

Company Registration No. 08473421

AFI Topco Limited

Report and Financial Statements

Year ended 31 December 2016

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AFI Topco Limited

Report and financial statements Year ended 31 December 2016

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AFI Topco Limited

Report and financial statements Year ended 31 December 2016

Officers and professional advisers

Directors

D C Shipman
N J Selley
D A McNicholas
S J Woodhams
O J T Jones
K Mohanadas
D R Wardrop
J M May

Company secretary

S J Woodhams

Registered office

2nd Floor
West Wing
Diamond House
Diamond Business Park
Thornes Moor Road
Wakefield
WF2 8PT

Bankers

PNC Business Credit
PNC House
34-36 Perrymount Road
Haywards Heath
West Sussex
RH16 3DN

Auditor

Deloitte LLP
Statutory Auditor
Leeds
LS1 2AL

AFI Topco Limited

Strategic Report

Year ended 31 December 2016

We are pleased to report the financial results and strategic review for AFI Topco Limited (“the Company”) and its subsidiaries (together “the Group”) for the 12 months ended 31 December 2016.

Here are some of the highlights of another busy year:

Financial:

- Group turnover increased by 18% to £74.5m (FY15: £63.3m);
- Group EBITDA (before exceptional items) remained stable at £19.0m (FY15: £19.4m) during a year of extensive investment and positive change. We invested record amounts in developing our people, improving our customer service offering, enhancing our operating systems and extending our geographic footprint in both the UK and Middle East;
- Net operating cashflow generated by the Group increased to £17.7m (FY15: £14.8m); and
- The Group traded with another record number of customers (FY16: 12,065 compared to FY15: 11,951).

Operational:

- Further significant investment in the rental fleet in order to maintain our position as having one of the youngest fleets in the market;
- Acquisition of Rapid Platforms Holdings (2016) Limited (“Rapid”) completed in October 2016;
- Continued improvement in our accident frequency rate and the maintenance of all of our key external accreditations including Investors In People Gold status, Investors In People Health & Wellbeing, ROSPA (Gold Award) and the Institute of Customer Service’s ServiceMark;
- The opening of new Middle East depots in the first half of 2016 in Saudi Arabia (Jeddah) and Qatar; and
- Inclusion in the Sunday Times International Track 200 league table 2016, which highlights the 200 UK companies with the fastest growing overseas turnover.

2017 & Outlook:

- Acquisition of the business and assets of Kimberly Rentals Group Limited and Kimberly Group Limited (together “Kimberly”) on 17 July 2017 funded through a combination of support provided by our current private equity investors, Rutland Partners LLP (“Rutland”), and an increased senior debt facility provided by our current bankers, PNC Business Credit (“PNC”);
- The Kimberly acquisition will significantly strengthen our UK market position, increasing the Group’s rental fleet to over 7,000 machines and annual pro-forma Group turnover to almost £100m;
- The recent opening of a new Middle East depot in Bahrain has further strengthened our market position in the Middle East; and
- All of the Group’s businesses have traded well in the first half of 2017 and we expect to report strong growth in our FY17 financial results in terms of both revenue and profits.

Strategic Overview

Our strategy remains focused on our core principles, which continue to underpin the ongoing growth of our business:

- Enhancing the skills and wellbeing of our team;
- Delivering a great customer service;
- Improving operating efficiency in order to maximise profitability; and
- Using the strong operating cashflows of the business in order to maintain a well invested rental fleet, reduce our overall underlying level of debt and capitalise on future organic and acquisitive opportunities to continue to move our business forward.

We have made encouraging progress in all of these key areas in 2016.

Our ongoing drive to improve operating efficiency in all areas of the Group has enabled us to report another strong set of trading results for the year:

AFI Topco Limited

Strategic Report

Year ended 31 December 2016

- Group turnover increased to £74.5m (FY15: £63.3m) including an increase of £5.5m in our core rental and training businesses;
- Group EBITDA (before exceptional items) remained stable at £19.0m (FY15: £19.4m) during a year of extensive investment and positive change. We invested record amounts in developing our people, improving our customer service offering, enhancing our operating systems and extending our geographic footprint in both the UK and Middle East;
- EBITDA (before exceptional items) margin in our core rental and training businesses reduced to 32.8% (FY15: 36.4%) reflecting the long-term investments in our people, our customer service and our operating systems needed to continue building our market presence in the UK and Middle East.

We have added to our ongoing drive to improve operating efficiency through selective acquisitions as and when suitable opportunities have arisen. The acquisition of Rapid was completed in October 2016 and has strengthened our market position in the South East of England as well as extending our working at height rental offering into the hoist market, which we believe may offer the potential for growth in the medium term.

The completion of the strategic Kimberly acquisition in July 2017 will strengthen our position in the core UK self-propelled access rental market. The acquisition adds close to 1,500 machines to our rental fleet and increases pro-forma Group turnover to almost £100m. The benefits that will be realised from combining our UK and Kimberly rental operations will significantly improve our overall UK, and Group, operating margins in the second half of this year.

