Kelling Group Limited

Annual Report and Financial Statements

Year Ended

30 September 2019

Company Number 11112713

Kelling Group Limited

Company Information

Directors	J B Wood A G P Bishop T Burge S Moore
Registered number	11112713
Registered office	Unit F, Trident Park Rosie Road Normanton England WF6 1ZB
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Kelling Group Limited

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Kelling Group Limited

Group Strategic Report
For the Year Ended 30 September 2019

Introduction

On 12 January 2018, the group underwent a secondary management buy out supported by Alinda Capital Partners, one of the world's largest and most experienced infrastructure investment firms. As part of this transaction funds managed by Alinda, along with Kelling's management team invested to acquire 100% of the issued share capital of Access Hire Nationwide Limited "AHN" and Welfare Hire Nationwide Limited "WHN". This transaction has provided access to capital and a platform for the Shareholders to continue to grow Kelling Group. Both AHN and WHN are recognised market leaders in their respective fields.

Business review

AHN

The group's activities include the hire of Vehicle Mounted Access Platforms and specialist vehicles to core markets including, inter alia, Power, Telecommunications, Local Authorities and leading UK utility and infrastructure based businesses. AHN has grown to become the UK's market leader in the hire of Vehicle Mounted Access Platforms (VMAPs). The business continues to grow and win market share, remaining focused on long term hire business in stable, attractive end markets. AHN continues to achieve healthy growth with revenues increasing by c6%.

The Shareholders have invested significantly in AHN's Vehicle Mounted Access fleet with the philosophy of providing a market leading fleet, supported by a knowledgeable and experienced team. Focussing on markets management understand, AHN has progressed to become the market leader in Vehicle Mounted Access and is considered a specialist in its field with exceptional levels of customer service. It is a trusted and integral service partner with its customers, supporting the operations of most infrastructure businesses in the UK.

A combination of specific market focus, long term hire and an efficient operating model all contribute to its unique scalability and financial performance. This is in contrast to what is ordinarily achieved in many traditional UK rental businesses.

WHN

WHN follows a similar strategy in applying the same commercial principles of developing a market leading, niche focussed rental business. Specialising in the supply of high quality, energy efficient mobile welfare and lighting products, along with a strong focus on customer service, the business has differentiated itself from the competition and gained considerable market share in its chosen markets.

New product lines, combined with a strengthened senior management team and depot structure have assisted with continued product roll out and growth where hire revenues and EBITDA have increased by c27% and c24% respectively on previous year. Growth has continued to be strong into the current financial year at a similar rate where we expect to see another robust year of growth in both revenue and profitability.

GROUP

The group has continued to prosper since the investment and partnership with Alinda achieving healthy growth in both revenues and EBITDA. The directors are satisfied with the progress and performance of both businesses and remain focussed upon their strategy of delivering robust levels of organic growth and increased earnings. The results for the 12 months to September 2018 and September 2019 (extracted from the accounting records) were as follows:

	2019 £'000	2018 £'000
Turnover	23,192	20,136
EBITDA	13,611	12,335

Whilst growth remains the primary focus of most businesses, the board recognise and take a very responsible view on financing and cash generation, carefully monitoring and allocating its resources in strengthening the foundation and fabric of the business. We ensure that the Group's overall debt package is prudent, well structured and flexible which enables us to optimise the opportunities presented in our end markets. We review our financing options on a regular basis to ensure these are optimal in the interests of our Shareholders.

The group's headquarters is a modern 52,000 square foot facility with exceptional motorway links giving ample scope for future growth.

Principal risks and uncertainties

The business mitigates exposure to cyclical markets by targeting longer term hire business in robust, stable sectors and taking a longer-term strategic view on investment and capital expenditure plans. It maintains its fleets in excellent condition and carefully manages fleet age profiles, meanwhile focusing on new efficient technologies and products. Furthermore, as a niche provider focusing on a specialised product range, it is able to adapt swiftly to changes in market conditions and control potential trading risks and uncertainties.

