

Company Registration No. 08473421

AFI Topco Limited

Report and Financial Statements

Year ended 31 December 2017

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AFI Topco Limited

Report and financial statements Year ended 31 December 2017

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AFI Topco Limited

Report and financial statements Year ended 31 December 2017

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 2017

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 2017.

Here are some of the highlights of another successful year:

Financial:

- Group turnover increased to £91.4m (FY16: £74.5m);
- Group EBITDA (before exceptional items) increased to £23.6m (FY16: £19.0m);
- Net operating cashflow generated by the Group increased to £20.4m (FY16: £17.7m); and
- The Group traded with another record number of customers (FY17: 15,022 trading customer accounts compared to FY16: 12,065).

Operational:

- Further significant investment in the rental fleet (FY17: £18.2m) in order to support our commitment to delivering market leading levels of customer service and our ongoing drive to improve operating efficiency;
- The completion of the scale changing Kimberly acquisition in July 2017 has significantly strengthened our position in the key UK self-propelled access rental market;
- The opening of a new depot in Bahrain has further strengthened our Middle East network; and
- We continue to invest heavily in enhancing the skills and wellbeing of our team and have maintained 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.

2018 & Outlook:

- Trading in the first half of the current year has been robust with good progress made despite prolonged periods of bad weather and economic uncertainty in the UK; and
- Overall, we expect to report strong growth in our FY18 financial results and we continue to believe that the UK and Middle East powered access rental markets offer attractive prospects for carefully managed growth.

Strategic Overview

Our strategy as always remains focused on our core principles, which continue to underpin the successful 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 acquisition opportunities to move our business forward.

We have continued to make good progress in all of these key areas in 2017.

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:

- Group turnover increased to £91.4m (FY16: £74.5m) including an increase of £12.9m in our core rental and training businesses;
- Group EBITDA (before exceptional items) increased to £23.6m (FY16: £19.0m); and
- EBITDA (before exceptional items) margin in our core rental and training businesses eased slightly to 31.6% (FY16: 32.8%) as we continued to invest heavily in developing our people, improving our customer service offering, enhancing our operating systems and extending our geographic footprint in the Middle East.

AFI Topco Limited

Strategic Report Year ended 31 December 2017

The completion of the strategic acquisition of Kimberly in July 2017 has significantly strengthened our position in the key UK self-propelled access rental market. The acquisition was funded by an increased senior debt facility provided by our bankers, PNC Business Credit ("PNC"), and included a £3.3m extension to our term loan facility. This scale changing acquisition has added close to 1,500 machines to our rental fleet and has increased pro-forma annual Group turnover to almost £100m. The Kimberly business was fully integrated into our UK rental operation in the second half of the year and has delivered significant synergies. In particular we now have a much stronger presence in what we term the Superset market. We see this as the market for scissor lifts with above 20 metres reach and boom lifts with above 32 metres reach where the capital costs of the machines, let alone the greater engineering and operational complexities of the machines, act as a natural barrier to entry for many of our competitors. In a market that remains very competitive the enhanced scale and significant synergies delivered by the Kimberly acquisition are crucial to improving our competitiveness and margins going forward.

The progress that we have made in the last 5 years enables us to 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. None of this would be possible without our strong operating cashflows and in the year:

- Net operating cashflow generated by the Group increased to £20.4m (FY16: £17.7m);
- Our average rental fleet age increased to 5.8 years (FY16: 5.0 years). The increase in our average fleet age is wholly a result of the Kimberly acquisition as Kimberly operated an older rental fleet than our UK rental business. We knew this at the time the acquisition was negotiated and we believe that our overall average fleet age is still lower than that of our major competitors. All of the acquired machines have been thoroughly inspected and we are working our way through a fleet refreshment programme designed to deliver the optimal mix of fleet for a business of our scale going forward. In the meantime we have continued to invest heavily in new machines (FY17: £18.2m excluding the £12.8m attributed to the fixed assets acquired as part of the Kimberly acquisition) in order to support our ongoing commitment to delivering market leading levels of customer service and our ongoing drive to improve operating efficiency;
- Our UK resale businesses performed strongly in the year, which has enabled us to continue to maximise the disposal value of our retired rental machines in order to support our "cradle to grave" fleet management programme. This is particularly important as we continue to dispose of the older Kimberly machines acquired in the year. Elsewhere in the Group we launched our Middle East resale business to target the disposal of the older machines in our Middle East rental fleet. These are early days for this business but we have seen encouraging progress with the first machines shipped to both Southern Asia and South East Asia; and
- We are now fully operational in Bahrain and our Middle East network now extends to four of the GCC members. Whilst we have no current plans to open in the two remaining GCC countries (Oman and Kuwait) we continue to monitor the opportunity to do so. Our new Middle East resale business has also generated several opportunities to potentially partner with powered access rental businesses further afield and we will consider each of these opportunities on their merits. If we believe that we can leverage our industry expertise and our balance sheet, and successfully mitigate the challenges of operating in the markets concerned, then we will look to capitalise on the opportunities. Rest assured that we will continue to balance risk and reward, with a heavy emphasis on managing risk.