We are now in a position whereby we can continue to invest record amounts in our people, our rental fleet, our customer service, our operating systems and extending our geographic footprint, whilst still completing selective acquisitions as and when suitable opportunities arise, which is testament to the strength of our operating cashflows. In the year:

- Net operating cashflow generated by the Group increased to £17.7m (FY15: £14.8m);
- Our average rental fleet age reduced to 5.0 years (FY15: 5.4 years) as we continued to invest heavily in new machines in order to support our ongoing commitment to deliver market leading levels of customer service and our ongoing drive to improve operating efficiency;
- Our resale businesses have continued to perform strongly, which has enabled us to maximise the disposal value of our retired rental machines in order to support our “cradle to grave” rental fleet management process;
- We opened new Middle East depots in the first half in Saudi Arabia (Jeddah) and Qatar, and the Middle East network has been further strengthened with the opening of a new depot in Bahrain in the first half of 2017; and
- Our ongoing progress in the Middle East was recognised by our inclusion in the Sunday Times International Track 200 league table 2016, which highlights the 200 UK companies with the fastest growing overseas turnover.

Central to our success is our ongoing focus on enhancing the skills and wellbeing of our team and in the year:

- We have maintained our Investors In People Gold status and our Investors In People Health & Wellbeing award. During the year our team yet again attended a record number of training days and we continue to recruit apprentices in all areas of the business;
- One area of particular focus in our training days has been safety awareness. This focus helped to contribute to another improvement in our accident frequency rate during the year and our efforts have been recognised again by ROSPA (Gold Award);
- We are now focusing more attention on lowering our carbon footprint. We continue to replace older vehicles in our transport fleet and are trialling a number of initiatives from installing smart meters to using larger recycling bins;
- The efforts of our UK team were recognised again at the HAE Hire Awards of Excellence 2017 when Billy-Jo Davies, one of our former apprentices, was presented with the Hire Manager of the Year award.

Equally central to our success is our ongoing focus on delivering a great customer service. We remain the only UK powered access rental business to have been awarded the Institute of Customer Service’s ServiceMark accreditation, which demonstrates an outstanding commitment to customer service. In the year:

AFI Topco Limited

Strategic Report

Year ended 31 December 2016

- The Group traded with another record number of customers (FY16: 12,065 compared to FY15: 11,951);
- We have continued to improve a number of customer service focused key performance indicators including further reductions in the number of customer disputes received and further reductions in the value of customer credit notes issued;
- We have continued to develop our online rental and training ordering systems in the UK. Since their inception over 700 UK customers have used our online rental system to open a new account with us and almost 10% of all new training orders are now received online. Work continues on improving the customer journey and their experience of both online systems as we strive to create industry leading online trading platforms fit for an increasingly digital future; and
- Our ongoing commitment to improving customer service was recognised at the IAPA 2016 Awards when our innovative online machine familiarisation videos received the Contribution to Safe Working at Height award. The videos have been very well received by our customers and have been viewed over 12,000 times since they were released.

2017 & Outlook

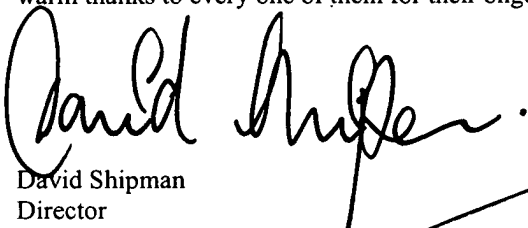
Trading in the first half of the current year has been promising and all of the Group's businesses have traded well. We have continued to invest in our people, our rental fleet, our customer service and our operating systems in order to build our market presence in the UK and Middle East. We believe that our strong focus on providing superior fleet availability supported by great customer service has created a strong foundation for the Group to continue growing.

The completion of the Kimberly acquisition earlier this month will further strengthen our position in the core UK self-propelled access rental market by adding close to 1,500 machines to our rental fleet and will increase pro-forma Group turnover to almost £100m. The benefits that will be realised from combining our UK and Kimberly rental operations will significantly improve our overall UK, and Group, operating margins in the second half of this year and beyond.

Overall, we expect to report strong growth in our FY17 financial results. On a wider level, we continue to believe that the UK and Middle East powered access rental markets offer attractive prospects for carefully managed growth and, just as importantly, we continue to believe that the market forces that have driven the dramatic growth in the use of powered access equipment over the last 20 years, in particular the desire for more efficient and safer methods of working at height, remain firmly in place.

Final Words

It is important that the last, but by no means least important, words of this report are dedicated as always to our team. There is a reason that whenever we reiterate our core principles we place the team in first position. Without them and their ongoing engagement we would not be able to provide a great customer service, which would make improving operating efficiency irrelevant and generating strong operating cashflows impossible. They are undoubtedly our greatest asset and they have again risen to the challenge of improving and growing our business. Our continued success is a direct result of their ability to deal with the daily challenges that we face as a business and do so with a smile on their faces. On behalf of all of the Directors and shareholders I would like to express our warm thanks to every one of them for their ongoing support and commitment.



David Shipman
Director
31 July 2017

AFI Topco Limited

Directors' report Year ended 31 December 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Group during the year was the rental and sale of powered access equipment and the provision of ancillary services.

The principal activity of the Company is a holding entity for the Group.