The Directors recognise that a solid capital base, robust and healthy margins, returns on capital and cash generation are essential to our business and the Board takes a prudent, diligent and responsible approach to optimise these key areas.

The Board has not experienced any trading impact relating to Brexit.

Competition

The group continues to invest in ensuring that it maintains a market leading fleet. AHN and WHN work closely with and support their clients' operations through a partnership approach, focusing on markets they know well. They proactively promote their businesses and ensure that they remain ahead of the competition in product quality, service and commercial awareness. The Directors are fully in tune with market conditions and pursue growth and new opportunities, whilst remaining agile and being able to adapt quickly to any changing market conditions.

The strategy of investing in leading products, combined with astute commercial management and a focussed sales and marketing strategy allows the business to succeed over its competitors. The business is not hindered by many of the constraints surrounding other market incumbents and, in particular, listed businesses operating in the sector.

Liquidity

The Directors take a prudent approach to debt and carefully manage cash flow and working capital requirements to ensure the business continues to gain financial strength and improve its liquidity position. There are stringent policies on trade debtor management and careful monitoring of exposure, protecting the business from potential bad debt.

Interest rate risk

The Board take a responsible view on debt financing and ensure that gearing, leverage and interest cover remains solid.

Operational KPIs and Financial Reporting

The Board are issued with operating KPIs on a weekly basis, ensuring the Board is fully in tune with current trading conditions.

The Board is presented with a financial forecast prior to the commencement of the trading year. The content of the forecasts is based upon a series of management assumptions and practical interpretations. Consolidated Management Accounts form part of a reporting pack produced at the end of each trading month. These are supported by Management Accounts for each of the trading subsidiaries and include Profit & Loss Account, Balance Sheet, Funds flow and a full breadth of documents including operational and financial KPIs, operating cash flow and banking information.

A summary report is produced by the Company's CEO and CFO and presented to the Board with each monthly information pack.

This report was approved by the board on 3rd March 2020. and signed on its behalf.

J B Wood
Director

Kelling Group Limited

Directors' Report
For the Year Ended 30 September 2019

The directors present their report and the audited financial statements for the year ended 30 September 2019.

On 17 January 2019, the Company changed its name from Skye Bidco Limited to Kelling Group Limited.

In the prior period, the Company changed its accounting reference date to 30 September to align with fellow group undertakings. The prior period comparatives represent the period from 14 December 2017 to 30 September 2018.

Results and dividends

The loss for the year, after taxation, amounted to £5,693,472 (2018 - loss £4,772,625).

Dividends of £Nil (2018 - £Nil) were paid to ordinary shareholders during the year. The directors do not recommend payment of a final dividend.

Directors

The directors who served during the year were:

J B Wood
J Battersby (resigned 23 July 2019)
A G P Bishop
Z S Stanton (appointed 20 November 2018, resigned 5 June 2019)
T Burge (appointed 5 June 2019)
S Moore (appointed 23 July 2019)

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 3rd March 2020. and signed on its behalf.

J B Wood
Director

Kelling Group Limited

Directors' Responsibilities Statement
For the Year Ended 30 September 2019

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kelling Group Limited

Independent Auditor's report to the members of Kelling Group Limited

Opinion

We have audited the financial statements of Kelling Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 September 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes In Equity, the Company Statement of Changes In Equity, the Consolidated Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 Group and the Parent 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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 this regard.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Kelling Group Limited

Independent Auditor's report to the members of Kelling Group Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 Group's and the Parent 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 Group or the Parent 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: https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom 6 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Kelling Group Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 30 September 2019

	Note	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Turnover	4	**23,191,658**	15,507,464
Cost of sales		**(12,040,388)**	(8,187,462)
Gross profit		**11,151,270**	7,320,002
Administrative expenses		**(7,564,033)**	(5,242,106)
Operating profit	5	**3,587,237**	2,077,896
Interest receivable and similar income	9	**1,321**	-
Interest payable	10	**(8,665,578)**	(5,849,532)
Exceptional finance costs	11	**-**	(473,617)
Loss before taxation		**(5,077,020)**	(4,245,253)
Tax on loss	12	**(616,452)**	(527,372)
Loss for the financial year		**(5,693,472)**	(4,772,625)

There was no other comprehensive income for 2019 (2018 - £Nil). Loss for the period is attributable to the owners of the parent company.

