Company Registration No. 02220727 (England and Wales)

GARIC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

GARIC LIMITED

COMPANY INFORMATION

Directors	P J Bibby J Cresswell (Chair) J Lewis J Barker N Quinn (Managing Director) A J Goody (Finance Director) M Albiston M Tyldsley
Secretary	Bibby Bros. & Co. (Management) Limited
Company number	02220727
Registered office	3rd Floor Walker House Exchange Flags Liverpool L2 3YL United Kingdom
Auditor	Deloitte LLP Statutory Auditor Manchester United Kingdom
Bankers	HSBC Bank plc 4 Hardman Square Spinningfields Manchester M3 3EB

GARIC LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business Model
The principal activity of the company is the design, fabrication and purchase of plant and machinery for sale or hire by the company.

Review of the Business
Turnover in the year to 31 December 2019 was 24% ahead of the previous year at £34m (2018: £27.3m). This growth was achieved by increased penetration of the company's core road, rail and infrastructure contractor markets, a record level of new product sales and strong revenues from servicing hire assets at customer sites. Growth was supported by investment of nearly £6m in new hire assets and further expansion of our depot network with the opening of a site at Falkirk in April. Asset investment in the year was focused on the company's core welfare fleet and eco range of products.

Earnings before interest, tax and depreciation (EBITDA) was 28% above the previous year at £6.4m (2018: £5.0m) reflecting the growth in revenue and ongoing cost efficiency actions. Operating profit of £1.7m was £0.9m ahead of the previous year.

Strong cash and working capital management enabled a reduction in the ratio of net external debt to EBITDA to 3.2 (2018: 3.9).

Shareholders' funds at 31 December 2019 amounted to £6.3m (2018: £5.6m).

Strategy, Objectives and Principal Risks
The company's strategy is to grow the business by investing in new assets and establishing a UK wide depot network that enables the company to deliver outstanding customer service to its growing national, regional and local client base. The Board expects the company will win further share of the welfare and accommodation hire markets on major road, rail and infrastructure projects. The company will continue to seek differentiation on the basis of innovative, high quality and eco-friendly products, supported by high levels of customer service. Future hire fleet investment will focus on the company's growing range of eco products. Achieving and maintaining top quartile health and safety performance remains a critical objective for the company.

The company has a risk register that sets out all identified risks and the actions being taken to mitigate those risks. The markets that the company operates in present cyclical risk, with some exposure to the construction sector. This risk is partly mitigated by the growing proportion of revenue generated from supporting tier one contractors in delivering major infrastructure projects where there is less cyclical risk. Wider market and competitive risks are managed by building strong customer relationships, delivering outstanding service to customers and expanding the company's range of innovative eco products. The risk that funding may not be available to enable the company's strategic growth plans is managed by maintaining good relationships with external debt providers.

Financial risk management
The company manages cash flow and liquidity risk by maintaining daily, weekly and monthly cash flow forecasts and by considering whether appropriate funding is in place before committing to major capital expenditure projects.

The company is exposed to credit risk in respect of its customers. This is managed by carrying out credit checks, setting and monitoring credit limits, monitoring payment performance, placing credit insurance where possible and striving to maintain strong customer relationships. The company's policy is to minimise uninsured credit risk.

The company is exposed to interest rate risk on its debt facilities. An interest rate swap was put in place on 18 February 2019 to switch £10m of external debt from a floating interest rate to a fixed interest rate.

Key performance indicators

The following principal key performance indicators are monitored by the Board.

- Turnover growth: 24.3% (2018: 18.2%)
- EBITDA: £6.4m (2018: £5.0m)
- EBITDA margin: 18.9% (2018: 18.2%)
- Operating profit: £1.7m (2018: £0.8m)
- Hire fleet net book value: £26.5m (2018: £25.3m)
- Ratio of net external debt to EBITDA: 3.2 (2018: 3.9)
- Shareholders' funds: £6.3m (2018: £5.6m)

Future developments
Future developments will include fleet expansion focused on further development of innovative eco-related products, supported by ongoing investment in our people and in operational efficiencies. Whilst the focus will be on delivering continued organic growth, acquisitions will be considered where they support the company's strategic objectives.