Results and dividends

The results for the year are set out in the profit and loss account on page 9, and discussed in greater detail in the Strategic Report.

During the year the Company declared dividends of £nil (2015: £nil).

Directors

The directors who served during the year and subsequently are as follows:-

D C Shipman
N J Selley
D A McNicholas
S J Woodhams
O J T Jones
D R Wardrop
K Mohanadas
J M May

The Company has maintained insurance on behalf of directors and officers of the Company throughout the year and up to the date of this report.

Principal risks and uncertainties

Competitive pressure is a continuing risk for the Group, which could result in price pressure or losing customers. We mitigate this risk through providing a high level of customer service, having fast response times and maintaining strong relationships with our customers.

The Group operates in the Middle East, where there is a risk of governmental decisions impacting on operations in the region. Similarly other political tensions could lead to civil unrest, which could disrupt business operations. The Group addresses this risk by selecting the most appropriate legal structure available to mitigate asset ownership risk and closely manages cash balances and the respective capital bases.

The Group's operations in the Middle East generate revenues and cash flows in currencies which are different to the reporting currency of the Group. Currency exchange rate fluctuations can affect the levels of revenues and cash flows when reported at a Group level in Sterling. This risk is mitigated, where possible, by seeking to match the assets and liabilities denominated in these currencies to provide natural hedges. Where possible cash flows arising in such currencies are utilised to service borrowings and capital investments in the same currency.

The Group carries debt on its balance sheet in order to fund its capital investment activities. Adverse movements in interest rates would lead to an increased interest cost, reducing profits and cash flow. This risk is mitigated by certain elements of the Group's debt being subject to a fixed interest rate and ongoing review and assessment by management as to the appropriateness of using financial instruments.

AFI Topco Limited

Directors' report

Year ended 31 December 2016

Going concern

The directors believe that the Group is well placed to manage its business risks successfully for the foreseeable future. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities.

The directors, after considering the principal risks and uncertainties discussed above, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employees

The Group has an established policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation. During the year the Group has maintained and developed its practice of regularly consulting and communicating with its employees.

Future developments

The future developments of the Group are discussed in the Strategic Report.

Disclosure of relevant information to auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

A resolution to re-appoint Deloitte LLP will be proposed at the annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board



S J Woodhams
Director
31 July 2017

AFI Topco Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AFI Topco Limited

Independent auditor's report to the members of AFI Topco Limited

We have audited the financial statements of AFI Topco Limited for the year ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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.



Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
31 July 2017

AFI Topco Limited

Consolidated profit and loss account Year ended 31 December 2016

		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
	Note		
Turnover	3	74,473	63,299
Cost of sales		(51,290)	(40,742)
Gross profit		23,183	22,557
Goodwill amortisation	4	(1,994)	(1,956)
Other administration expenses	4	(16,982)	(14,726)
Exceptional items	4	(366)	(444)
Total administrative expenses		(19,342)	(17,126)
Operating profit	4	3,841	5,431
Goodwill amortisation		1,994	1,956
Exceptional items		366	444
Operating profit before goodwill amortisation and exceptional items		6,201	7,831
Other finance costs and similar charges	6	(3,456)	(4,074)
Exceptional finance costs	6	-	(801)
Profit before loan note interest and taxation		385	556
Goodwill amortisation		1,994	1,956
Exceptional items		366	1,245
Profit before exceptional items, goodwill amortisation, loan note interest and taxation		2,745	3,757
Loan note interest	6	(7,394)	(8,049)
Loss on ordinary activities before taxation		(7,009)	(7,493)
Tax on loss on ordinary activities	7	348	455
Loss for the financial year		(6,661)	(7,038)

All of the activities of the Group during the year are classified as continuing operations.

The accompanying notes are an integral part of this profit and loss account.

AFI Topco Limited

Consolidated statement of comprehensive income Year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss for the financial year	(6,661)	(7,038)
Unrealised foreign exchange gain	2,135	443
Total comprehensive loss	(4,526)	(6,595)

AFI Topco Limited

Consolidated balance sheet As at 31 December 2016

			2016	2015
		£'000	£'000	£'000
Fixed assets	Note			
Tangible assets	8		71,881	62,865
Goodwill	10		34,290	34,720
			<u>106,171</u>	<u>97,585</u>
Current assets				
Inventories	11		2,605	3,144
Debtors	12		21,474	15,943
Cash at bank and in hand			2,852	2,946
			<u>26,931</u>	<u>22,033</u>
CREDITORS: amounts falling due within one year	13		<u>(23,981)</u>	<u>(20,447)</u>
Net current assets			<u>2,950</u>	<u>1,586</u>
Total assets less current liabilities			<u>109,121</u>	<u>99,171</u>
CREDITORS: amounts falling due after more than one year	14	67,590	(67,590)	(60,419)
Provision for liabilities	16		<u>(2,946)</u>	<u>(3,256)</u>
Total net assets employed			<u><u>38,585</u></u>	<u><u>35,496</u></u>
Financed by:				
Loan notes	14	53,922	53,922	46,307
	14	<u>121,512</u>		<u>106,726</u>
Ordinary share capital	18		5	5
Share premium account	18		495	495
Foreign exchange reserve	18		2,578	443
Profit and loss account	18		<u>(18,415)</u>	<u>(11,754)</u>
Shareholders' deficit			<u>(15,337)</u>	<u>(10,811)</u>
Total financing			<u><u>38,585</u></u>	<u><u>35,496</u></u>

The consolidated financial statements of AFI Topco Limited, registered number 08473421, were approved by the board of directors and authorised for issue on 31 July 2017.