The notes on pages 16 to 33 form part of these financial statements.

Kelling Group Limited
Registered number:11112713

Consolidated Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible fixed assets	13		**52,979,255**		56,977,689
Tangible assets	14		**52,353,255**		45,442,460
			105,332,510		102,420,149
Current assets					
Stocks	16	**240,694**		288,576	
Debtors: amounts falling due within one year	17	**5,378,387**		4,651,227	
Cash at bank and in hand		**2,313,071**		2,397,347	
		7,932,152		7,337,150	
Creditors: amounts falling due within one year	18	**(5,173,891)**		(4,583,439)	
Net current assets			**2,758,261**		2,753,711
Total assets less current liabilities			**108,090,771**		105,173,860
Creditors: amounts falling due after more than one year	19		**115,632,269**		107,509,029
Provisions for liabilties					
Deferred tax			**2,845,144**		2,358,001
Capital and reserves					
Called up share capital	23	**79,455**		79,455	
Profit and loss account		**(10,466,097)**		(4,772,625)	
			(10,386,642)		(4,693,170)
			108,090,771		105,173,860

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

3rd March 2020.

J B Wood
Director

The notes on pages 16 to 33 form part of these financial statements.

Kelling Group Limited
Registered number:11112713

Company Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments	15		**52,579,123**		52,579,123
			52,579,123		52,579,123
Current assets					
Debtors: amounts falling due after more than one year	17	**50,934,850**		50,691,429	
Debtors: amounts falling due within one year	17	**3,313,138**		2,157,739	
Cash at bank and in hand		**36,956**		1,247,660	
		54,284,944		54,096,828	
Creditors: amounts falling due within one year	18	**(3,608,938)**		(4,137,067)	
Net current assets			**50,676,006**		49,959,761
Total assets less current liabilities			**103,255,129**		102,538,884
Creditors: amounts falling due after more than one year	19		**115,632,269**		107,509,029
Capital and reserves					
Called up share capital	23	**79,455**		79,455	
Profit and loss account		**(12,456,595)**		(5,049,600)	
			(12,377,140)		(4,970,145)
			103,255,129		102,538,884

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £7,406,995 (2018 - £5,049,600).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

J B Wood
Director

3rd March 2020.

The notes on pages 16 to 33 form part of these financial statements.

Kelling Group Limited

Consolidated Statement of Changes in Equity
For the Year Ended 30 September 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2018	79,455	(4,772,625)	(4,693,170)
Comprehensive income for the year			
Loss for the year	-	(5,693,472)	(5,693,472)
Total comprehensive income for the year	-	(5,693,472)	(5,693,472)
At 30 September 2019	79,455	(10,466,097)	(10,386,642)

Consolidated Statement of Changes in Equity
For the Period Ended 30 September 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 14 December 2017	-	-	-
Comprehensive income for the period			
Loss for the period	-	(4,772,625)	(4,772,625)
Total comprehensive income for the period	-	(4,772,625)	(4,772,625)
Contributions by and distributions to owners			
Shares issued during the period	79,455	-	79,455
Total transactions with owners	79,455	-	79,455
At 30 September 2018	79,455	(4,772,625)	(4,693,170)

The notes on pages 16 to 33 form part of these financial statements.