Parent undertaking
The company is a wholly owned subsidiary of Bibby Taurus Limited which is itself indirectly a wholly owned subsidiary of Bibby Line Group Limited, both of which are registered in England.

Going concern
In order to manage liquidity risk the Company prepares daily, weekly and monthly cash flow forecasts, with the monthly cash flow forecasts looking forward for a rolling 15-month period. The key sensitivities are the level of cash expected to be generated from future trading and the timing of future capital expenditure. Capital expenditure commitments are at the discretion of the Directors and are only made when funding is available.

In carrying out their duties in respect of going concern, the Directors have carried out a review of the company's financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. The forecast was based on a detailed review of revenue, expenditure and cash flows, taking into account specific business risks and uncertainties about the economic environment and events in the *wider construction sector, including the potential future impact on the company of disruption as a result of* the covid-19 virus.

Following the lockdown announced by the UK government on 23 March 2020 in response to the covid-19 virus the Company's daily hire revenue fell by 14% over a two-week period. Since then daily hire revenue has seen a steady improvement as construction sites gradually reopen. In response to the actual and potential impact on the company of disruption as a result of the covid-19 virus the company took a number of actions to improve liquidity, including putting in place a £1.5m unsecured overdraft with HSBC. These actions, together with the Directors' best estimate of the likely impact of future covid-19 related disruption, have been taken into account in the Directors' review of the company's financial position and cash flow forecast.

If the UK leaves the European Union on 31 December 2020 without a formal trade agreement the Directors expect some disruption in supply lines that may reduce the rate of fleet expansion. The Directors expect the company's core UK infrastructure market to remain reasonably stable.

The company has an ABL facility with HSBC UK Bank that expires on 31 October 2021. The ABL facility comprises:

- a rolling inventory facility secured on qualifying fixed assets; availability is based on the net book value of the assets (and on net orderly liquidated value of the assets from December 2020) capped at £30m; £19.5m was drawn on this facility at 31 December 2019 (2018: £17.25m);
- a rolling invoice discounting facility secured on the company's debtor balances, capped at £10m; £2.3m was drawn on this facility at 31 December 2019 (2018: £3.7m).

In addition, on 7 May 2020 the company agreed a £1.5m unsecured overdraft facility with HSBC UK Bank, repayable on demand, due for review on 7 May 2021.

At 31 December 2019 the company owed £6.6m (2018: £6.6m) to Bibby Line Group Limited, all of which was due in more than one year.

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. While there remains significant uncertainty as to the future impact of the covid-19 pandemic, the Company and its ultimate parent entity Bibby Line Group continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. The impact on the Company to date is summarised in this Strategic Report. Having undertaken these assessments, the directors consider that the Company will be able to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements

The report was approved by the board of directors on 29 June 2020 and signed on its behalf by:

Andrew Goody

A J Goody
Director
29 June 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2019. The review of the business, principal activities, strategy, objectives and risks, going concern and future developments are covered within the strategic report.

Results and dividends

The results for the year are set out on page 12.

No dividend (2018: £nil) has been paid in the year on the ordinary shares. No dividends have been proposed at the date of this report.

Directors indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors

The directors of the company who served during the year and up to the point of signing, except as noted below, were as follows:

	Appointed	Resigned
P J Bibby		
J Cresswell		
M Lyons		1 September 2019
J Lewis	1 September 2019	
J Barker		
N Quinn	1 February 2019	
A J Goody		
N R Richardson		1 November 2019
M Albiston		
M Tyldsley	1 November 2019	

Disclosure of Information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information 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.

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been made for them to be deemed re-appointed as auditor in the absence of an Annual General Meeting.

Events after the reporting period

The outbreak of the covid-19 coronavirus was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event.

The full impact of the covid-19 pandemic on medium- and long-term economic activity is not yet known and the Company cannot reasonably quantify the impact these events might have on the Company's future financial position, asset carrying values, results or cash flows. However, the Directors continue to monitor the impact of the covid-19 pandemic on the Company. Further details are set out in the Strategic Report.

Approved by the Board and signed on its behalf by:

A J Goody
Director
29 June 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARIC LIMITED

Report on the audit of the financial statements

In our opinion the financial statements of Garic Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the note to the cash flow statement; and
- the related notes 1 to 20.