Enhancing the skills and wellbeing of our team remains absolutely central to our ongoing success and we continued to make progress during the year:

- Shortage of skills is arguably the biggest challenge that we will face as a business, especially in the UK, in the years ahead. An ageing workforce and the ongoing difficulty of attracting younger people into our industry is a challenge that we face in common with many of our customers, suppliers and competitors. It is, therefore, essential that we continue to invest heavily in developing the skills of our team in order to improve productivity and I'm pleased to report that we have yet again recorded a record number of training days;

AFI Topco Limited

Strategic Report

Year ended 31 December 2017

- We have continued to recruit apprentices in all areas of the business and it is particularly rewarding to see some of our early apprentices beginning to move into management positions. As we face up to the challenge of attracting younger people into our team the success of some of our early apprentices is a great example of what can be achieved in our business and they are valuable role models;
- If we are going to successfully attract future generations into our team it is also important that we not only demonstrate the opportunities available for career progression but that we continue to improve wellbeing. One area of particular focus in our training days has been safety awareness. This ongoing focus has been recognised yet again by ROSPA (Gold Award); and
- Elsewhere we continue to focus more attention on lowering our carbon footprint in order to improve the wellbeing of society as a whole. We have an ongoing programme to replace older vehicles in our transport fleet and are rolling out a number of initiatives from installing smart meters in our operating locations in order to reduce energy consumption to encouraging the greater use of video conferencing to reduce the number of miles travelled by our management team.

Our ongoing focus on delivering a great customer service remains central to our success. We are very proud to be 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:

- The Group traded with another record number of customers (FY17: 15,022 trading customer accounts compared to FY16: 12,065). The depth and breadth of our customer base is an enormous strength of our business;
- We continued to improve our performance as measured by a comprehensive range of customer service focused key performance indicators ("KPI's"). These KPI's are now an integral part of our incentive schemes as we drive further improvements. In a competitive market place it is essential that we continue to improve our customer service offering and invest in supporting this improvement; and
- We have continued to develop our online rental and training ordering systems in the UK. We recently passed a significant milestone with the cumulative value of customer orders processed via our online training system exceeding £1million. Our online rental system continues to be used by our customers mainly for the opening of new accounts and as a repository of information but we remain convinced that digital disruption is inevitable over time and we will continue to invest heavily in creating industry leading online trading platforms in preparation for the future.

2018 & Outlook

Trading in the first half of the current year has been robust with good progress made despite prolonged periods of bad weather and economic uncertainty in the UK. The fact that we have made good progress against this backdrop and have repaid, earlier than scheduled, part of the extension to our term loan facility provided by PNC to fund the Kimberly acquisition, is testament to the strength of our business. The successful completion of the Kimberly acquisition was scale changing and, in a market where scale will be increasingly important, we believe that our ongoing focus on providing superior fleet availability supported by great customer service delivered by a committed team has created a strong foundation for the Group to continue prospering.

Overall, we expect to report strong growth in our FY18 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. 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

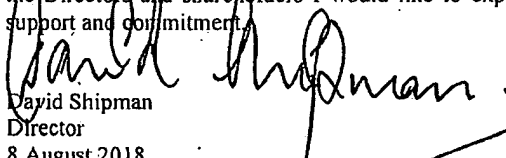
It is important that the last but by no means least important words of this report are dedicated as always to our team. There is a reason that whenever we reiterate our core principles we place the team in first position. Without them and their ongoing commitment we would not be able to provide a great customer service, which would make improving operating efficiency and generating strong operating cashflows impossible.

