,770           | 10,122          |
| Acquisition of tangible fixed assets                    |      | (1,308)         | (4,310)         |
|                                                         |      | <hr/>           | <hr/>           |
| <b>Net cash from investing activities</b>               |      | <b>6,462</b>    | <b>5,812</b>    |
|                                                         |      | <hr/>           | <hr/>           |
| <b>Cash flows from financing activities</b>             |      |                 |                 |
| Repayment of borrowings                                 |      | (238)           | (228)           |
| Interest on finance lease rental payments               |      | (2,556)         | (2,599)         |
| Capital element of finance lease rental payments        |      | (9,991)         | (15,609)        |
|                                                         |      | <hr/>           | <hr/>           |
| <b>Net cash from financing activities</b>               |      | <b>(12,785)</b> | <b>(18,436)</b> |
|                                                         |      | <hr/>           | <hr/>           |
| Net (decrease)/increase in cash and cash equivalents    |      | (2,358)         | 374             |
| Cash and cash equivalents at start of year              |      | 1,085           | 711             |
|                                                         |      | <hr/>           | <hr/>           |
| Cash and cash equivalents at end of year (see note 14)  |      | <b>(1,273)</b>  | <b>1,085</b>    |
|                                                         |      | <hr/>           | <hr/>           |

## Consolidated Statement of Changes in Equity

for the year ended 30 November 2016

|                                                  | Called up share<br>capital<br>£000 | Share premium<br>account<br>£000 | Profit and loss<br>account<br>£000 | Total equity<br>£000 |
|--------------------------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------|
| Balance at 1 December 2014                       | 10                                 | 951                              | 517                                | 1,478                |
| <b>Total comprehensive income for the period</b> |                                    |                                  |                                    |                      |
| Loss for the financial year                      | -                                  | -                                | (2,082)                            | (2,082)              |
|                                                  | <u>-</u>                           | <u>-</u>                         | <u>(2,082)</u>                     | <u>(2,082)</u>       |
| Total comprehensive income for the period        | -                                  | -                                | (2,082)                            | (2,082)              |
|                                                  | <u>-</u>                           | <u>-</u>                         | <u>(2,082)</u>                     | <u>(2,082)</u>       |
| <b>Balance at 30 November 2015</b>               | <b>10</b>                          | <b>951</b>                       | <b>(1,565)</b>                     | <b>(604)</b>         |
|                                                  | <u>10</u>                          | <u>951</u>                       | <u>(1,565)</u>                     | <u>(604)</u>         |

|                                                  | Called up share<br>capital<br>£000 | Share premium<br>account<br>£000 | Profit and loss<br>account<br>£000 | Total equity<br>£000 |
|--------------------------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------|
| Balance at 1 December 2015                       | 10                                 | 951                              | (1,565)                            | (604)                |
| <b>Total comprehensive income for the period</b> |                                    |                                  |                                    |                      |
| Loss for the financial year                      | -                                  | -                                | (4,827)                            | (4,827)              |
|                                                  | <u>-</u>                           | <u>-</u>                         | <u>(4,827)</u>                     | <u>(4,827)</u>       |
| Total comprehensive income for the period        | -                                  | -                                | (4,827)                            | (4,827)              |
|                                                  | <u>-</u>                           | <u>-</u>                         | <u>(4,827)</u>                     | <u>(4,827)</u>       |
| <b>Balance at 30 November 2016</b>               | <b>10</b>                          | <b>951</b>                       | <b>(6,392)</b>                     | <b>(5,431)</b>       |
|                                                  | <u>10</u>                          | <u>951</u>                       | <u>(6,392)</u>                     | <u>(5,431)</u>       |