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 Financial Reporting Council's (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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARIC LIMITED (CONTINUED)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 report or the 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.

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.

Douglas King (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
29 June 2020

GARIC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	33,995	27,345
Cost of sales		(24,568)	(19,392)
Gross profit		9,427	7,953
Administrative expenses		(7,732)	(7,190)
Operating profit		1,695	763
Profit on disposal of non-fleet fixed assets		77	74
Profit before interest		1,772	837
Interest payable and similar charges	4	(1,291)	(941)
Profit / (loss) before taxation		481	(104)
Tax on profit / (loss)	5	207	395
Profit for the financial year	3	688	291

All results are derived from continuing operations.

There are no recognised gains and losses in either year other than those included in the profit and loss account above, therefore no separate statement of comprehensive income has been presented.

GARIC LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	£'000	31 December 2019 £'000	£'000	31 December 2018 £'000
Fixed assets					
Tangible assets	8		28,955		27,788
Current assets					
Stocks	9	1,619		1,106	
Debtors	10	8,580		7,914	
Cash at bank and in hand		956		536	
		11,155		9,556	
Creditors: amounts falling due within one year	11	(8,011)		(8,286)	
Net current assets			3,144		1,270
Total assets less current liabilities			32,099		29,058
Creditors: amounts falling due after more than one year	12		(25,806)		(23,453)
Provisions for liabilities	13		-		-
Net assets			6,293		5,605
Capital and reserves					
Called up share capital	15		3,950		3,950
Profit and loss account			2,343		1,655
Shareholders' funds			6,293		5,605

The financial statements of Garic Limited, registered number 02220727, were approved by the Board of directors and authorised for issue on 29 June 2020. They were signed on its behalf by:

A J Goody
29 June 2020

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2018	3,950	1,364	5,314
Profit and total comprehensive income for the financial year	-	291	291
At 31 December 2018	3,950	1,655	5,605
Profit and total comprehensive income for the financial Year	-	688	688
At 31 December 2019	3,950	2,343	6,293

GARIC LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes		Year ended 31 December 2019		Year ended 31 December 2018
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Operating profit for the financial year			1,695		763
Adjustments for:					
Depreciation of tangible fixed assets		4,746		4,216	
Profit on disposal of fixed assets		(504)		(406)	
Increase in debtors		(459)		(1,217)	
Increase in inventories		(513)		(216)	
Increase in creditors		974		568	
			4,244		2,945
Net cash inflow from operating activities			5,939		3,708
Cash flows from investing activities					
Proceeds from sale of equipment		1,130		922	
Purchases of property, plant and equipment		(6,290)		(10,870)	
Net cash used in investing activities			(5,160)		(9,948)
Cash flows from financing activities					
Interest paid		(930)		(618)	
Repayment of capital element of finance lease and hire purchase contracts		-		-	
New finance lease and hire purchase contracts		-		-	
Loan from ultimate parent undertaking		-		-	
Repayment of intergroup loans		(250)		(225)	
Drawdown of ABL inventory facility		2,250		4,172	
Net cash from in financing activities			1,070		3,329
Net increase / (decrease) in cash and cash equivalents in the year	A		1,849		(2,911)
Cash and cash equivalents at the start of the year			(3,210)		(299)
Cash and cash equivalents at the end of the year			(1,361)		(3,210)

NOTE TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

Analysis of net debt	**2018** **£'000**	**Cash flow** **£'000**	**Other non-cash changes** **£'000**	**2019** **£'000**
Net cash:				
Cash at bank and in hand	536	420	-	956
Invoice discounting facility	(3,746)	1,429	-	(2,317)
	(3,210)	1,849	-	(1,361)
Debt:				
ABL inventory facility	(16,850)	(2,250)	(146)	(19,246)
Ultimate parent company loan	(6,603)	250	(207)	(6,560)
	(23,453)	(2,000)	(353)	(25,806)
Net debt	(26,663)	(151)	(353)	(27,167)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Garic Limited is a company incorporated in the United Kingdom under the Companies Act. Garic Limited is a private company limited by shares and is registered in England. The address of the Company's registered office is 3rd Floor, Walker House, Exchange Flags, Liverpool, L2 3YL. The principal activities of Garic Limited and the nature of the company's operations are set out in the strategic report on pages 4 to 5.