AFI Topco Limited

Strategic Report

Year ended 31 December 2017

They are undoubtedly our greatest asset and they have again risen to the challenge of improving and growing our business in the last year. Never was this more important than during the acquisition of Kimberly. To fully integrate a scale changing acquisition and deliver the targeted synergies whilst continuing to run our existing business was a tangible demonstration of their ability and commitment. 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

8 August 2018

AFI Topco Limited

Directors' report Year ended 31 December 2017

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 12, and discussed in greater detail in the Strategic Report.

During the year the Company declared dividends of £nil (2016: £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.

Existence of branches outside the UK

The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

- Saudi Arabia (Jeddah)

AFI Topco Limited

Directors' report Year ended 31 December 2017

Going concern

The Group delivered an EBITDA of £23.6m (FY16: £19.0m) as a result of strong trading and the acquisition of the business and assets of Kimberly Group, resulting in net cash flows from operating activities of £20.4m (FY16: £17.7m).

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 the loss for the financial year, net liabilities position and 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:

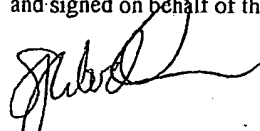
- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish 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
8 August 2018

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.

AFI Topco Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AFI Topco Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AFI Topco Limited (the 'company') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

AFI Topco Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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.

AFI Topco Limited

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

Report on other legal and regulatory requirements

Opinions 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.

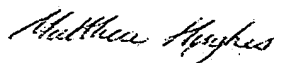
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic or directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
9 August 2018

AFI Topco Limited

Consolidated profit and loss account Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	3	91,425	74,473
Cost of sales		(64,028)	(51,290)
Gross profit		27,397	23,183
Goodwill amortisation	4	(2,124)	(1,994)
Other administration expenses	4	(19,648)	(16,982)
Exceptional items	4	(4,896)	(366)
Total administrative expenses		(26,668)	(19,342)
Operating profit	4	729	3,841
Goodwill amortisation		2,124	1,994
Exceptional items		4,896	366
Operating profit before goodwill amortisation and exceptional items		7,749	6,201
Other finance costs and similar charges	6	(4,483)	(3,456)
(Loss) / profit before loan note interest and taxation		(3,754)	385
Goodwill amortisation		2,124	1,994
Exceptional items		4,896	366
Profit before exceptional items, goodwill amortisation, loan note interest and taxation		3,266	2,745
Loan note interest	6	(8,544)	(7,394)
Loss on ordinary activities before taxation		(12,298)	(7,009)
Tax on loss on ordinary activities	7	(16)	348
Loss for the financial year		(12,314)	(6,661)

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 2017

	2017 £'000	2016 £'000
Loss for the financial year	(12,314)	(6,661)
Unrealised foreign exchange (loss) / gain	(1,093)	2,135
Total comprehensive loss	<u>(13,407)</u>	<u>(4,526)</u>

AFI Topco Limited

Consolidated balance sheet As at 31 December 2017

		2017	2016
		£'000	£'000
Fixed assets	Note		
Tangible assets	8	85,465	71,881
Goodwill	10	34,932	34,290
		<u>120,397</u>	<u>106,171</u>
Current assets			
Inventories	11	2,902	2,605
Debtors	12	23,721	21,474
Cash at bank and in hand		5,541	2,852
		<u>32,164</u>	<u>26,931</u>
CREDITORS: amounts falling due within one year	13	(29,550)	(23,981)
Net current assets		<u>2,614</u>	<u>2,950</u>
Total assets less current liabilities		<u>123,011</u>	<u>109,121</u>
CREDITORS: amounts falling due after more than one year	14	85,260	67,590
Provision for liabilities			
Deferred taxation	16	(2,865)	(2,946)
Onerous leases	16	(943)	-
		<u>(3,808)</u>	<u>(2,946)</u>
Total net assets employed		<u>33,943</u>	<u>38,585</u>
Financed by:			
Loan notes	14	62,688	53,922
	14	<u>147,948</u>	<u>121,512</u>
Ordinary share capital	18	5	5
Share premium account	18	495	495
Foreign exchange reserve	18	1,485	2,578
Profit and loss account	18	(30,730)	(18,415)
Shareholders' deficit		<u>(28,745)</u>	<u>(15,337)</u>
Total financing		<u>33,943</u>	<u>38,585</u>

The consolidated financial statements of AFI Topco Limited, registered number 08473421, were approved by the board of directors and authorised for issue on 8 August 2018.