**Company Statement of Changes in Equity**  
*for the year ended 30 November 2016*

|                                                  | Called up share<br>capital<br>£000 | Share premium<br>account<br>£000 | Profit and loss<br>account<br>£000 | Total equity<br>£000 |
|--------------------------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------|
| Balance at 1 December 2014                       | 10                                 | 951                              | (13,917)                           | (12,956)             |
| <b>Total comprehensive income for the period</b> |                                    |                                  |                                    |                      |
| Loss for the financial year                      | -                                  | -                                | (3,101)                            | (3,101)              |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |
| Total comprehensive income for the period        | -                                  | -                                | (3,101)                            | (3,101)              |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |
| <b>Balance at 30 November 2015</b>               | <b>10</b>                          | <b>951</b>                       | <b>(17,018)</b>                    | <b>(16,057)</b>      |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |

|                                                  | Called up share<br>capital<br>£000 | Share premium<br>account<br>£000 | Profit and loss<br>account<br>£000 | Total equity<br>£000 |
|--------------------------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------|
| Balance at 1 December 2015                       | 10                                 | 951                              | (17,018)                           | (16,057)             |
| <b>Total comprehensive income for the period</b> |                                    |                                  |                                    |                      |
| Loss for the financial year                      | -                                  | -                                | (3,628)                            | (3,628)              |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |
| Total comprehensive income for the period        | -                                  | -                                | (3,628)                            | (3,628)              |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |
| <b>Balance at 30 November 2016</b>               | <b>10</b>                          | <b>951</b>                       | <b>(20,646)</b>                    | <b>(19,685)</b>      |
|                                                  | <hr/>                              | <hr/>                            | <hr/>                              | <hr/>                |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Weldex (International) Offshore Holdings Limited is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC380577 and the registered address is 18-20 Harbour Road, Inverness, Scotland, IV1 1UA.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition of FRS 102 from old UK GAAP, the Group and parent company have made no measurement and recognition adjustments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

Notwithstanding the net current liabilities and net liabilities at the period end the financial statements are prepared on the going concern basis. The Directors have prepared cash flow forecasts for the Group for the period for at least twelve months from the date of signing these accounts. The Group's cash flow forecasts show that the Group can operate within its available funds for the foreseeable future. The Group continues to have a significant positive operating cash flow. There is therefore no reason to believe that the net current liabilities position will not be covered by funds generated by the trading activities of the Group. In addition, following the year end, the redemption date of the shareholder loan notes and preference shares has been extended from 30 November 2017 to 31 May 2019.

#### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 November 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is amortised on a straight line basis over its useful life. Goodwill will has no residual value. The finite useful life of goodwill is estimated to be 20 years.

Goodwill is tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill may be impaired.

#### 1.5 Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any accumulated impairment losses.

#### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

|                              |   |                                         |
|------------------------------|---|-----------------------------------------|
| Freehold buildings           | - | 2% per annum on cost                    |
| Plant and machinery - Cranes | - | 7% per annum on cost                    |
| Plant and machinery - Other  | - | 25% per annum on reducing balance basis |
| Motor vehicles               | - | 25% per annum on reducing balance basis |

#### 1.7 Impairment of fixed assets

The carrying amounts of the Group's 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. 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").

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Impairment of fixed assets (continued)

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 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.

#### 1.8 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.9 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### 1.10 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate.

#### 1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

#### 1.12 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

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 to employees.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 Turnover

Turnover represents the net amount invoiced to customers for goods supplied, services provided and property rentals charged, excluding Value Added Tax. Where goods are sold revenue is recognised when the risks and rewards of ownership are passed to a third party.

#### 1.14 Expenses

##### *Operating lease*

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.

##### *Finance lease and hire purchase contract*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest in the remaining balance of the liability.

##### *Interest payable*

Interest payable and similar expenses include interest payable and finance expenses on finance leases recognised in profit or loss using the effective interest method. Interest payable is recognised in profit or loss as it accrues.

#### 1.15 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 timing differences which arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### 1.16 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Classification of financial instruments issued by the Group (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the statement of changes in equity.