Signed on behalf of the Board of Directors


David Shipman
Director

The accompanying notes are an integral part of this balance sheet.

AFI Topco Limited

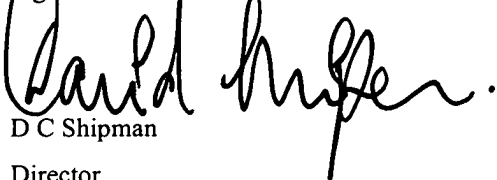
Company balance sheet As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	9	2	2
		2	2
Current assets			
Debtors	12	498	498
Net current assets		498	498
Total net assets employed		500	500
Ordinary share capital	18	5	5
Share premium account	18	495	495
Total shareholders' funds		500	500

The financial statements of AFI Topco Limited, registered number 08473421, were approved by the board of directors and authorised for issue on 31 July 2017. The accompanying notes are an integral part of this balance sheet.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account and statement of comprehensive income for the year. The Company reported a loss after tax of £nil (2015: £nil) before equity dividends of £nil (2015: £nil).

Signed on behalf of the Board of Directors


D C Shipman
Director

AFI Topco Limited

Consolidated statement of changes in equity Year ended 31 December 2016

	Ordinary share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2015	5	495	-	(4,716)	(4,216)
Retained loss	-	-	-	(7,038)	(7,038)
Foreign exchange difference	-	-	443	-	443
At 31 December 2015	5	495	443	(11,754)	(10,811)
At 1 January 2016	5	495	443	(11,754)	(10,811)
Retained loss	-	-	-	(6,661)	(6,661)
Foreign exchange difference	-	-	2,135	-	2,135
At 31 December 2016	5	495	2,578	(18,415)	(15,337)

AFI Topco Limited

Company statement of changes in equity Year ended 31 December 2016

	Ordinary share capital £'000	Share premium account £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2015 and 2016	5	495	-	500
At 31 December 2015 and 2016	5	495	-	500

AFI Topco Limited

Consolidated cash flow statement Year ended 31 December 2016

		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
	Note		
Net cash flows from operating activities	21	17,686	14,800
Cash flows from investing activities			
Interest paid		(3,010)	(3,036)
Debt issue costs paid		-	(910)
Purchase of tangible fixed assets		(22,082)	(17,691)
Proceeds from sale of tangible fixed assets		5,765	5,267
Cash consideration for acquisitions		(2,830)	(4,689)
Net cash arising on acquisitions		(207)	1,601
Payment of deferred consideration		(450)	(1,150)
Net cash flows from investing activities		<u>(22,814)</u>	<u>(20,608)</u>
Cash flows from financing activities			
Hire purchase raised	23	4,650	4,286
Repayment of obligations under hire purchase	23	(4,258)	(5,424)
Bank borrowings raised		-	15,000
Repayment of bank borrowings	23	(750)	(188)
Settlement of loan notes		-	(15,000)
Net cash flow from financing activities		<u>(358)</u>	<u>(1,326)</u>
Net decrease in cash and cash equivalents		<u>(5,486)</u>	<u>(7,134)</u>
Cash and cash equivalents at beginning of year		(38,003)	(30,158)
Non cash movement – amortisation of deal fees		(176)	(711)
Cash and cash equivalents at end of year		<u><u>(43,665)</u></u>	<u><u>(38,003)</u></u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

AFI Topco Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The principal activities of the Company and its subsidiaries are set out in the Directors' Report on page 5.

The financial statements have been prepared under the historic cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. The particular accounting policies adopted are described below and have been applied consistently in the current year and prior years.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on the basis of a going concern as concluded in the Directors' Report.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced in respect of hire and related activities in the UK and Middle East, exclusive of value added tax. Revenue from the hire of plant is recognised evenly over the rental period and revenue from sales of other related goods and services is recognised at the point of sale. Training revenue is recognised over the period that the training is provided.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on fixed assets to write off the cost of each asset over its estimated useful life, to a residual value, at the following annual rates:

Leasehold improvements	3 – 5 years
Other equipment	4 years
Motor vehicles	4 – 5 years
Hire plant	3 – 10 years

An asset is impaired where there is objective evidence that the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Inventories

Machines purchased for resale, spares and consumables are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the consolidated financial statements Year ended 31 December 2016

1. Accounting policies (continued)

Taxation (continued)

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and depreciated accordingly. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on an actuarial basis.

Finance lease agreements

Assets on a finance lease are recorded in the balance sheet and depreciated accordingly. Future instalments of such leases, net of finance charges, are included within creditors. Interest is charged to the profit and loss account on an actuarial basis.