Signed on behalf of the Board of Directors

David Shipman
David Shipman
Director

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

AFI Topco Limited

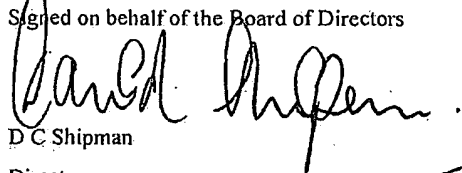
Company balance sheet As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	9	2	2
		<u>2</u>	<u>2</u>
Current assets			
Debtors	12	498	498
		<u>498</u>	<u>498</u>
Net current assets		<u>498</u>	<u>498</u>
Total net assets employed		<u>500</u>	<u>500</u>
Ordinary share capital	18	5	5
Share premium account	18	495	495
		<u>500</u>	<u>500</u>
Total shareholders' funds		<u>500</u>	<u>500</u>

The financial statements of AFI Topco Limited, registered number 08473421, were approved by the board of directors and authorised for issue on 8 August 2018. 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 (2016: £nil) before equity dividends of £nil (2016: £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 2017

	Ordinary share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2016	5	495	443	(11,754)	(10,811)
Retained loss	-	-	-	(6,661)	(6,661)
Foreign exchange gain	-	-	2,135	-	2,135
Total comprehensive income	-	-	2,135	(6,661)	(4,526)
At 31 December 2016	<u>5</u>	<u>495</u>	<u>2,578</u>	<u>(18,415)</u>	<u>(15,337)</u>
At 1 January 2017	5	495	2,578	(18,415)	(15,337)
Retained loss	-	-	-	(12,314)	(12,314)
Foreign exchange loss	-	-	(1,093)	-	(1,093)
Total comprehensive income	-	-	(1,093)	(12,314)	(13,407)
At 31 December 2017	<u>5</u>	<u>495</u>	<u>1,485</u>	<u>(30,729)</u>	<u>(28,744)</u>

AFI Topco Limited

Company statement of changes in equity Year ended 31 December 2017

	Ordinary share capital £'000	Share premium account £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 31 December 2016 and 2017	5	495	-	500

AFI Topco Limited

Consolidated cash flow statement Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash flows from operating activities	21	20,318	17,510
Cash flows from investing activities			
Interest paid		(4,028)	(3,010)
Purchase of tangible fixed assets		(20,971)	(22,082)
Proceeds from sale of tangible fixed assets		5,594	5,765
Cash consideration for acquisitions		(16,222)	(2,830)
Cash arising on acquisitions		2	(207)
Payment of deferred consideration		-	(450)
Net cash flows from investing activities		<u>(35,625)</u>	<u>(22,814)</u>
Cash flows from financing activities			
Hire purchase raised	23	3,553	4,650
Repayment of obligations under hire purchase	23	(3,319)	(4,258)
Bank borrowings raised		3,313	
Repayment of bank borrowings	23	(800)	(750)
Net cash flow from financing activities		<u>2,747</u>	<u>(358)</u>
Net decrease in cash and cash equivalents		<u>(12,560)</u>	<u>(5,662)</u>
Cash and cash equivalents at beginning of year		(43,665)	(38,003)
Cash and cash equivalents at end of year		<u><u>(56,225)</u></u>	<u><u>(43,665)</u></u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

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 6.

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 on a straight line 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.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

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.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

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.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

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.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

Depreciation rates of tangible assets

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.

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 2017 £'000	Year ended 31 December 2016 £'000
United Kingdom	77,232	62,787
Middle East	14,193	11,686
Total	<u>91,425</u>	<u>74,473</u>

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Rental and ancillary services	69,805	56,870
Resale	21,620	17,603
Total	<u>91,425</u>	<u>74,473</u>

Revenue generated from the rental of hire plant under operating leases was £48,475,000 (2016: £40,737,000).

