GAP Holdings Limited

Annual report and consolidated financial statements

Registered number SC143099

31 March 2018

Contents

Chairman's Statement

The UK economy grew by 1.2% in the year to March 2018, well below its five-year average of 2.2% and the slowest annual rise since the spring of 2012. Against this backdrop and despite having three less trading days than last year, we were pleased to have grown our sales by 7% to £187m as we continued to benefit from the now established depth and breadth of our 'Hire Solutions' offering. Our Pre-tax profits reduced from £17.1m to £16.7m although our EBITDA increased from £69.8m to £73.5m.

We invested a further £60m in our hire assets during the year helping to underpin one of the most modern hire fleets in the industry. We also added £10.5m to our property portfolio strengthening further our UK-wide infrastructure. Our balance sheet remains strong and we have significant headroom within our Asset Backed Lending facility to develop our business further and deliver our ongoing growth strategy.

People recruitment, retention and development is a cornerstone of our company mission and we enjoyed another strong performance in this area. Employee numbers increased to 1,738, we delivered over 10,000 training days, just under 100 employees were promoted to more senior roles within the business and we had 75 apprentices who continued to learn both at college and on-the-job.

Our accident frequency rate and our number of reportable accidents both reduced again this year which is testament to the efforts of all our employees and the support and guidance provided by our governance structure.

As we look ahead we fully expect the trading environment to remain competitive however our business is robust and our financial position strong. We will remain focused on driving efficiency across all areas of our business, on prioritising growth in our more profitable products and divisions and on extending our offering still further through partnership working with customers and strategic suppliers. These actions, coupled with the long-term planning horizon created through our private family ownership model, positions us well to deliver further growth in turnover, profit and economic value during the coming year.

Finally, on behalf of the Board I would once again like to thank our loyal and committed employees for all their efforts during this past year, our valued customers for the business they have given us and to our suppliers for their ongoing support.

Danny O'Neil
Chairman

27 June 2018

Strategic Report

The directors submit their report and financial statements for the year ended 31 March 2018.

Principal activities and business review

The principal activity of the Group is the hire of small tools and unmanned plant, mainly to the Utilities, Building and Construction Industries.

Performance

The Group's performance is outlined in the Chairman's statement.

Customers

The Group continues to focus on the quality of its overall service to customers with account managers appointed to deliver to our major accounts. The Commercial Team based at GAP's Head Office provides tender support for both new business and our Major Accounts.

Health, Safety, Environment & Security

GAP's continued success and its solid and unambiguous commitment to health, safety and wellbeing is driven from an integrated approach for safety within operations and business strategy. This approach involves every individual within GAP as we believe that health, safety and wellbeing are intrinsic values for everybody.

We continue to achieve sustainable safety performance by: combining the operational implementation and practice of a strong safety methodology led by senior management; the knowledge skills and experience gained from collaborative safety engagement with leading plant and equipment professionals and authorities; and, the most current thinking and application of behavioural safety awareness. GAP's Risk & Compliance Committee, which is a sub-committee of the GAP Holdings Limited Board, with responsibility for the oversight of various and wide-ranging risk elements including safety, security, transport, environment and compliance, continued to play a central role in providing the Board with assurance on the achievement of compliance with statutory requirements and the protection of its customers, employees and business assets.

Furthermore, GAP's sustainable integrated approach for safety provides the platform for continued growth. We are proud that our collaborative approach to business, supplier and customer service helps to continuously support and transform our workplaces and culture to become more efficient, safer and provide for a sincere and caring regard for the environment.

GAP's governance arrangements provide for focus on business resilience and a 'leadership' culture with people continually being encouraged and stimulated to innovate and give their best within a safe and caring environment. Controls cover end-to-end operations, from product safety and integrity through the auditing and vetting of contractors, to the health and safety processes in place across the entire UK depot network and Head Office.

GAP's record of safety continues to improve year on year and is among the best in the hire industry. We are again pleased to report that both our accident frequency and accident severity continues to reduce as measured through Accident Frequency Rate and number of Reportable Injuries. This is a positive reflection on the behaviours and attitudes of all our employees. Again, we continued to enhance our existing highly skilled and professionally qualified Safety, Health and Environment (SHE), Compliance and Security teams through continued, professionally led, training and development programmes.