Kelling Group Limited

Company Statement of Changes in Equity
For the Year Ended 30 September 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2018	79,455	(5,049,600)	(4,970,145)
Comprehensive income for the period			
Loss for the year	-	(7,406,995)	(7,406,995)
Total comprehensive income for the year	-	(7,406,995)	(7,406,995)
At 30 September 2019	79,455	(12,456,595)	(12,377,140)

Company Statement of Changes in Equity
For the Period Ended 30 September 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 14 December 2017	-	-	-
Comprehensive income for the period			
Loss for the 10 month period	-	(5,049,600)	(5,049,600)
Total comprehensive income for the period	-	(5,049,600)	(5,049,600)
Contributions by and distributions to owners			
Shares issued during the 10 month period	79,455	-	79,455
Total transactions with owners	79,455	-	79,455
At 30 September 2018	79,455	(5,049,600)	(4,970,145)

The notes on pages 16 to 33 form part of these financial statements.

Kelling Group Limited

Consolidated Statement of Cash Flows
For the Year Ended 30 September 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	**(5,693,472)**	(4,772,625)
Adjustments for:		
Amortisation of intangible assets	**3,998,434**	2,998,826
Depreciation of tangible assets	**5,944,496**	3,791,906
Loss on disposal of tangible assets	**81,243**	33,106
Interest expense	**8,665,578**	6,323,149
Interest received	**(1,321)**	-
Taxation charge	**616,452**	527,372
Decrease in stocks	**47,882**	33,739
Increase in debtors	**(702,649)**	(438,481)
Increase in creditors	**926,059**	976,439
Corporation tax paid	**(435,639)**	(439,832)
Net cash generated from operating activities	**13,447,063**	9,033,599
Cash flows from investing activities		
Purchase of tangible fixed assets	**(15,168,913)**	(8,971,674)
Sale of tangible fixed assets	**2,232,379**	1,034,684
Interest received	**1,321**	-
Net cash used in investing activities	**(12,935,213)**	(7,936,990)

Kelling Group Limited

Consolidated Statement of Cash Flows (continued)
For the Year Ended 30 September 2019

	2019 £	2018 £
Cash flows from financing activities		
Issue of ordinary shares	-	79,455
New secured loans	**6,750,000**	18,703,056
Repayment of loans	**(1,000,000)**	-
Other new loans	-	37,097,094
Interest paid	**(6,346,126)**	(2,524,229)
Net cash outflow on acquisition of subsidiary	-	(52,054,638)
Net cash (used in)/from financing activities	**(596,126)**	1,300,738
Net (decrease)/increase in cash and cash equivalents	**(84,276)**	2,397,347
Cash and cash equivalents at beginning of year	**2,397,347**	-
Cash and cash equivalents at the end of year	**2,313,071**	2,397,347
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**2,313,071**	2,397,347

The notes on pages 16 to 33 form part of these financial statements.

1. General information

Kelling Group Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principal activity is outlined in the Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The functional and presentational currency of these financial statements is the Pound.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Hire income is recognised monthly in arrears. Recharges are recognised when the costs which are to be recharged have been incurred.

2.4 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.5 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.6 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life of 15 years.

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 6.6-10%
Plant and machinery	- 6.6-20%
Motor vehicles	- 14-40%
Computer equipment	- 10-33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had regard to the following key judgements and sources of estimation uncertainty:

- Whether there are indicators of impairment of the Company's fixed asset investments.
  Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit;

- Whether there are any indicators of impairment of the goodwill carried on the consolidated statement of financial position. Factors taken into consideration are the same as those noted above; and

- The useful economic lives and residual values of tangible fixed assets, which have been calculated by the directors based on their experience of the industry.

4. Turnover

The whole of turnover is attributable to the Company's principal activity and arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Depreciation	**5,944,494**	3,791,906
Amortisation	**3,998,434**	2,998,826
Operating leases expense	**-**	215,250

6. Auditor's remuneration

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**29,950**	32,400

7. Employees

Staff costs for the Group, including directors' remuneration, were as follows:

	Group Year ended 30 September 2019 £	Group 10 month period ended 30 September 2018 £	Company Year ended 30 September 2019 £	Company 10 month period ended 30 September 2018 £
Wages and salaries	**3,508,827**	2,016,499	**208,160**	150,763
Social security costs	**303,551**	183,520	**-**	-
Cost of defined contribution scheme	**80,918**	14,409	**-**	-
	3,893,296	2,214,428	**208,160**	150,763

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 30 September 2019 No.	10 month period ended 30 September 2018 No.
Employees	**109**	93

The Company has no employees other than the directors.