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

4. Operating profit

Operating profit is stated after charging/(crediting):	2017 £'000	2016 £'000
Depreciation on unencumbered assets	13,941	10,773
Depreciation on assets held under hire purchase agreement	1,865	2,026
Goodwill amortisation	2,124	1,994
Exceptional items *	4,896	366
Profit on disposal of fixed assets	(2,298)	(2,775)
Cost of machines purchased for resale	18,711	15,190
Impairment of trade debtors recognised as an expense	475	430
Operating lease costs:		
Land and buildings	2,503	2,191
Plant and equipment	368	428
Vehicles	155	346
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	54	48
Total auditors remuneration – audit services	81	75

* Exceptional items in the current year largely relate to one-off costs arising as a result of the acquisition of the trade and assets of Kimberly Rentals Group Limited and Kimberly Group Limited (Note 24) and include the cash costs of both redundancy and aligning rental fleet standards and the provision for onerous leases.

Exceptional items in the 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 2017

5. Information regarding directors and employees

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

	2017 £'000	2016 £'000
Emoluments receivable	867	725
Company contributions to money purchase pension schemes	59	57
	<u>926</u>	<u>782</u>

During the year retirement benefits were accrued to 4 directors (2016: 4 directors) in respect of defined contribution pension schemes. The Company considers these 4 directors to be the key management personnel.

	2017 £'000	2016 £'000
Remuneration of highest paid director	233	196
	<u>233</u>	<u>196</u>

The highest paid director also received a £17,000 (2016: £17,000) pension contribution.

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

	2017 £'000	2016 £'000
Operations	506	481
Administration	120	94
	<u>625</u>	<u>575</u>

The aggregate payroll costs of the above were:

	2017 £'000	2016 £'000
Wages and salaries	21,922	18,784
Social security costs	2,010	1,984
Other pension costs	387	369
	<u>24,319</u>	<u>21,137</u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

6. Finance costs and similar charges

	2017 £'000	2016 £'000
Interest payable on bank borrowing	3,253	2,212
Finance charges on finance leases and HP contracts	838	800
Amortisation of debt issue costs	392	444
Other finance costs and similar charges	4,483	3,456
Loan note interest	8,544	7,394
	<u>13,027</u>	<u>10,850</u>

7. Taxation

	2017 £'000	2016 £'000
Current taxation		
UK Corporation tax on the loss for the year	-	75
Adjustments for prior periods	(7)	-
Overseas Corporation tax on the loss for the year	104	-
Deferred taxation		
Origination and reversal of timing differences (note 16)	(283)	(423)
Adjustments in respect of prior periods (note 16)	202	-
	<u>16</u>	<u>(348)</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.

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	<u>(12,298)</u>	<u>(7,009)</u>
Tax on loss on ordinary activities at average standard UK corporation tax rate of 19.25% (2016: 20%)	(2,368)	(1,402)
Effects of:		
Expenses not deductible for taxation purposes	2,233	1,070
Adjustment in respect of prior years	195	85
Short term timing differences	37	239
Tax not at UK standard charge	(81)	(340)
Total tax debit / (credit) for the year	<u>16</u>	<u>(348)</u>

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

8. Tangible fixed assets

Group

	Leasehold Improvements £'000	Hire plant £'000	Motor vehicles £'000	Other equipment £'000	Total £'000
Cost					
At 1 January 2017	2,209	115,953	6,364	5,083	129,609
Fixed assets arising on the acquisition of businesses	-	12,711	130	-	12,841
Additions	168	18,185	2,449	592	21,394
Disposals	(2)	(9,934)	(518)	(11)	(10,465)
Foreign exchange movement	(11)	(2,458)	-	(7)	(2,476)
At 31 December 2017	2,364	134,457	8,425	5,657	150,903
Depreciation					
At 1 January 2017	1,418	49,510	2,820	3,980	57,728
Charge for the year	241	13,566	1,373	626	15,806
Disposals	(2)	(6,789)	(376)	(2)	(7,169)
Foreign exchange movement	(5)	(921)	-	(1)	(927)
At 31 December 2017	1,652	55,366	3,817	4,603	65,438
Net book value					
At 1 January 2017	791	66,443	3,544	1,103	71,881
At 31 December 2017	712	79,091	4,608	1,054	85,465

Hire purchase and finance lease agreements

Included within the net book value is £10,376,000 (2016: £13,076,000) 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 2017

9. Investments

Company	Shares in subsidiary undertaking £'000
Cost	
At 1 January 2017 and 31 December 2017	2
Impairment provision	
At 1 January 2017 and 31 December 2017	-
Net book value	
At 1 January 2017 and 31 December 2017	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, 100% of Rapid Platform Holdings (2016) Limited (who in turn own 100% of Rapid Platforms Limited) and 100% of 1st Access Rentals Limited).