GAP continued to develop its progressive risk based approach to asset security. Through an increased focus upon partnership working with suppliers, industry colleagues, regulatory authorities and agencies, we continued to frustrate criminal activity. GAP equipment substantively benefits from the application of market leading state of the art theft prevention and recovery solutions, differentiating ourselves from others within the hire industry. We continued to enhance the security of our depot network through strengthened and risk assessed processes, physical deterrents and continual review.

Strategic Report *(continued)*

GAP has fully integrated its trio of internationally recognised certifications across all business Divisions: ISO 9001 (Quality Management); ISO 14001 (Environmental Management) and, OHSAS 18001 (Safety Management). Through this integrated approach we were able to increase efficiency and achieve a unified pathway to risk management.

Human Resources

With levels of employment at over 70%, the highest since modern records began in 1971, recruitment and retention of employees is a challenge for all organisations within the UK and this is no different for GAP, perhaps even more so given the sustained growth of the business; headcount increased by 5% on the previous year. During 2017/18 we continued to tackle this challenge head on with several key initiatives.

Through smarter and more effective use of technology and social media channels we can source the best candidates and engage with them in a highly pro-active manner, keeping everyone informed at every stage of the recruitment process. On-boarding of new employees has been improved with welcome packs containing important Company information being sent to all new employees before their first day and enhanced inductions to ensure that our new recruits are up to speed with the job as quickly as possible and feel part of the business at an early stage.

GAP seeks to employ a workforce which reflects the diverse community in which we live and we value the individual contribution of people irrespective of gender, age and ethnicity. The characteristics we look for when recruiting are shared core values, drive and passion. In line with new legislation we were therefore delighted to be able to report that there is no significant gender pay bias within the Company.

We continue to invest in our existing workforce through on-going training and development opportunities with nearly 10,000 training days taking place during the year. Our policy of promoting from within wherever possible is testament to this with just under 100 employees moving into more senior roles within the business.

The skills shortage within STEM related fields is also a challenge, however, our on-going commitment to developing the young workforce through our award-winning Apprenticeship Programmes is fundamental to our success. During the year 75 apprentices continued to learn both at college and on-the-job supported by mentors within the workplace.

Our Leadership Development Programme, launched in 2016, continues to thrive with the final members of the Senior Management Team commencing their journey on the programme early in 2018.

Employee Engagement is crucial to staff retention and our self-service portal provides the business and its employees the mechanism to communicate efficiently and effectively. The monthly GAP Gazette is available to all employees through the portal and other key messages, for example, GDPR legislation and pension updates are also available. Our HR software also enables us to be more efficient in terms of processes and several new modules have been introduced, for example, cash expenses, further reducing the volume of manual paperwork.

In recognition of this we were delighted to have been awarded 'Best Use of Latest Technology' at the NGA Annual Conference in November 2017.

Employee well-being remains at the heart of our business and we are proud to have introduced a Mental Health Awareness Campaign. According to statistics, 526,000 workers in the UK Construction industry are suffering from work-related stress, depression or anxiety. Working days lost due to stress, depression or anxiety accounted for 49% of all working days lost due to ill health and 12.5 million days were lost due to work-related stress (2016/17 statistics).

Working in partnership with The Lighthouse Club, the Senior Management Team will be attending mental health awareness sessions during 2018 and it is anticipated that this training will be rolled out to all managers. We have also signed up to the Construction Industry Helpline which offers a confidential 24/7 helpline for all our employees which they can access free of charge

Strategic Report *(continued)*

Systems

Investment in IT systems and infrastructure continues to be a key focus for the business. We are committed to ensuring delivery of leading edge technologies to both internal and external customers.

Funding

The Group is funded through a five-year Asset Backed Lending ('ABL') facility. Adequacy of facilities and compliance with relevant covenant tests are monitored on an ongoing basis.

The Group's funding structure has been carefully formulated to maintain a strong balance sheet while supporting the significant level of investment in capital expenditure required by the business. With regard to the performance to date in the year to March 2019 the directors have reviewed the Group's forecasts, and are satisfied that the Group should be able to operate within the level of its current facilities. As a consequence, the directors believe the Group is well placed to manage its financial position.