Financial instruments

Financial assets, including trade and other receivables, cash and accrued income, are recognised at transaction price. Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities, including trade and other payables, overdraft, bank loans and hire purchase liabilities, are initially recognised at transaction price. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Operating lease agreements

As lessee: Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

As lessor: Plant leased to customers under operating leases is included within fixed assets as 'hire plant'. Income from such leases is taken to the profit and loss account on a straight line basis over the period of the operating lease agreements.

Employee benefits

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account in the year to which they relate.

Investments

Investments are held at cost less any provision for impairment in value.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. The directors believe that this period appropriately reflects the life of the businesses acquired. Goodwill is assessed for indicators of impairment on an ongoing basis.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the consolidated financial statements Year ended 31 December 2016

1. Accounting policies (continued)

Foreign currencies

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date.

Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Notes to the consolidated financial statements
Year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Depreciation rates of tangible assets (critical accounting judgement)

The Group estimates the average useful economic life for each individual asset class. The useful economic lives are reviewed regularly against the policy to ensure that the depreciation charge is closely matched to the benefits obtained over the life of the asset.

Amortisation and impairment of goodwill (critical accounting judgement)

The Group amortises goodwill over its useful economic life. After taking into account internal and external factors which may affect the life of the goodwill, management estimates this to be 20 years.

Trade debtor provisions (key source of estimation uncertainty)

Management provides for debts based on a combination of age and other known factors which might affect the recoverability of the debtor. The provision rates used are reassessed regularly against recovery statistics.

3. Turnover

The turnover and profit before tax are attributable to the principal activity of the Group. An analysis of turnover is given below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
United Kingdom	62,787	53,808
Middle East	11,686	9,491
Total	74,473	63,299

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Rental and ancillary services	56,870	51,406
Resale	17,603	11,893
Total	74,473	63,299

Revenue generated from the rental of hire plant under operating leases was £40,737,000 (2015: £36,403,000).

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

4. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Depreciation on unencumbered assets	10,773	9,873
Depreciation on assets held under hire purchase agreement	2,026	1,646
Goodwill amortisation	1,994	1,956
Exceptional items *	366	444
Profit on disposal of fixed assets	(2,775)	(2,041)
Cost of machines purchased for resale	15,190	9,184
Impairment of trade debtors recognised as an expense	430	343
Operating lease costs:		
Land and buildings	2,191	1,621
Plant and equipment	428	85
Vehicles	346	401
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	27	27
Fees payable for the audit of the Company's subsidiaries	48	33
Total auditors remuneration – audit services	75	60
Fees payable for corporate finance services	-	150
Total auditors remuneration – non audit services	-	150

* Exceptional items in both the current and prior year relate to one off costs arising as a result of acquisitions (including redundancy costs and onerous leases).

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

5. Information regarding directors and employees

The directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Emoluments receivable	725	700
Company contributions to money purchase pension schemes	57	56
Sums paid to third parties in respect of directors' services	-	50
	<u>782</u>	<u>806</u>

During the year retirement benefits were accrued to 4 directors (2015: 4 directors) in respect of defined contribution pension schemes. The Company considers these 4 directors to be the key management personnel.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Remuneration of highest paid director	<u>196</u>	<u>194</u>
	<u>196</u>	<u>194</u>

The highest paid director also received a £17,000 (2015: £16,000) pension contribution.

The average number of staff employed by the Group during the year was:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Operations	481	430
Administration	94	85
	<u>575</u>	<u>515</u>

The aggregate payroll costs of the above were:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	18,784	18,085
Social security costs	1,984	1,498
Other pension costs	369	332
	<u>21,137</u>	<u>19,915</u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

6. Finance costs and similar charges

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest payable on bank borrowing	2,212	1,680
Finance charges on finance leases and HP contracts	800	555
Debt issue costs	444	1,839
Other finance costs and similar charges	<u>3,456</u>	<u>4,074</u>
Exceptional finance costs	-	801
Loan note interest	<u>7,394</u>	<u>8,049</u>
	<u>10,850</u>	<u>12,924</u>

Exceptional finance costs relate to costs arising from the refinancing exercise completed during the prior year and costs incurred in the prior year as a consequence of the early termination of acquired borrowings.

7. Taxation

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current taxation		
UK Corporation tax on the loss for the year	75	119
Deferred taxation		
Origination and reversal of timing differences (note 16)	(423)	(574)
	<u>(348)</u>	<u>(455)</u>

The UK corporation tax rate will reduce to 19% effective 1 April 2017, with a further reduction to 17% effective 1 April 2020. Disclosure of deferred tax has been adjusted to reflect the enactment of the revised rates. Any rate changes that are not substantively enacted at the balance sheet date are not recognised in these financial statements.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss on ordinary activities before taxation	<u>(7,009)</u>	<u>(7,493)</u>
Tax on loss on ordinary activities at average standard UK corporation tax rate of 20% (2015: 20.25%)	(1,402)	(1,517)
Effects of:		
Expenses not deductible for taxation purposes	1,070	1,452
Adjustment in respect of prior years	85	119
Short term timing differences	239	-
Tax not at UK standard charge	<u>(340)</u>	<u>(509)</u>
Total tax credit for the year	<u>(348)</u>	<u>(455)</u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