8. Directors' remuneration

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Directors' emoluments	**191,708**	150,763

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £104,576 (2018 - £79,439).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018 - £Nil).

9. Interest receivable

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Other interest receivable	**1,321**	-

10. Interest payable and similar expenses

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Other loan interest payable	**8,503,767**	5,739,490
Interest on hedging facilities	**161,811**	110,042
	8,665,578	5,849,532

11. Exceptional finance costs

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Hire purchase early settlement premium	-	473,617

12. Taxation

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Corporation tax		
Current tax on profits for the year	**207,357**	175,203
Adjustments in respect of previous periods	**(78,048)**	-
Total current tax	**129,309**	175,203
Deferred tax		
Origination and reversal of timing differences	**416,498**	352,169
Adjustments in respect of previous periods	**70,645**	-
Total deferred tax	**487,143**	352,169
Taxation on loss	**616,452**	527,372

12. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 30 September 2019 £	10 month period ended 30 September 2018 £
Loss before tax	**(5,077,020)**	(4,245,253)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(964,634)**	(806,598)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**874,762**	769,812
Capital allowances for year/period in excess of depreciation	**759,448**	-
Fixed asset charge	**3,278**	-
Adjustments to tax charge in respect of prior periods	**(7,556)**	-
Adjust opening and closing deferred tax to average rate	**(48,846)**	-
Other differences leading to an increase (decrease) in the tax charge	**-**	564,158
Total tax charge for the year/period	**616,452**	527,372

Factors that may affect future tax charges

Reductions in UK Corporation tax rate from 19% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly.

13. Intangible assets

Group

	Goodwill £
Cost	
At 1 October 2018	**59,976,515**
At 30 September 2019	**59,976,515**
Amortisation	
At 1 October 2018	**2,998,826**
Charge for the year	**3,998,434**
At 30 September 2019	**6,997,260**
Net book value	
At 30 September 2019	**52,979,255**
At 30 September 2018	56,977,689

14. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 October 2018	676,430	17,808,211	28,790,243	159,289	47,434,173
Additions	6,739	4,636,089	10,488,270	37,815	15,168,913
Disposals	-	(172,515)	(6,265,271)	-	(6,437,786)
At 30 September 2019	683,169	22,271,785	33,013,242	197,104	56,165,300
Depreciation					
At 1 October 2018	5,908	766,616	1,184,294	34,895	1,991,713
Charge for the year	62,051	1,457,394	4,367,960	57,091	5,944,496
Disposals	-	(47,744)	(4,076,420)	-	(4,124,164)
At 30 September 2019	67,959	2,176,266	1,475,834	91,986	3,812,045
Net book value					
At 30 September 2019	615,210	20,095,519	31,537,408	105,118	52,353,255
At 30 September 2018	670,522	17,041,595	27,605,949	124,394	45,442,460

The net book value of assets secured by loan facilities is £51,393,955 (2018 - £44,388,787).

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost and net book value	
At 1 October 2018	**52,579,123**
At 30 September 2019	**52,579,123**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Kelling Property Limited	Ordinary	100%
Kelling Midco Limited	Ordinary	100%
Access Hire Nationwide Limited	Ordinary	100%
Welfare Hire Nationwide Limited	Ordinary	100%
Modular Hire Nationwide Limited	Ordinary	100%

Kelling Property Limited is the only subsidiary undertaking held directly.

The registered office of the above subsidiary undertakings is Unit F, Trident Park, Rosie Road, Normanton, WF6 1ZB.

16. Stocks

	Group 2019 £	Group 2018 £
Finished goods and goods for resale	**240,694**	288,576

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £Nil (2018 - £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obselete stock.

17. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Amounts owed by group undertakings	-	-	**50,934,850**	50,691,429
	-	-	**50,934,850**	50,691,429

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due within one year				
Trade debtors	**4,851,674**	4,236,963	-	-
Amounts owed by group undertakings	-	-	**3,289,147**	2,134,261
Other debtors	**29,196**	8,288	**8,074**	1,309
Prepayments and accrued income	**473,006**	405,976	**15,917**	22,169
Tax recoverable	**24,511**	-	-	-
	5,378,387	4,651,227	**3,313,138**	2,157,739

18. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	**802,500**	855,332	**802,500**	855,332
Trade creditors	**2,999,789**	2,271,779	**47,202**	8,201
Amounts owed to group undertakings	-	-	**2,708,892**	3,257,031
Amounts owed to parent company	**20,545**	15,546	**20,545**	15,546
Corporation tax	-	281,819	-	-
Other taxation and social security	**569,165**	576,353	-	-
Other creditors	**20,160**	64,048	-	957
Accruals and deferred income	**761,732**	518,562	**29,799**	-
	5,173,891	4,583,439	**3,608,938**	4,137,067

Amounts owed to group undertakings are repayable on demand.

19. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	**47,772,762**	41,954,000	**47,772,762**	41,954,000
Other loans	**67,859,507**	65,555,029	**67,859,507**	65,555,029
	115,632,269	107,509,029	**115,632,269**	107,509,029

20. Loans

The maturity of sources of debt finance are as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due within one year				
Bank loans	**802,500**	855,332	**802,500**	855,332
Amounts falling due 1-2 years				
Bank loans	**787,904**	832,000	**787,904**	832,000
Amounts falling due 2-5 years				
Bank loans	**46,984,858**	41,122,000	**46,984,858**	41,122,000
Amounts falling due after more than 5 years				
Other loans	**67,859,507**	65,555,029	**67,859,507**	65,555,029
	116,434,769	108,364,361	**116,434,769**	108,364,361

The other loans bear interest at 10% per annum and are repayable on 12 January 2028.

Bank loans comprise an asset based lending facility and two term loans. The asset based lending facility is secured on the fleet assets of the Group.

21. Financial instruments

	Group 2019 £	Group 2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**7,193,941**	6,642,598
Financial liabilities		
Financial liabilities measured at amortised cost	**(120,236,995)**	(111,234,296)

Financial assets that are debt instruments measured at amortised cost comprise cash balances and trade and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, loans, trade and other creditors, accruals and amounts owed to parent company.

22. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	**2,358,001**	-
Charged to profit or loss	**487,143**	352,169
Arising on business combinations	-	2,005,832
At end of year	**2,845,144**	2,358,001

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	**2,845,829**	2,358,686
Tax losses carried forward	**(685)**	(685)
	2,845,144	2,358,001

23. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
79,455 (2018 - 79,455) Ordinary shares of £1.00 each	**79,455**	79,455

24. Reserves

The Company's reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of shares issued.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

25. Capital commitments

At 30 September 2019 the Group had capital commitments as follows:

	Group 2019 £	Group 2018 £
Contracted for but not provided in these financial statements	**2,020,122**	2,171,934

26. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £80,918 (2018 - £28,162). Contributions totalling £23,278 (2018 - £10,678) were payable to the fund at the reporting date and are included in creditors.

27. Commitments under operating leases

At 30 September 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	**374,785**	340,844
Later than 1 year and not later than 5 years	**1,310,229**	1,217,773
Later than 5 years	**2,546,250**	2,583,652
	4,231,264	4,142,269

The Company had no commitments under the non-cancellable operating leases as at the reporting date.

28. Related party transactions

The Company has taken advantage of the exemption conferred by section 33.1A of FRS 102 not to disclose transactions entered into with wholly owned subsidiary undertakings.

29. Controlling party

The Company's immediate and ultimate parent company is Skye Topco Limited, a company incorporated in Jersey, which is registered at 44 Esplanade, St Helier, Jersey, JE4 9WG. The Group is controlled by Alinda GP of GP III Limited who own 79% of the shares of the Company.