Corporate Governance

GAP defines corporate governance to include its management structure and supporting functions and systems which are implemented through an established framework of policies, procedures and processes that ensure effective business outcomes. Strategies to review and improve organisational effectiveness are also in place to ensure effective resource allocation and quality business and customer support services. Key challenges include attracting skilled staff, effectively equipping depot staff to deliver to GAP standards and regulatory compliance; and ensuring continuous improvement at a time of significant change within the utilities and construction sectors.

Financial Information

The Group's five-year performance is summarised below:

	2018	**2017**	**2016**	**2015**	**2014**
No of Locations	**137**	134	133	110	93
Turnover	**£186.6m**	£175.0m	£157.7m	£143.3m	£118.4m
No of Employees at 31 March	**1,738**	1,637	1,502	1,347	1,102
EBITDA	**£73.5m**	£69.8m	£61.8m	£55.5m	£43.8m
Pre-tax profit	**£16.7m**	£17.1m	£15.8m	£18.6m	£13.5m
Shareholder's Funds	**£98.3m**	£88.9m	£77.8m	£69.3m	£58.0m

Non-financial information

The main non-financial measures reviewed by the directors relate to the monitoring of plant utilisation and health and safety within the business.

Results and dividends

The operations of the Group for the year resulted in a profit after tax of £13,644,000 *(2017: profit of £14,695,000)*, which is reviewed in the Chairman's Statement.

An interim dividend of £4,284,000 *(2017: £3,620,000)* was paid during the year. No final dividend is proposed.

On behalf of the board

C A G Parr
Secretary

27 June 2018

Directors' Report

The directors present their annual report, together with the audited consolidated financial statements for the year ended 31 March 2018.

Directors

The directors of the company during the year and to the date of this report were:

D G Anderson
I M Anderson
D O'Neil (Chairman)
C A G Parr
M D Anderson
K McEwan – (appointed 5 July 2017)
M D Williamson – (appointed 6 December 2017, resigned 2 January 2018)

Employee involvement

The Group has a policy of communicating and consulting with employees on matters of concern to them and providing them with information on the performance of the Group.

Employment of disabled persons

It is the policy of the group that disabled persons will receive full and fair consideration when applying for a job and in selection for training, career development and promotion.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

On behalf of the board

C A G Parr
Secretary

Carrick House
40 Carrick Street
Glasgow
G2 8DA

27 June 2018

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

The directors are responsible for preparing the Annual Report/Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Gap Holdings Limited

Opinion

We have audited the financial statements of GAP Holdings Limited ("the company") for the year ended 31 March 2018 which comprise the consolidated profit and loss, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated cash flow and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Independent auditor's report to the members of Gap Holdings Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street, Glasgow, G2 5AS

27 June 2018

Consolidated Profit and Loss Account
for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	2	**186,597**	175,048
Cost of sales		**(125,300)**	(115,920)
Gross profit		**61,297**	59,128
Administrative expenses		**(41,714)**	(39,172)
Group operating profit	3	**19,583**	19,956
Interest payable and similar expenses	6	**(2,901)**	(2,818)
Profit before taxation		**16,682**	17,138
Tax on profit	7	**(3,038)**	(2,443)
Profit after taxation for the financial year		**13,644**	14,695

Other Comprehensive Income

There is no other comprehensive income, other than the profit shown above.

All activities in both 2017 and 2018 are continuing.

Notes on pages 15 to 28 form part of the financial statements

Consolidated Balance Sheet
as at 31 March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	8	229,767		217,857	
Investment properties	9	5,749		2,932	
			235,516		220,789
Current assets					
Stocks	11	4,876		4,450	
Debtors	12	44,292		39,058	
Cash at bank and in hand		1,230		393	
		50,398		43,901	
Creditors: amounts falling due within one year	13	(70,095)		(63,520)	
Net current liabilities			(19,697)		(19,619)
Total assets less current liabilities			215,819		201,170
Creditors: amounts falling due after more than one year	14		(106,341)		(104,090)
Provisions for liabilities					
Deferred tax liability	16	(11,195)		(8,157)	
			(11,195)		(8,157)
Net assets			98,283		88,923
Capital and reserves					
Called up share capital	18		150		150
Profit and loss account			98,133		88,773
Equity shareholders' funds			98,283		88,923

The notes on pages 15 to 28 form part of the financial statements.