### 2 Analysis of turnover

All turnover is attributable to the Group's principal activity.

|                               | 2016<br>£000  | 2015<br>£000  |
|-------------------------------|---------------|---------------|
| <i>By geographical market</i> |               |               |
| United Kingdom                | 20,516        | 21,944        |
| Continental Europe            | 446           | 332           |
| Rest of the World             | 112           | -             |
|                               | <u>21,074</u> | <u>22,276</u> |

### 3 Other operating income

|                             | 2016<br>£000 | 2015<br>£000 |
|-----------------------------|--------------|--------------|
| Release of government grant | 14           | 14           |
|                             | <u>14</u>    | <u>14</u>    |

### 4 Expenses and auditor's remuneration

|                                                                     | 2016<br>£000 | 2015<br>£000 |
|---------------------------------------------------------------------|--------------|--------------|
| <i>Included in the loss for the year are the following:</i>         |              |              |
| Depreciation and other amounts written off tangible fixed assets:   |              |              |
| Owned                                                               | 2,738        | 2,123        |
| Leased and held under similar hire purchase contracts               | 4,564        | 5,207        |
| Profit on disposal of tangible fixed assets                         | (509)        | (422)        |
| Amortisation of goodwill                                            | 1,492        | 1,492        |
| Hire of land and buildings – rentals payable under operating leases | 30           | 30           |
| Foreign exchange loss/(gain)                                        | 157          | (116)        |
|                                                                     | <u>157</u>   | <u>(116)</u> |

## Notes (continued)

### 4 Expenses and auditor's remuneration (continued)

#### Auditor's remuneration:

|                                                                        | 2016<br>£000 | 2015<br>£000 |
|------------------------------------------------------------------------|--------------|--------------|
| Audit of these financial statements                                    | 6            | 7            |
| Amounts receivable by the auditors and their associates in respect of: |              |              |
| Audit of financial statements of subsidiaries pursuant to legislation  | 29           | 28           |
| Other services relating to taxation                                    | 5            | 5            |
| All other services                                                     | 2            | 2            |
|                                                                        | <u>6</u>     | <u>7</u>     |

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

### 5 Remuneration of directors

|                       | 2016<br>£000 | 2015<br>£000 |
|-----------------------|--------------|--------------|
| Aggregate emoluments  | 516          | 516          |
| Pension contributions | 50           | 54           |
|                       | <u>566</u>   | <u>570</u>   |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £184,077 (2015: £184,077).

The aggregate amount of accrued pension contributions in the year was £nil (2015: £nil).

Retirement benefits are accruing to 2 (2015: 2) directors under defined contribution pension schemes.

### 6 Staff numbers and costs

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

|                | Number of employees |            |
|----------------|---------------------|------------|
|                | 2016                | 2015       |
| Operational    | 118                 | 119        |
| Administrative | 18                  | 15         |
|                | <u>136</u>          | <u>134</u> |

The aggregate payroll costs of these persons were as follows:

|                       | 2016<br>£000 | 2015<br>£000 |
|-----------------------|--------------|--------------|
| Wages and salaries    | 6,678        | 6,523        |
| Social security costs | 647          | 665          |
| Other pension costs   | 129          | 121          |
|                       | <u>7,454</u> | <u>7,309</u> |

## Notes (continued)

### 7 Interest payable and similar charges

|                                                                                  | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------------------------------------------|--------------|--------------|
| On bank loans and overdrafts                                                     | 50           | 39           |
| On other loans                                                                   | 2,274        | 2,274        |
| Finance charges payable in respect of finance leases and hire purchase contracts | 2,556        | 2,599        |
| Finance charges on shares classified as liabilities                              | 1,092        | 1,092        |
|                                                                                  | <u>5,972</u> | <u>6,004</u> |