1 Accounting policies

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

1.1 *Accounting convention*

The financial statements have been prepared under the historical cost accounting rules and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Garic Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Garic Limited is consolidated in the financial statements of its ultimate parent, Bibby Line Group Limited, which may be obtained at the address stated in note 19. Exemptions have been taken in these separate Company financial statements in relation to related party transactions, financial instruments disclosure and remuneration of key management personnel.

The functional currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

1.2 Going concern

In carrying out their duties in respect of going concern, the Directors have carried out a review of the company's financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. The forecast was based on a detailed review of revenue, expenditure and cash flows, taking into account specific business risks and uncertainties about the economic environment and events in the wider construction sector, including the potential future impact on the company of disruption as a result of the covid-19 virus.

Following the lockdown announced by the UK government on 23 March 2020 in response to the covid-19 virus the Company's daily hire revenue fell by 14% over a two-week period. Since then daily hire revenue has seen a steady improvement as construction sites gradually reopen. In response to the actual and potential impact on the company of disruption as a result of the covid-19 virus the company took a number of actions to improve liquidity, including putting in place a £1.5m unsecured overdraft with HSBC. These actions, together with the Directors' best estimate of the likely impact of future covid-19 related disruption, have been taken into account in the Directors' review of the company's financial position and cash flow forecast.

If the UK leaves the European Union on 31 December 2020 without a formal trade agreement the Directors expect some disruption in supply lines that may reduce the rate of fleet expansion. The Directors expect the company's core UK infrastructure market to remain reasonably stable.

The company has an ABL facility with HSBC UK Bank that expires on 31 October 2021. The ABL facility comprises:

- a rolling inventory facility secured on qualifying fixed assets; availability is based on the net book value of the assets (and on net orderly liquidated value of the assets from December 2020) capped at £30m; £19.5m was drawn on this facility at 31 December 2019 (2018: £17.25m);
- a rolling invoice discounting facility secured on the company's debtor balances, capped at £10m; £2.3m was drawn on this facility at 31 December 2019 (2018: £3.7m).

In addition, on 7 May 2020 the company agreed a £1.5m unsecured overdraft facility with HSBC UK Bank, repayable on demand, due for review on 7 May 2021.

1 Accounting policies (continued)

At 31 December 2019 the company owed £6.6m (2018: £6.6m) to Bibby Line Group Limited, all of which was due in more than one year.

If the UK leaves the European Union on 31 December 2020 without a formal trade agreement the Directors expect some disruption in supply lines that may reduce the rate of fleet expansion. The Directors expect the company's core UK infrastructure market to remain reasonably stable.

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. While there remains significant uncertainty as to the future impact of the covid-19 pandemic, the Company and its ultimate parent entity Bibby Line Group continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. The impact on the Company to date is set out in the Strategic Report. Having undertaken these assessments, the directors consider that the Company will be able to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. It includes amounts received for the hire, transport and support of plant hire assets. In addition, it includes revenue received on the sale of ex-hire and new assets. Revenue is recognised when the service or item being sold is delivered to the customer or collected by the customer.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Hire equipment	6.7% - 33.3% pa straight line
Plant and machinery	25% pa reducing balance
Fixtures, fittings & equipment	15% pa straight line
Motor vehicles	16% pa straight line from 2018

Assets under construction are not depreciated. The cost of equipment for contract hire is capitalised. These costs comprise materials and labour directly attributable to the identifiable equipment. On disposal the proceeds are recorded within turnover and net book value eliminated via cost of sales.

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term even when the payments are not made on such a basis.

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal.

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions are charged to the profit and loss account in the year they are incurred.

1.8 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 which have originated but not reversed at the balance sheet date. Timing differences are differences 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.

1 Accounting policies (continued)

A deferred tax asset is recognised when it is regarded as more likely than not that there will be future taxable profits against which the reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non - discounted basis.

1.9 Interest and discounting costs
The company recognises interest and other finance related costs as these costs are incurred.