These financial statements were approved by the board of directors on 27 June 2018 and were signed on its behalf by:

Douglas Anderson
Director

Iain Anderson
Director

Company registered number: SC143099

Company Balance Sheet
at 31 March 2018

	Note	**2018**	**2018**	2017	2017
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**6,330**		6,330
Current assets					
Debtors	*12*	**673**		673	
		673		673	
Creditors: amounts falling due within one year	*13*	**-**		-	
Net current assets			**673**		673
Total assets less current liabilities			**7,003**		7,003
Creditors: amounts falling due after more than one year	*14*		**(6,180)**		(6,180)
Net assets			**823**		823
Capital and reserves					
Called up share capital	*18*		**150**		150
Profit and loss account			**673**		673
Equity shareholders' funds			**823**		823

The notes on pages 15 to 28 form part of the financial statements.

These financial statements were approved by the board of directors on 27 June 2018 and were signed on its behalf by:

Douglas Anderson Iain Anderson

Douglas Anderson
Director

Iain Anderson
Director

Company registered number: SC143099

Consolidated Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	150	77,698	77,848
Total comprehensive income for the year			
Profit	-	14,695	14,695
Total comprehensive income for the year	-	14,695	14,695
Transactions with owners, recorded directly in equity			
Dividends	-	(3,620)	(3,620)
Total contributions by and distributions to owners	-	(3,620)	(3,620)
Balance at 31 March 2017	**150**	**88,773**	**88,923**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	150	88,773	88,923
Total comprehensive income for the year			
Profit	-	13,644	13,644
Total comprehensive income for the year	-	13,644	13,644
Transactions with owners, recorded directly in equity			
Dividends paid	-	(4,284)	(4,284)
Total contributions by and distributions to owners	-	(4,284)	(4,284)
Balance at 31 March 2018	**150**	**98,133**	**98,283**

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	150	673	823
Total comprehensive income for the year			
Profit	-	3,620	3,620
Total comprehensive income for the year	-	3,620	3,620
Transactions with owners, recorded directly in equity Dividends paid	-	(3,620)	(3,620)
Total contributions by and distributions to owners	-	(3,620)	(3,620)
Balance at 31 March 2017	**150**	**673**	**823**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	150	673	823
Total comprehensive income for the year			
Profit		4,284	4,284
Total comprehensive income for the year	-	4,284	4,284
Transactions with owners, recorded directly in equity Dividends paid	-	(4,284)	(4,284)
Total contributions by and distributions to owners	-	(4,284)	(4,284)
Balance at 31 March 2018	**150**	**673**	**823**

Consolidated Cash Flow Statement

for year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Group operating profit		**19,583**	19,956
Adjustments for:			
Depreciation, amortisation and impairment		**53,555**	54,135
Gain on sale of tangible fixed assets		**(6,675)**	(5,476)
		66,463	68,615
Increase in trade and other debtors		**(5,184)**	(3,527)
Increase in stocks		**(426)**	(396)
Increase/(decrease) in trade and other creditors		**4,722**	(287)
		(888)	(4,210)
Dividends paid		**(4,284)**	(3,620)
Interest paid		**(2,649)**	(2,613)
Interest element of finance lease rental payments		**(126)**	(166)
Tax (paid)/received		**(50)**	1,788
Net cash from operating activities		**58,466**	59,794
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**16,012**	11,632
Acquisition of tangible fixed assets and investment properties (excluding purchases under finance leases)	8	**(74,555)**	(75,902)
Net cash from investing activities		**(58,543)**	(64,270)
Cash flows from financing activities			
Capital elements of finance lease payments		**(4,799)**	(5,315)
Proceeds from new loan		**5,713**	9,849
Movement in related party balances		**-**	16
Net cash from financing activities		**914**	4,550
Net increase in cash and cash equivalents		**837**	74
Cash and cash equivalents at beginning of the year		**393**	319
Cash and cash equivalents at end of the year		**1,230**	393

Notes
(forming part of the financial statements)

1 Accounting policies

GAP Holdings Limited is a private company limited by shares and incorporated and domiciled in Scotland in the UK. The registered number is SC143099 and the registered address is Carrick House, 40 Carrick Street, Glasgow G2 8DA.