### 8 Taxation

#### *Total tax expense/(credit) recognised in the profit and loss account*

|                                            | 2016<br>£000 | 2015<br>£000   |
|--------------------------------------------|--------------|----------------|
| <i>UK corporation tax</i>                  |              |                |
| Current tax on income for the period       | -            | (671)          |
| Adjustment in respect of prior periods     | 263          | (28)           |
|                                            | <u>263</u>   | <u>(699)</u>   |
| <i>Deferred tax (see note 18)</i>          |              |                |
| Origination/reversal of timing differences | 157          | 784            |
| Effect of decreased tax rate               | -            | (1,161)        |
|                                            | <u>157</u>   | <u>(377)</u>   |
| <b>Tax expense/(credit) on loss</b>        | <u>420</u>   | <u>(1,076)</u> |

#### *Reconciliation of effective tax rate*

|                                                              | 2016<br>£000 | 2015<br>£000   |
|--------------------------------------------------------------|--------------|----------------|
| Loss before tax                                              | (4,407)      | (3,158)        |
| Tax using the UK corporation tax rate of 20% (2015: 20.3%)   | (881)        | (641)          |
| <i>Effects of:</i>                                           |              |                |
| Expenses not deductible for tax purposes                     | 591          | 802            |
| Difference between capital allowances and depreciation       | (164)        | (768)          |
| Depreciation on ineligible assets                            | -            | 11             |
| Other short term timing differences                          | -            | (75)           |
| Adjustment in respect of prior periods                       | 263          | (28)           |
| Origination/reversal of timing differences                   | 611          | 784            |
| Change in tax rate                                           | -            | (1,161)        |
| <b>Total tax expense/(credit) included in profit or loss</b> | <u>420</u>   | <u>(1,076)</u> |

## Notes (continued)

### 8 Taxation (continued)

#### *Factors affecting the tax charge for the current year*

The current tax charge for the period is higher (2015: *higher*) than the standard rate of corporation tax in the UK of 20% (2015: 20.3%).

#### *Factors that may affect future current and total tax charges*

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction 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 liability at 30 November 2016 has been calculated based on those rates.

### 9 Intangible fixed assets

| Group                        | Goodwill<br>£000 |
|------------------------------|------------------|
| <i>Cost</i>                  |                  |
| At beginning and end of year | 29,831           |
| <i>Amortisation</i>          |                  |
| At beginning of year         | 8,051            |
| Charged in year              | 1,492            |
| At end of year               | 9,543            |
| <i>Net book value</i>        |                  |
| At 30 November 2016          | 20,288           |
| At 30 November 2015          | 21,780           |

## Notes (continued)

### 10 Tangible fixed assets

| Group                 | Land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|-----------------------|-------------------------------|--------------------------------|---------------------------|---------------|
| <b>Cost</b>           |                               |                                |                           |               |
| At beginning of year  | 2,742                         | 139,036                        | 557                       | 142,335       |
| Additions             | 17                            | 7,626                          | 45                        | 7,688         |
| Disposals             | -                             | (11,737)                       | (139)                     | (11,876)      |
| At end of year        | 2,759                         | 134,925                        | 463                       | 138,147       |
| <b>Depreciation</b>   |                               |                                |                           |               |
| At beginning of year  | 485                           | 32,586                         | 300                       | 33,371        |
| Charge for year       | 54                            | 7,182                          | 66                        | 7,302         |
| On disposals          | -                             | (4,523)                        | (92)                      | (4,615)       |
| At end of year        | 539                           | 35,245                         | 274                       | 36,058        |
| <b>Net book value</b> |                               |                                |                           |               |
| At 30 November 2016   | 2,220                         | 99,680                         | 189                       | 102,089       |
| At 30 November 2015   | 2,257                         | 106,450                        | 257                       | 108,964       |