AFI Holdings Limited also owns 100% of Uplift Power Platforms Limited (who in turn own 100% of Uplift Power Platforms Trust 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 2017

10. Goodwill

Group	£'000
Cost	
At 1 January 2017	41,095
Additions (note 24)	2,827
Revision to prior year goodwill	(28)
Foreign exchange movement	(33)
	<u>43,861</u>
At 31 December 2017	
Amortisation	
At 1 January 2017	(6,805)
Amortisation charge for the year	(2,124)
	<u>(8,929)</u>
At 31 December 2017	
Net book value	
At 1 January 2017	<u>34,290</u>
At 31 December 2017	<u>34,932</u>

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	2017 £'000	2016 £'000
Machines purchased for resale	2,557	2,175
Spares and consumables	345	430
	<u>2,902</u>	<u>2,605</u>

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 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts falling due within one year:				
Trade debtors	20,399	-	18,607	-
Amounts owed by group undertakings	-	498	-	498
Prepayments and accrued income	3,322	-	2,867	-
	<u>23,721</u>	<u>498</u>	<u>21,474</u>	<u>498</u>

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 2017

13. Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000
Trade creditors	19,511	14,698
Hire purchase agreements	2,925	3,322
Other tax and social security	1,113	1,942
Other creditors	56	49
Corporation tax	-	69
Accruals and deferred income	5,506	3,901
Deferred consideration (Note 24)	439	-
	<u>29,550</u>	<u>23,981</u>

The company has no creditors falling due within one year.

14. Creditors: amounts falling due after one year

	Group 2017 £'000	Group 2016 £'000
Loan notes	62,688	53,922
Asset based lending facility	61,766	46,517
Hire purchase agreements	6,919	7,193
Bank borrowings	16,575	13,880
	<u>147,948</u>	<u>121,512</u>

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

£31,344,000 of the loan notes are secured by a floating charge over the assets of the Group, whilst the remaining £31,344,000 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.

The company has no creditors falling due after one year.

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

15. Commitments under hire purchase agreements

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

	2017 £'000	2016 £'000
Amounts payable within 1 year	2,925	3,322
Amounts payable between 1 and 2 years	2,923	2,733
Amounts payable between 2 and 5 years	3,995	4,460
	<u>9,843</u>	<u>10,515</u>

16. Provisions for liabilities

	Deferred taxation £'000	Onerous lease £'000	Total £'000
Group			
Balance at 1 January 2017	2,946	-	2,946
Charged to profit and loss account	(283)	1,216	933
Utilisation of provision	-	(273)	(273)
Adjustment in respect of prior years	202	-	202
	<u>2,865</u>	<u>943</u>	<u>3,808</u>
Balance at 31 December 2017			

The amounts of deferred taxation provided at 31 December 2017 were as follows:

	2017 £'000	2016 £'000
Excess of capital allowances over depreciation on fixed assets	<u>2,865</u>	<u>2,946</u>

The amounts of deferred taxation calculated on accelerated capital allowances less accumulated losses of £nil was £2,865,000 at 31 December 2017.

The value of unrecognised deferred tax assets is £nil (2016: £nil).

17. Financial instruments

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial assets				
Financial assets measured at amortised cost	<u>26,838</u>	<u>498</u>	<u>21,529</u>	<u>498</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>113,511</u>	<u>-</u>	<u>91,502</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 2017

18. Called up share capital and reserves

Group and Company	2017 £'000	2016 £'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 252,450 A Ordinary shares (issued to Rutland Partners LLP) and 247,550 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 £41,060 (2016: £38,700) and at 31 December 2017 the balance owed was £1,180 (2016: £9,675).