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

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

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1, have not been included.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Going concern

The Group is funded through a combination of a revolving ABL credit facility and hire purchase arrangements. The group's projections for the period through to June 2019 show that the Group and Company should be able to operate within the level of their facilities during that period. After reviewing these projections, the directors believe that, in the current economic environment, the Group and Company are well placed to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The group consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 31 March 2018. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Turnover

Turnover represents amounts invoiced, net of discounts and rebates, in relation to the hire of equipment and ancillary services, or amounts invoiced to tenants for investment property rentals (excluding value added tax).

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The presentation of fixed assets has been adjusted in the current year for assets to be shown net of any deductions provided by suppliers, where these amounts were held previously within accruals and deferred income. This is simply a presentational difference and has no impact on the profit earned in the respective years or the net assets.

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives, as follows:

Short leasehold buildings and improvements - over the period of the lease or 20%, whichever is shorter

Buildings	-	4%
Computer equipment	-	33%
Computer Software	-	20%
Motor vehicles	-	17% - 25%
Plant and machinery	-	12.5% - 33%

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

Stocks

Stocks of spares, consumable stores and goods for resale are stated at the lower of cost and estimated realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

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

Leases

Where the company enters into an agreement which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

Defined contribution plans

The Group operates a stakeholder defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes *(continued)*

2 Turnover

Turnover arises principally from the hiring of plant within the United Kingdom.

	2018 £000	2017 £000
Hire of equipment and ancillary services	**186,165**	174,650
Investment property rentals	**432**	398
	186,597	175,048

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2018 £000	2017 £000
Depreciation of tangible fixed assets		
- Owned	**51,087**	46,974
- finance leases	**2,468**	2,904
Impairment of investment properties	**400**	-
Gain on disposal of tangible fixed assets	**(6,675)**	(5,476)
Hire of vehicles under operating leases	**1,022**	645
Hire of plant and machinery	**4,345**	7,312
Rental of land and buildings under operating leases	**5,525**	5,367

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**4**	4
Disclosures below based on amounts receivable in respect of other services to the company and its subsidiaries		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**48**	46
Audit-related assurance services	**5**	4
Taxation compliance services	**10**	30
Other tax advisory services	**32**	59

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2018	2017
Sales, administration and operations	**1,713**	1,566

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**44,535**	41,211
Social security costs	**4,126**	3,804
Contributions to defined contribution plans	**828**	752
	49,489	45,767

5 Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments in respect of services as directors of subsidiary undertakings	**2,148**	1,835

The aggregate remuneration of the highest paid director was £677,000 *(2017: £595,000).* The highest paid director was not a member of the group pension scheme.

6 Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	**2,775**	2,652
Finance charges on finance leases	**126**	166
Total interest payable and similar expenses	**2,901**	2,818

Notes *(continued)*

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2017 £000
Current tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	(421)
Total current tax	-	(421)
Deferred tax (see note 16)		
Origination and reversal of timing differences	**3,386**	3,143
Adjustments in respect of prior periods	**8**	19
Change in tax rate	**(356)**	(298)
Total deferred tax	**3,038**	2,864
Total tax	**3,038**	2,443

The total tax expense in both the current and prior year is recognised in the profit and loss account.

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**13,644**	14,695
Total tax expense	**3,038**	2,443
Profit before taxation	**16,682**	17,138
Tax using the UK corporation tax rate of 19% *(2017: 20%)*	**3,170**	3,428
Income/expenses not allowable for tax purposes	**233**	(50)
Lower tax rate on overseas evenings	**(37)**	(15)
Ineligible depreciation	**-**	326
Other- Capital Gains	**20**	10
Under/(Over) provided in prior years	**8**	(403)
Difference in rate on deferred tax charge	**-**	(555)
Reduction in tax rate on opening deferred tax balances	**(356)**	(298)
Total tax expense included in profit or loss	**3,038**	2,443

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the future current and total tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