8. Tangible fixed assets

Group

	Leasehold Improvements £'000	Hire plant £'000	Motor vehicles £'000	Other equipment £'000	Total £'000
Cost					
At 1 January 2016	1,585	106,130	4,563	4,525	116,803
Fixed assets arising on the acquisition of businesses	-	3,247	301	-	3,548
Additions	587	17,011	1,638	486	19,722
Disposals	-	(14,282)	(138)	(39)	(14,459)
Foreign exchange movement	37	3,847	-	111	3,995
At 31 December 2016	2,209	115,953	6,364	5,083	129,609
Depreciation					
At 1 January 2016	1,196	47,639	1,762	3,341	53,938
Fixed assets arising on the acquisition of businesses	-	1,087	160	-	1,247
Charge for the year	191	11,053	1,010	545	12,799
Disposals	-	(11,358)	(112)	-	(11,470)
Foreign exchange movement	31	1,089	-	94	1,214
At 31 December 2016	1,418	49,510	2,820	3,980	57,728
Net book value					
At 1 January 2016	389	58,491	2,801	1,184	62,865
At 31 December 2016	791	66,443	3,544	1,103	71,881

Hire purchase and finance lease agreements

Included within the net book value is £13,076,000 (2015: £9,996,000) relating to assets held under hire purchase and finance lease agreements.

The Company has no hire purchase or finance lease agreements.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

9. Investments

Company	Shares in subsidiary undertaking £'000
Cost	
At 1 January 2016 and 31 December 2016	2
Impairment provision	
At 1 January 2016 and 31 December 2016	-
Net book value	
At 1 January 2016 and 31 December 2016	2

The Company owns 100% of AFI Midco Limited, who in turn own 100% of AFI Bidco Limited, who in turn own 100% of AFI Holdings Limited.

AFI Holdings Limited own 100% of AFI-Uplift Limited (who in turn own 100% of Findmytraining.co.uk Limited (who in turn own 100% of Alan Drew Limited), 100% of Hi-Lift Equipment Limited, 100% of Altitude Access Limited, 100% of Hampshire Plant & Access Limited and 100% of Rapid Platform Holdings (2016) Limited (who in turn own 100% of Rapid Platforms Limited)).

AFI Holdings Limited also owns 100% of Uplift Power Platforms Limited (who in turn own 100% of Uplift Power Platforms Trustee Company Limited), Hi-Reach Limited (who in turn own 50% of North East Access Limited), Central Access Limited, AJ Rentals Limited, Aerials for Industry Limited, UTN Training Limited, AFI Aerial Platforms Limited, Instant Training Limited, Light Hire Limited, Integrated Training Solutions Limited, Wilson Access Hire Limited, SDB Rental Limited (who in turn own 49% of Access Rental Gulf LLC, 49% of Powered Access Platforms Bahrain WLL and 49% of Access Rental Gulf (Qatar) LLC) and AJ Access Holdings Limited (who in turn own 100% of AJ Access Platforms Limited). AFI Holdings Limited also owns directly 50% of North East Access Limited.

Whilst SDB Rental Limited has a 49% interest in the shares of Access Rental Gulf LLC, Powered Access Platforms Bahrain WLL and Access Rental Gulf (Qatar) LLC it has a right to give direction to all of these companies with respect to their operating and financial policies and is considered to have control. As such it treats all three entities as wholly owned subsidiaries for the Group's accounting purposes.

All companies are incorporated in the United Kingdom, with the exception of SDB Rental Limited which is incorporated in the Republic of Ireland, Access Rental Gulf LLC which is incorporated in the United Arab Emirates, Powered Access Platforms Bahrain WLL which is incorporated in Bahrain and Access Rental Gulf (Qatar) LLC which is incorporated in Qatar.

All companies incorporated in the United Kingdom are registered at 2nd Floor, West Wing, Diamond House, Diamond Business Park, Thornes Moor Road, Wakefield, WF2 8PT.

SDB Rental Limited is registered at 3 Burlington Road, Ballsbridge, Dublin 4.

Access Rental Gulf LLC is registered at Plot 368-318, Al Quoz Industrial Area 3, Dubai, UAE.

Powered Access Platforms Bahrain WLL is registered at W261, Road No. 303, Block No. 603, Mahazza, Manama, Bahrain.

Access Rental Gulf (Qatar) LLC is registered at Office 105, Regus Business Centre, Al Jaidah Square, Area 63, Airport Road, PO Box 55743, Doha, Qatar.

The only trading businesses within the Group are AFI-Uplift Limited, Integrated Training Solutions Limited, Access Rental Gulf LLC, Powered Access Platforms Bahrain WLL, Access Rental Gulf (Qatar) LLC and AJ Access Platforms Limited. The business activities of these companies relate to the hiring of powered access equipment, sales of such equipment and ancillary services.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

10. Goodwill

Group	£'000
Cost	
At 1 January 2016	39,531
Rapid Platforms Holdings (2016) Limited (note 24)	1,456
Revision to prior year goodwill	(10)
Foreign exchange movement	118
At 31 December 2016	41,095
Amortisation	
At 1 January 2016	(4,811)
Amortisation charge for the year	(1,994)
At 31 December 2016	(6,805)
Net book value	
At 1 January 2016	34,720
At 31 December 2016	34,290

The revision to prior year goodwill arose as a result of the finalisation of fair value adjustments related to prior year acquisitions.