At 31 December 2017 following transactions in the year of £31,707 (2016: £31,707), AFI-Uplift Limited owed £9,512 (2016: £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 2017 following transactions in the year of £80,000 (2016: £80,000), AFI-Uplift Limited owed £24,000 (2016: £24,000) 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 2017 following transactions in the year of £367,618 (2016: £227,254), AFI-Uplift Limited owed £39,523 (2016: £18,893) 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 (2016: £120,000) payable to Rutland Partners LLP. The balance owed at 31 December 2017 was £30,354 (2016: £4,389).

Loan note interest of £6,032,000 was accrued to Rutland Partners LLP during the year (2016: £5,220,000) resulting in year end loan notes payable of £44,793,000 (2016: £38,761,000).

AFI Topco Limited

Notes to the consolidated financial statements Year ended 31 December 2017

20. Commitments under operating leases

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

	2017		2016	
	Land and Buildings £'000	Other Items £'000	Land and buildings £'000	Other items £'000
Operating leases which expire:				
Not later than 1 year	658	42	312	155
Later than 1 year and no later than 5 years	2,985	173	3,003	81
Later than 5 years	4,667	-	3,570	-
	<u>8,310</u>	<u>215</u>	<u>6,885</u>	<u>236</u>

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

	2017 £'000	2016 £'000
Operating profit before exceptional items	5,625	4,207
Exceptional items*	(4,896)	(366)
Depreciation on tangible fixed assets	15,806	12,799
Amortisation of goodwill	2,124	1,994
Profit on disposal of tangible fixed assets	(2,298)	(2,775)
Taxation	(167)	(163)
Operating cash flow before movement in working capital	<u>16,194</u>	<u>15,696</u>
(Increase)/decrease in inventories	(80)	566
(Increase)/decrease in debtors	195	(3,607)
Increase in creditors	4,009	4,855
Cash generated by operations	<u>20,318</u>	<u>17,510</u>

* Exceptional items in the current year largely relate to one-off costs arising as a result of the acquisition of the trade and assets of Kimberly Rentals Group Limited and Kimberly Group Limited (Note 24) and include the cash costs of both redundancy and aligning rental fleet standards and non-cash provisions for onerous leases (£943,000).

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Notes to the consolidated financial statements Year ended 31 December 2017

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

	2017 £'000	2016 £'000
Decrease in cash in the year	12,509	5,486
Net cash flow in respect of bank borrowings and deferred consideration	2,952	(1,200)
Net cash flow in respect of hire purchase agreements	235	392
Change in net debt resulting from cash flows	15,696	4,678
Non cash flow movements	(674)	1,846
HP financing acquired with subsidiaries	-	601
Net debt movement during the year	15,022	7,125
Net debt at start of year	68,060	60,935
Net debt at end of year	83,082	68,060

23. Analysis of changes in net debt

	At 1 January 2017 £'000	Cash flows £'000	Non cash flow movement £'000	On acquisition £'000	At 31 December 2017 £'000
Net cash:					
Cash in hand and at bank	(2,852)	(2,691)	-	2	(5,541)
Bank overdrafts	46,517	15,198	50	-	61,766
	43,665	12,507	50	2	56,225
Bank borrowings	13,880	2,513	183	-	16,575
Deferred consideration	-	439	-	-	439
Hire purchase agreements	10,515	235	(907)	-	9,843
Net debt	68,060	15,694	(674)	2	83,082

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

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24. Purchase of business

Kimberly Rentals Group Limited and Kimberly Group Limited

On 17th July 2017 AFI-Uplift Limited acquired the trade and assets of Kimberly Rentals Group Limited and Kimberly Group Limited for £16,689,000, of which £16,250,000 was paid cash and £439,000 held as deferred consideration. Accordingly goodwill of £2,827,000 arose on the acquisition. The book values and provisional fair value adjustments are listed below:

	Book value 17 July 2017 £'000	Fair value 17 July 2017 £'000	Total 17 July 2017 £'000
Fixed assets	14,586	(1,746)	12,840
Current assets	3,529	(109)	3,420
Cash	2	-	2
Other creditors	(2,286)	(114)	(2,400)
	<u>15,831</u>	<u>(1,969)</u>	<u>13,862</u>

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

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

In the year ended 31 December 2016 the businesses had combined turnover of £13.2 million and a loss before tax of £1.5 million.

Post acquisition

Following the acquisition of Kimberly Rentals Group Limited and Kimberly Group Limited, the trade and assets were immediately integrated into the existing operations of AFI-Uplift Limited. 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. 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.