8 Tangible fixed assets

Group	Freehold land and buildings – short leasehold £000	Plant machinery and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 April 2017	50,085	314,777	27,303	392,165
Additions	10,465	61,926	3,064	75,455
Disposals	(3,400)	(32,976)	(2,264)	(38,640)
Balance at 31 March 2018	57,150	343,727	28,103	428,980
Depreciation and impairment				
Balance at 1 April 2017	9,638	148,921	15,749	174,308
Depreciation charge for the year	1,638	47,653	4,264	53,555
Disposals	(275)	(26,188)	(2,187)	(28,650)
Balance at 31 March 2018	11,001	170,386	17,826	199,213
Net book value				
At 1 April 2017	40,447	165,856	11,554	217,857
At 31 March 2018	**46,149**	**173,341**	**10,277**	**229,767**

Land and Buildings

The net book amount of land and buildings includes £16,840,000 *(2017: £16,840,000)* in respect of freehold land on which no depreciation is charged.

Included in the total net book value of plant and machinery and motor vehicles is £8,651,000 *(2017: £10,214,000)* in respect of assets held under hire purchase agreements and finance leases.

Notes *(continued)*

9 Investment property

Group	£000
Balance at 1 April 2017	2,932
Additions	3,217
Impairment	(400)
Balance at 31 March 2018	**5,749**
Historical cost net book value	5,749

No item of investment property in the year was valued by an external, independent valuer. The directors value the portfolio every year.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the turnover accounting policy.

10 Fixed asset investments

Company	**Shares in group undertakings £000**
Cost	
At beginning and end of year	**6,330**

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Registered number	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings				
GAP Group Limited	England[1]	198823	Plant Hire	**100%**
GAP Group Leasing Limited	England[1]	07982562	Asset Leasing	**100%[4]**
Ace Hire and Sales Limited	Isle of Man[2]	081312C	Plant Hire	**100%[4]**
GAP Group Properties Limited	England[3]	159415	Property Investment	**100%**
Gordon Anderson Plant Limited	Scotland[3]	SC060296	Dormant	**100%**

1 Registered office address - Blenheim Place, Dunston Industrial Estate, Gateshead, Tyne And Wear, NE11 9HF.
2 Registered office address - Unit 10, South Quay Industrial Estate, Douglas, Isle of Man, IM1 5AT.
3 Registered office address consistent with GAP Holdings Limited (see Directors' report).
4 Held indirectly.

Notes *(continued)*

11 Stocks

	Group	
	2018	2017
	£000	£000
Spares, consumable stores and goods for resale	**4,876**	4,450

12 Debtors

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Due within one year:				
Trade debtors	**42,444**	37,421	**-**	-
Amounts owed by group undertakings	**-**	-	**673**	673
Other debtors and prepayments	**1,798**	1,637	**-**	-
Corporation Tax	**50**	-	**-**	-
	44,292	39,058	**673**	673

13 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Trade creditors	**23,287**	22,274	**-**	-
ABL revolving credit facility (note 15)	**20,946**	18,143	**-**	-
Obligations under finance leases	**3,063**	4,013	**-**	-
Taxation and social security	**4,291**	4,683	**-**	-
Accruals and deferred income	**18,508**	14,407	**-**	-
	70,095	63,520	**-**	-

Notes *(continued)*

14 Creditors: amounts falling after more than one year

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
ABL revolving credit facility	**104,533**	101,623	**-**	-
Obligations under finance leases	**2,087**	2,872	**-**	-
Unamortised facility costs	**(279)**	(405)	**-**	-
Amounts owed to group undertakings	**-**	-	**6,180**	6,180
	106,341	104,090	6,180	6,180

15 Interest-bearing loans and borrowings

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

	Group	
	2018	2017
	£000	£000
Creditors falling due after more than one year		
ABL revolving credit facility	**104,533**	101,623
Unamortised bank facility costs	**(279)**	(405)
Finance lease liabilities	**2,087**	2,872
	106,341	104,090
Creditors falling due within less than one year		
ABL revolving credit facility	**20,946**	18,143
Finance lease liabilities	**3,063**	4,013
	24,009	22,156

Analysis of debt

	2018	2017
	£000	£000
Debt can be analysed as falling due:		
In less than one year	**24,009**	22,156
Between one and two years	**106,225**	2,127
Between two and five years	**395**	102,368
	130,629	126,651

Notes *(continued)*

15 Interest-bearing loans and borrowings *(continued)*

Obligations under finance leases and similar hire purchase agreements are repayable in two to three years. Amounts due under finance leases and hire purchase agreements are secured over certain items of plant and equipment.