Included in the total net book value of fixed assets is £74,091,000 (2015: £81,118,000) in respect of assets held under finance leases and similar hire purchase contracts as follows:

|                                             | Plant and<br>Machinery<br>£000 |
|---------------------------------------------|--------------------------------|
| <b>Cost</b>                                 |                                |
| At beginning of year                        | 98,485                         |
| Additions                                   | 6,380                          |
| Transfers from other creditors              | 3,842                          |
| Disposals                                   | (4,660)                        |
| Completion of lease/hire purchase agreement | (14,743)                       |
| At end of year                              | 89,304                         |
| <b>Depreciation</b>                         |                                |
| At beginning of year                        | 17,367                         |
| Charge for year                             | 4,564                          |
| On disposals                                | (755)                          |
| Completion of lease/hire purchase agreement | (5,963)                        |
| At end of year                              | 15,213                         |
| <b>Net book value</b>                       |                                |
| At 30 November 2016                         | 74,091                         |
| At 30 November 2015                         | 81,118                         |

## Notes (continued)

### 11 Fixed asset investments

| Company                        | Shares in group undertaking<br>£000 |
|--------------------------------|-------------------------------------|
| <i>Cost and net book value</i> |                                     |
| At beginning and end of year   | 57,746                              |
|                                |                                     |
|                                | Loans to group undertaking<br>£000  |
| <i>Cost and net book value</i> |                                     |
| At beginning and end of year   | 282                                 |

The Company owns 100% of the issued share capital of Weldex (International) Offshore Limited. The registered address for this company is 18-20 Harbour Road, Inverness, Scotland, IV1 1UA and its principal activity is the hire and supply of cranes, lifting equipment and labour.

### 12 Stocks

|                               | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|-------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Raw materials and consumables | 230                   | -                       | 172                   | -                       |

### 13 Debtors

|                                          | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|------------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Trade debtors                            | 8,736                 | -                       | 5,910                 | -                       |
| Amounts due from subsidiary undertakings | -                     | 282                     | -                     | 282                     |
| Group relief debtor                      | -                     | 1,128                   | -                     | 1,128                   |
| Prepayments and accrued income           | 963                   | 1                       | 600                   | 1                       |
| Corporation Tax receivable               | -                     | -                       | 698                   | 263                     |
|                                          | 9,699                 | 1,411                   | 7,208                 | 1,674                   |

## Notes (continued)

### 14 Cash and cash equivalents/ bank overdrafts

| Group                                                     | 2016<br>£000   | 2015<br>£000 |
|-----------------------------------------------------------|----------------|--------------|
| Cash at bank and in hand                                  | 188            | 1,085        |
| Bank overdrafts (see note 15)                             | (1,461)        | -            |
| <b>Cash and cash equivalents per cash flow statements</b> | <b>(1,273)</b> | <b>1,085</b> |

### 15 Creditors: amounts falling due within one year

|                                                                            | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|----------------------------------------------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Bank loans (see note 18)                                                   | 240                   | -                       | 240                   | -                       |
| Bank overdraft (see note 14 and note 18)                                   | 1,461                 | -                       | -                     | -                       |
| Amounts due to subsidiary undertaking                                      | -                     | 1,055                   | -                     | 1,055                   |
| Obligations under finance leases and hire purchase contracts (see note 18) | 9,996                 | -                       | 9,990                 | -                       |
| Trade creditors                                                            | 1,379                 | -                       | 1,190                 | -                       |
| Other creditors                                                            | 772                   | -                       | 4,440                 | -                       |
| Other taxes and social security                                            | 857                   | 1                       | 456                   | 1                       |
| Accruals and deferred income                                               | 73                    | 17                      | 161                   | 11                      |
|                                                                            | <b>14,778</b>         | <b>1,073</b>            | <b>16,477</b>         | <b>1,067</b>            |

### 16 Shareholder loan notes and shares classed as liabilities due within one year

|                                                | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|------------------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Shares classified as liabilities (see note 18) | 18,197                | 18,197                  | -                     | -                       |
| Shareholder loan notes (see note 18)           | 37,903                | 37,903                  | -                     | -                       |
|                                                | <b>56,100</b>         | <b>56,100</b>           | <b>-</b>              | <b>-</b>                |

Following the year end the redemption date of the shareholder loan notes and preference shares was extended to 31 May 2019. At the balance sheet date the shareholder loan notes and preference shares were repayable within one year and therefore have been classed within current liabilities. Following their extension to 2019 they will again next year be classed as longer term liabilities falling due in more than one year.