There is no goodwill on the Company balance sheet.

11. Inventories

Group	2016 £'000	2015 £'000
Machines purchased for resale	2,175	2,681
Spares and consumables	430	463
	2,605	3,144

There is no material difference between the balance sheet value of inventories and their replacement cost.

There are no inventories on the Company balance sheet.

12. Debtors

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Amounts falling due within one year:				
Trade debtors	18,607	-	13,825	-
Amounts owed by group undertakings	-	498	-	498
Prepayments and accrued income	2,867	-	2,118	-
	21,474	498	15,943	498

No interest is charged on intercompany balances and they are due for repayment on demand

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

13. Creditors: amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade creditors	14,698	-	12,511	-
Hire purchase agreements	3,322	-	3,012	-
Other tax and social security	1,942	-	1,042	-
Other creditors	49	-	47	-
Corporation tax	69	-	119	-
Accruals and deferred income	3,901	-	3,266	-
Deferred consideration	-	-	450	-
	<u>23,981</u>	<u>-</u>	<u>20,447</u>	<u>-</u>

14. Creditors: amounts falling due after one year

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Loan notes	53,922	-	46,307	-
Bank overdrafts	46,517	-	40,949	-
Hire purchase agreements	7,193	-	4,889	-
Bank borrowings	13,880	-	14,581	-
	<u>121,512</u>	<u>-</u>	<u>106,726</u>	<u>-</u>

All hire purchase agreements are secured against the relevant assets held.

£26,961,000 of the loan notes are secured by a floating charge over the assets of the Group, whilst the remaining £26,961,000 are unsecured. They bear an interest cost of 15% per annum, which is accrued and payable on redemption. The loan notes and accrued interest are redeemable in 2021.

Bank overdrafts and bank borrowings are secured against the Group's UK fixed asset and trade receivable balances and mature on 16 July 2022.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

15. Commitments under hire purchase agreements

Future commitments under hire purchase agreements of the Group are as follows:

	2016 £'000	2015 £'000
Amounts payable within 1 year	3,322	3,012
Amounts payable between 1 and 2 years	2,733	1,874
Amounts payable between 2 and 5 years	4,460	3,015
	<u>10,515</u>	<u>7,901</u>

16. Provisions for liabilities

Deferred taxation

Group

£'000

Deferred taxation movement for the year:

Balance at 1 January 2016	3,256
Deferred tax acquired	113
Adjustment in respect of prior years	54
Current year credit	(477)
Balance at 31 December 2016	<u>2,946</u>

The amounts of deferred taxation provided at 31 December 2016 were as follows:

	2016 £'000	2015 £'000
Excess of capital allowances over depreciation on fixed assets	<u>2,946</u>	<u>3,256</u>

The amounts of deferred taxation calculated on accelerated capital allowances less accumulated losses of £nil was £2,946,000 at 31 December 2016.

The value of unrecognised deferred tax assets is £nil (2015: £nil).

17. Financial instruments

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial assets				
Financial assets measured at amortised cost	<u>21,529</u>	<u>498</u>	<u>16,899</u>	<u>498</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>91,502</u>	<u>-</u>	<u>80,662</u>	<u>-</u>

Financial assets measured at amortised cost comprise cash, trade debtors, accrued income and amounts owed by group companies.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, hire purchase agreements, accruals, deferred consideration, bank overdrafts and bank borrowings.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

18. Called up share capital and reserves

Group and Company	2016 £'000	2015 £'000
Authorised		
500,000 Ordinary shares	5	5
Allotted, called up and fully paid		
500,000 Ordinary shares of 1p per share	5	5

The Company's share capital includes 255,000 A Ordinary shares (issued to Rutland Partners LLP) and 245,000 B Ordinary shares (issued to the Group's management). The two classes of share rank pari passu in all respects.

The Group and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

The foreign exchange reserve represents the unrecognised foreign exchange gain.

19. Related party transactions

Five of the directors in the year have a beneficial interest in the freehold of a property, which is held via their self-invested personal pension plans (SIPPs) and administered by Barnett Waddingham. This is leased to AFI-Uplift Limited on an arms length basis. The amounts transacted in the year were £38,700 (2015: £38,700) and at 31 December 2016 the balance owed was £9,675 (2015: £9,675).

At 31 December 2016 following transactions in the year of £31,707 (2015: £31,707), AFI-Uplift Limited owed £nil (2015: £nil) to Bradley Court Property Limited a company related to AFI-Uplift Limited through common directors and shareholders D. McNicholas, N. Selley, R. Saunders, N. Higgins, G. Osmond and Y. Shipman (wife of D. Shipman).

At 31 December 2016 following transactions in the year of £80,000 (2015: £80,000), AFI-Uplift Limited owed £24,000 (2015: £nil) to Normandy Park Property Limited a company related to AFI-Uplift Limited through common directors and shareholders D. McNicholas, N. Selley, R. Saunders, N. Higgins, G. Osmond and Y. Shipman (wife of D. Shipman).