1.10 Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.11 Finance costs and bank borrowings
Interest bearing loans are recorded at the proceeds received net of direct issue costs.

1.12 Invoice discounting facility
The business has an invoice factoring agreement in place. The provider has recourse and therefore the bad debt risk remains with Garic Limited. Due to this, trade debtors are presented gross.

1.13 Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company's accounting policies, 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.

Critical judgements in applying the Company's accounting policies
There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of preparing these financial statements.

Key source of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of tangible assets
Determining the most appropriate useful economic life of tangible fixed assets hired to customers requires an estimation of their useful life and residual value on disposal.

The useful economic life and subsequent depreciation charge and net book value are estimated by the directors based on the historic useful life and residual value of each asset class with allowance made for the risk of technical change.

2 Turnover

The total turnover of the company for the current and prior yar has been derived from its principal activity wholly undertaken in the United Kingdom. An analysis of the company's turnover by class of business is set out below.

	2019 £'000	2018 £'000
Hire and associated income	27,464	24,257
New Sales	5,660	2,276
Ex-Hire Sales	871	812
	33,995	27,345

3 Profit for the financial year

	2019 £'000	2018 £'000
Profit for the year is stated after charging/(crediting):		
Depreciation of tangible assets:		
Owned	4,746	4,216
Profit on disposal of tangible assets	(504)	(406)
Operating lease rentals - land & buildings	716	683
Operating lease rentals - plant & machinery	1,286	1,061
Auditor's remuneration for the audit of the company's financial statements	40	37

There were no non audit fees payable to the auditor in either years.

4 Interest payable and similar charges

	2019 £'000	2018 £'000
Inventory facility	816	557
Invoice discount interest	122	61
Interest payable to group companies	207	202
Other interest	146	121
	1,291	941

5 Tax on profit / (loss)

	2019 £'000	2018 £'000
UK corporation tax		
UK corporation tax	-	-
Current tax charge	-	-
Deferred tax		
Deferred tax current year	(1,370)	747
Deferred tax prior year adjustments	1,163	(1,142)
Total deferred tax credit (see note 13)	(207)	(395)
Total tax on profit / (loss)	(207)	(395)

5. Tax on profit / (loss) (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK Corporation tax to the profit / (loss) before tax is as follows:

	2019	2018
	£'000	£'000
Profit / (loss) before taxation	481	(104)
Profit / (loss) before taxation multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	91	(20)
Effects of:		
Non-deductible expenses	19	31
Deferred tax not recognised	(803)	1,402
Deferred tax prior year adjustments	1,163	(1,142)
Deferred tax rate change on opening balances	67	77
Group relief tax not paid for	(744)	(743)
Total tax credit	(207)	(395)

The rate of UK corporation tax rate was 20% until 1 April 2017 when it reduced to 19%. Finance Act 2016 included provisions to reduce the rate of corporation tax to 17% with effect from from 1 April 2020. To the extent that deferred tax reverses before 1 April 2020 then the impact on the net deferred tax liability will be increased.

6 Directors' emoluments

	2019	2018
	£'000	£'000
Emoluments	615	533
Company contributions to money purchase pension scheme	53	48
	668	581
The amounts paid in respect of the highest paid director were:		
Emoluments	177	149
Company contributions a money purchase pension scheme	13	14
	190	163

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to four (2018: four).

7 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2019	2018
	Number	Number
Sales, transport & administration	266	245
	£'000	**£'000**
Employment costs		
Wages and salaries	8,269	7,472
Social security costs	900	802
Other pension costs (see note 14)	329	223
	9,498	8,497

8 Tangible fixed assets

Cost	Hire equipment £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
At 1 January 2019	41,237	1,478	960	3,449	174	47,298
Additions	5,830	143	197	234	58	6,462
Disposals	(2,762)	(104)	-	(919)	-	(3,785)
At 31 December 2019	44,305	1,517	1,157	2,764	232	49,975
Depreciation						
At 1 January 2019	15,911	904	456	2,239	-	19,510
Charge for the year	4,164	226	140	216	-	4,746
On disposals	(2,275)	(84)	-	(877)	-	(3,236)
At 31 December 2019	17,800	1,046	596	1,578	-	21,020
Net book value						
At 31 December 2019	26,505	471	561	1,186	232	28,955
At 31 December 2018	25,326	574	504	1,210	174	27,788

No assets were held under finance leases or hire purchase contracts.