## Notes (continued)

### 17 Creditors: amounts falling due after more than one year

|                                                                            | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|----------------------------------------------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Shares classified as liabilities (see note 18)                             | -                     | -                       | 18,197                | 18,197                  |
| Other loans (see note 18)                                                  | 454                   | -                       | 38,595                | 37,903                  |
| Obligations under finance leases and hire purchase contracts (see note 18) | 34,249                | -                       | 37,709                | -                       |
| Accruals and deferred income                                               | 21,680                | 21,680                  | 18,314                | 18,314                  |
|                                                                            | <u>56,383</u>         | <u>21,680</u>           | <u>112,815</u>        | <u>74,414</u>           |

### 18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and parent company's interest-bearing loans and borrowings, which are measured at amortised cost.

|                                                              | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
|--------------------------------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| <b>Creditors falling due after more than one year</b>        |                       |                         |                       |                         |
| Secured bank loans                                           | 454                   | -                       | 692                   | -                       |
| Unsecured fixed rate shareholder loan notes                  | -                     | -                       | 37,903                | 37,903                  |
| Shares classified as liabilities                             | -                     | -                       | 18,197                | 18,197                  |
| Obligations under finance leases and hire purchase contracts | 34,249                | -                       | 37,709                | -                       |
|                                                              | <u>34,703</u>         | <u>-</u>                | <u>94,501</u>         | <u>56,100</u>           |
|                                                              |                       |                         |                       |                         |
|                                                              | Group<br>2016<br>£000 | Company<br>2016<br>£000 | Group<br>2015<br>£000 | Company<br>2015<br>£000 |
| <b>Creditors falling due within less than one year</b>       |                       |                         |                       |                         |
| Bank overdraft                                               | 1,461                 | -                       | -                     | -                       |
| Secured bank loans                                           | 240                   | -                       | 240                   | -                       |
| Unsecured fixed rate shareholder loan notes                  | 37,903                | 37,903                  | -                     | -                       |
| Shares classified as liabilities                             | 18,197                | 18,197                  | -                     | -                       |
| Obligations under finance leases and hire purchase contracts | 9,996                 | -                       | 9,990                 | -                       |
|                                                              | <u>67,797</u>         | <u>56,100</u>           | <u>10,230</u>         | <u>-</u>                |

Included within obligations under finance leases and hire purchase contracts are amounts repayable after 5 years by instalments of £3,620,000 (2015: £4,721,000). The finance leases and hire purchase contracts are secured over the related assets and bear interest at a range of 3% to 5%.

The bank overdraft bears interest at 1.75% over base rate and is repayable on demand. The bank loan bears interest at 2.2% over base rate and is repaid on a monthly basis. It is secured by means of standard securities and a bond and floating charge over the assets of the Group.

## Notes (continued)

### 18 Interest-bearing loans and borrowings (continued)

The shareholder loan notes and preference shares bear interest at 6%. Following the year end the redemption date of the fixed rate loan notes and shares classified as liabilities was extended from 30 November 2017 to 31 May 2019.