On 8 August 2017, the group increased the ABL revolving credit facility to £150m. The facility has a further £70m accordion available.

The facility is secured by a fixed and floating charge on the group's assets and extends to March 2020, with no prior scheduled repayment requirements.

Interest is charged at LIBOR plus 1.4%-1.6% depending on the components of the borrowing base.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Minimum lease payments 2018 £000**	Minimum lease payments 2017 £000
Less than one year	**3,063**	4,013
Between one and five years	**2,087**	2,872
More than five years	**-**	-
	5,150	6,885

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Accelerated capital allowances	**-**	-	**(12,306)**	(10,913)	**(12,306)**	(10,913)
Other timing differences	**858**	789	**-**	-	**858**	789
Losses	**253**	1,967	**-**	-	**253**	1,967
Tax assets/(liabilities)	**1,111**	2,756	**(12,306)**	(10,913)	**(11,195)**	(8,157)
Tax assets offset	**(1,111)**	(2,756)	**1,111**	2,756	**-**	-
Net tax liabilities	**-**	-	**(11,195)**	(8,157)	**(11,195)**	(8,157)

Notes *(continued)*

17 Employee benefits

Defined contribution plans

Group

The Group operates a stakeholder defined contribution pension scheme.

The total expense relating to the scheme in the current year was £828,000 *(2017: £752,000).*

18 Capital and reserves

Share capital

In thousands of shares	Ordinary shares 2018
On issue at 1 April 2017 and 31 March 2018	**150**

	2018 £000	2017 £000
Allotted, called up and fully paid		
150,000 ordinary shares of £1 each	**150**	150

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Assets measured at amortised cost	**44,292**	39,058
Liabilities measured at amortised cost	**(176,436)**	(167,610)

Notes *(continued)*

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 £000	2017 £000
Less than one year	**3,151**	5,973
Between one and five years	**4,239**	3,596
More than five years	**-**	-
	7,390	9,569

During the year £7,920,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £10,408,000).*

21 Commitments

Capital commitments

The Group had no capital commitments at the year end.

22 Related parties

Group

The group paid rental amounts for vehicles at market value and other charges to the following company in which DG Anderson and IM Anderson have a material interest:

	Administrative expenses recovered from		Purchases from	
	2018 £000	2017 £000	**2018 £000**	2017 £000
GAP Vehicle Hire	**376**	179	**(1,179)**	(869)
	376	179	**(1,179)**	(869)

	Receivables outstanding		Creditors outstanding	
	2018 £000	2017 £000	**2018 £000**	2017 £000
GAP Vehicle Hire	**207**	11	**(1)**	(84)
	207	11	(1)	(84)

Other related parties comprise wholly owned Group companies. Transactions with related parties were carried out at arms-length agreed terms, conditions and prices. The Group and company have taken advantage of the exemption within FRS102 Section 33 paragraph 33.1A from the requirement to disclose transactions with other wholly owned companies in the same group.

Transactions with key management personnel

The directors are considered to be key management personnel. Their total remuneration is disclosed in note 5.

Notes *(continued)*

23 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and 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. The following accounting policies and judgements are limited to those items that would be most likely to produce materially different results were the underlying judgements, estimates and assumptions changed:

Property, plant and equipment

In relation to the Group's property, plant and equipment (note 8), useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. At 31 March 2018, the carrying value of hire equipment was £170.4m *(2017: £162.4m)* representing 74.2% *(2017: 74.5%)* of the total property, plant and equipment. Both useful economic lives and residual values are reviewed on a regular basis.

Bad debt provision

The Group monitors the risk profile of debtors regularly and makes a provision for amounts that may not be recoverable.

24 Ultimate parent company and parent company of larger group

The largest group in which the results of the Company are consolidated is that headed by GAP Holdings Limited, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

25 Post balance sheet events

On 6 April 2018, GAP Group Limited acquired the entire share capital of MV Trench Support Limited.