9 Stocks and work in progress

	2019 £'000	2018 £'000
Work in progress	717	35
Raw materials	902	1,071
	1,619	1,106

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

10 Debtors

	2019 £'000	2018 £'000
Trade debtors	7,143	6,684
Prepayments and accrued income	928	959
Other debtors	31	-
Deferred tax	478	271
	8,580	7,914

11 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Invoice discounting facility	2,317	3,746
Trade creditors	2,619	2,667
Other taxes and social security costs	1,209	694
Accruals and deferred income	1,866	1,179
	8,011	8,286

The invoice discounting facility has a £10,000,000 limit and is secured on the trade debtors of the company.

12 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	6,560	6,603
Net obligations under ABL inventory facility	19,246	16,850
	25,806	23,453

The company has an Asset Based Lending (ABL) facility with HSBC UK Bank that expires on 31 October 2021. Further details are set out in the Strategic Report. The net obligation at 31 December 2019 of £19,246,000 (2018: £16,850,000) comprised the amount drawn down of £19,500,000 (2018: £17,250,000) less unamortised arrangement fees of £246,000 (2018: £400,000). The arrangement fees are being amortised through interest costs over the life of the facility.

Amounts owed to group undertakings includes interest of £210,000 (2018: £202,000) charged in the year at 2.55% over BoE base rate (2018: 2.55% over BoE base rate).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

13 Deferred tax asset

	£'000
Balance at 1 January 2019	271
Profit and loss account credit	207
Balance at 31 December 2019	478

The deferred tax asset is made up as follows:

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	419	243
Other short-term timing differences	59	28
	478	271

14 Pension costs

Defined contribution	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Contributions payable by the company for the financial year	329	223
Pension costs accrued	45	34

15 Share capital & reserves

	2019 £'000	2018 £'000
Authorised, allotted, called up and fully paid		
3,950,100 Ordinary shares of £1 each (2017: 3,950,100 Ordinary shares)	3,950	3,950
	3,950	3,950

The company has one class of voluntary shares which carry no right to fixed income. The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16 Operating lease commitments

At the end of the year the company had the following total minimum lease payments under non-cancellable operating leases:

	2019	2018
	£'000	**£'000**
Land & buildings		
Less than one year	712	683
One to five years	2,241	2,450
After five years	299	649
	3,252	3,782
Plant & machinery		
Less than one year	1,215	703
One to five years	2,718	2,473
After five years	-	613
	3,933	3,789

17 Capital commitments

Expenditure contracted for but not provided in the financial statements:

	2019	**2018**
	£'000	**£'000**
Capital commitments (tangible assets)	767	2,508

18 Related parties

In accordance with FRS 102 the company is exempt from disclosing transactions with other group companies as 100% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited. Details of related party balances can be found in note 12.

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Bibby Taurus Limited which itself is a wholly owned subsidiary of Bibby Holdings Limited, which is a wholly owned subsidiary of Bibby Line Group Limited, all of which are registered in England.

Bibby Holdings Limited is the parent undertaking of the smallest group which consolidates these accounts, and of which the company is a member. Copies of the group financial statements may be obtained from Bibby Holdings Limited registered address, 3rd Floor, Walker House, Liverpool, L2 3YL. This is the same address for Bibby Taurus Limited.

Bibby Line Group Limited is the ultimate controlling party and the ultimate parent undertaking of the largest group which incorporates these accounts, and of which the company is a member. Copies of the group financial statements may be obtained from Bibby Line Group Limited, 3rd Floor, Walker House, Liverpool, L2 3YL, which is its registered address.

20 Events after the reporting period

The outbreak of the covid-19 coronavirus was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event.

The full impact of the covid-19 pandemic on medium- and long-term economic activity is not yet known and the Company cannot reasonably quantify the impact these events might have on the Company's future financial position, asset carrying values, results or cash flows. However, the Directors continue to monitor the impact of the covid-19 pandemic on the Company. Further details are set out in the Strategic Report.