#### Obligations under finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts are payable as follows:

| Group                      | Minimum lease payments | Minimum lease payments |
|----------------------------|------------------------|------------------------|
|                            | 2016<br>£000           | 2015<br>£000           |
| Less than one year         | 9,996                  | 9,990                  |
| Between one and five years | 30,629                 | 32,988                 |
| More than five years       | 3,620                  | 4,721                  |
|                            | <u>44,245</u>          | <u>47,699</u>          |

### 19 Provisions for liabilities

Deferred tax liabilities are as follows:

| Group                                        | 2016<br>£000  | 2015<br>£000  |
|----------------------------------------------|---------------|---------------|
| At beginning of year                         | 10,451        | 10,828        |
| Profit and loss account                      | 157           | (377)         |
| At end of year                               | <u>10,608</u> | <u>10,451</u> |
| Analysed as:                                 |               |               |
|                                              | 2016<br>£000  | 2015<br>£000  |
| Depreciation in excess of capital allowances | 10,618        | 10,464        |
| Other timing differences                     | (10)          | (13)          |
|                                              | <u>10,608</u> | <u>10,451</u> |

### 20 Employee benefits

#### Defined contribution plans

##### Group

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current year was £128,591 (2015: £121,193).

## Notes (continued)

### 21 Accruals and deferred income

| Group                                      | Government<br>Grants<br>£000 |
|--------------------------------------------|------------------------------|
| At beginning of year                       | 70                           |
| Credit to the profit and loss for the year | (14)                         |
| <b>At end of year</b>                      | <b>56</b>                    |

### 22 Called up share capital

|                                                                     | 2016<br>£      | 2015<br>£      |
|---------------------------------------------------------------------|----------------|----------------|
| <i>Allotted, called up and fully paid</i>                           |                |                |
| 611,631 A Ordinary shares of £0.01 each                             | 6,116          | 6,116          |
| 288,370 B Ordinary shares of £0.01 each                             | 2,884          | 2,884          |
| 60,000 C Ordinary shares of £0.01 each                              | 600            | 600            |
| 18,196,846 6% cumulative redeemable preference shares of £0.01 each | 181,968        | 181,968        |
|                                                                     | <b>191,568</b> | <b>191,568</b> |
|                                                                     |                |                |
|                                                                     | 2016<br>£000   | 2015<br>£000   |
| <i>Disclosed as</i>                                                 |                |                |
| Shares classified as liabilities (see note 18)                      | 182            | 182            |
| Shares classified in shareholders' funds                            | 10             | 10             |
|                                                                     | <b>192</b>     | <b>192</b>     |

The A, B and C Ordinary shares rank par passu except in an Event of Default as set out in the Company's Articles of Association. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Following the year end, the redemption date of the preference shares was extended from 30 November 2017 to 31 May 2019. These may be redeemed at any earlier date at the option of the Company. The preference shares bear interest at 6% per annum payable at redemption. The premium on redemption is £0.99.

## Notes (continued)

### 23 Operating leases

Non-cancellable operating leases are payable as follows:

| Group                      | 2016<br>Land and<br>buildings<br>£000 | 2015<br>Land and<br>buildings<br>£000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Less than one year         | 30                                    | 30                                    |
| Between one and five years | 78                                    | 108                                   |
| More than five years       | -                                     | -                                     |
|                            | <u>108</u>                            | <u>138</u>                            |

### 24 Contingencies

The Group and parent company are not subject to contingent assets or liabilities.

### 25 Related party disclosures

During the period the Group recharged expenses of £5,858 (2015: £2,685) to DKMI Trading Limited, a company owned by the McGilvray family. At the period end £nil (2015: £nil) was included in trade debtors.

During the period the group paid rental of £30,000 (2015: £30,000) to 1820 Property LLP, a partnership owned by the McGilvray family.

During the period the group paid management charges of £40,000 (2015: £40,000) to Dunedin Capital Partners Limited, the management company of one of the company's shareholders.

During the period the group paid management charges of £20,000 (2015: £20,000) to NVM Private Equity LLP, the management company of one of the company's shareholders.

### 26 Subsequent events

Subsequent to the year end the redemption date of the shareholder loan notes and preference shares was extended from 30 November 2017 to 31 May 2019.

### 27 Accounting estimates and judgements

#### Bad debt provision

Management estimates the bad debt provision by paying due consideration to the ageing of debt, the credit rating of customers and historical experience of customers under review.