At 31 December 2016 following transactions in the year of £227,254 (2015: £256,514), AFI-Uplift Limited owed £18,893 (2015: £18,898) to IT2 Limited a company related to AFI-Uplift Limited through a common director and shareholder; D. Shipman.

The Group incurred management fees of £120,000 (2015: £120,000) payable to Rutland Partners LLP. The balance owed at 31 December 2016 was £4,389 (2015: £36,000).

Loan note interest of £5,220,000 was accrued to Rutland Partners LLP during the year (2015: £5,692,000) resulting in year end loan notes payable of £38,761,000 (2015: £33,541,000).

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

20. Commitments under operating leases

At 31 December the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2016		2015	
	Land and Buildings £'000	Other Items £'000	Land and buildings £'000	Other items £'000
Operating leases which expire:				
Not later than 1 year	312	155	27	223
Later than 1 year and no later than 5 years	3,003	81	2,565	271
Later than 5 years	3,570	-	3,019	-
	<u>6,885</u>	<u>236</u>	<u>5,611</u>	<u>494</u>

21. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Operating profit before exceptional items	4,207	5,875
Exceptional items	(366)	(444)
Depreciation on tangible fixed assets	12,799	11,519
Amortisation of goodwill	1,994	1,956
Profit on disposal of tangible fixed assets	(2,775)	(2,041)
Taxation	(163)	(337)
Operating cash flow before movement in working capital	<u>15,696</u>	<u>16,528</u>
Decrease in inventories	566	342
(Increase)/decrease in debtors	(3,607)	456
Increase/(decrease) in creditors	5,031	(2,526)
Cash generated by operations	<u>17,686</u>	<u>14,800</u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

22. Reconciliation of net cash flow to movement in net debt

	2016 £'000	2015 £'000
Decrease in cash in the year	5,486	7,134
Net cash flow in respect of bank borrowings and deferred consideration	(1,200)	13,662
Net cash flow in respect of hire purchase agreements	392	(1,138)
Change in net debt resulting from cash flows	4,678	19,658
Non cash flow movements	1,846	1,201
HP financing acquired with subsidiaries	601	2,481
Net debt movement during the year	7,125	23,340
Net debt at start of year	60,935	37,595
Net debt at end of year	68,060	60,935

23. Analysis of changes in net debt

	At 1 January 2016 £'000	Cash flows £'000	Non cash flow movement £'000	On acquisition £'000	At 31 December 2016 £'000
Net cash:					
Cash in hand and at bank	(2,946)	94	-	-	(2,852)
Bank overdrafts	40,949	5,185	176	207	46,517
	38,003	5,279	176	207	43,665
Bank borrowings	14,581	(750)	49	-	13,880
Deferred consideration	450	(450)	-	-	-
Hire purchase agreements	7,901	392	1,621	601	10,515
Net debt	60,935	4,471	1,846	808	68,060

The table above represents third party net debt. Loan notes issued to shareholders are therefore excluded.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2016

24. Purchase of business

Rapid Platforms Holdings (2016) Limited

On 12 October 2016, AFI-Uplift Limited acquired 100% of the share capital of Rapid Platforms Holdings (2016) Limited and its subsidiary Rapid Platforms Limited for £2,840,000. This comprised £2,586,000 cash consideration on acquisition and associated acquisition expenses of £254,000. Accordingly goodwill of £1,456,000 arose on the acquisition. The book values and provisional fair value adjustments are listed below:

	Book value 12 October 2016 £'000	Fair value 12 October 2016 £'000	Total 12 October 2016 £'000
Fixed assets	1,202	1,099	2,301
Current assets	613	-	613
Cash	(207)	-	(207)
Hire purchase agreements	(601)	-	(601)
Other creditors	(622)	(100)	(722)
	<u>385</u>	<u>999</u>	<u>1,384</u>

The fair value adjustments above have been made to align accounting policies.

The principal activity of the business is consistent with the Group.

Rapid Platforms Holdings (2016) Limited did not trade pre-acquisition.

Rapid Platforms Limited made a profit after tax of £106,000 for the 12 months ending 30 September 2016.

Post acquisition

Following the acquisition, the trade and assets of Rapid Platforms Limited were immediately hived up into AFI-Uplift Limited and were operated as one single business. Accordingly it is not possible to reasonably allocate turnover, operating profit, or cash flows to provide an indication of their separate impact on the Group's results.

25. Post balance sheet events

On 17th July 2017 AFI-Uplift Limited acquired the business and assets of Kimberly Rentals Group Limited and Kimberly Group Limited. In the year ended 31 December 2016 the businesses had combined turnover and EBITDA of £13.2 million and £3.5 million respectively.

The acquisition was financed by an extension of the Groups banking facilities with PNC Business Credit which saw an increase in the senior debt facility from £70 million to £102 million. Bank overdrafts and bank borrowings are secured against the Group's UK fixed asset and trade receivable balances and mature on 16 July 2022.

26. Controlling party

AFI Topco Limited is a company ultimately controlled by Rutland Fund II LP and Rutland Fund II CCLP, each of which act by their manager Rutland Partners LLP.