

Registered Number:
1350718

Fraikin Limited

Report and Financial Statements

31 December 2015



Directors

PL Colin
JP Gregoire
E Cowell

Auditors

Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Bankers

The Royal Bank of Scotland
15 Little Park Street
Coventry CV1 2RN

LloydsTSB
2nd Floor, 125 Colmore Row
Birmingham B3 3SF

Solicitors

The Wilkes Partnership LLP
41 Church Street
Birmingham
B3 2RT

Registered Office

Fraikin House
Torwood Close
Westwood Business Park
Coventry
West Midlands CV4 8HX

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation amounted to £3,345,319 (2014 – £2,700,562). The directors do not recommend a dividend for the year (2014 – £nil).

Principal activity and business review

The principal activity of the company during the year continued to be the provision of contract hire facilities and other services in relation to commercial vehicles, as well as carrying out services on behalf of Fraikin Assets UK for which it receives management fees.

During the year the company transitioned from previously extant UK GAAP to FRS 101 *-Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Financiere Truck (Investissement) SAS, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 26 to these financial statements.

During the year the company invested £6m on replenishing its current truck rental fleet due to the age of the vehicles.

The company produces a comprehensive range of key performance indicators each month in order to measure the financial and operational parts of the business. Key financial performance indicators include turnover, vehicle fleet statistics, operating profit, debtor days, credit notes issued and creditor days.

Turnover for the year ended 31 December 2015 was £51,803,626 (2014 – £52,034,058). The main factor contributing to the decrease was the termination of a major fleet management contract.

Operating profit from continued operations for the year ended 31 December 2015 was £2,267,778 (2014 – £1,330,556). The increase in operating profit was mainly down to developing current business and improved monitoring of overhead costs.

The number of vehicles in the fleet management portfolio as at 31 December 2015 was 4,652 (2014 – 4,217). Despite the loss of a major contract in the year the overall portfolio numbers increased as a result of securing a new major contract in the second half of the year.

Trade debtor days as at 31 December 2015 were 48 (2014 – 33 days). Trade creditor days as at 31 December 2015 were 71 (2014 – 51 days).

Key operational performance indicators include the measurement of repair costs, response times for service calls, service slippage, query resolution times and delivery times.

Financial risk management objectives and policies

The main risks arising from the company's operations are liquidity risk, credit risk and interest rate risk. The company does not enter into any foreign exchange transactions with the exception of those with group companies. The directors review and agree policies for managing each of these risks and these are summarised below.

Strategic report

Liquidity risk

The company seeks to manage liquidity risk by managing the cash generation from its operations, applying cash collection targets and monitoring performance against these. There is no external funding in the company. However, Fraikin Group is financed through a securitisation agreement taken out by Fraikin Assets SAS. The facility is a multicurrency loan facility, which is available until March 2021 and is repayable by a single payment on maturity. The loan is subject to certain group covenants.

Interest rate risk

The company is exposed to changes in interest rates. This risk is managed by the parent entity, which has in place interest rate swaps to manage rate fluctuations on its group external loans.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk arises from its trade debtors. In order to manage credit risk the directors ensure that all customers undergo third party credit checks and they undertake regular reviews of credit limits and outstanding amounts due.

By order of the Board

A handwritten signature in black ink, appearing to read 'JP Gregoire', is written over a horizontal line.

JP Gregoire
Director

Date: 13-10-2016

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Directors

The directors who served the company during the year and subsequently were as follows:

L Bonnaure (resigned 14 February 2016)
JP Gregoire
H Cole (resigned 2 March 2016)
P Backhouse (resigned 16 February 2015)
PL Colin
E Cowell (appointed 4 October 2016)

Future Developments

On 29 June 2016, it was announced that an agreement had been reached with Petit Forestier Group to acquire 100% of the share capital of Fraikin Group. This transaction is subject to appropriate statutory clearance being obtained from the Competition Authorities in the France, Spain and Poland. It is expected that this approval will be received during the last quarter of 2016.

Going concern

The directors have prepared a forecast which estimates the cash flows of the business for a period of greater than twelve months from the date of approval of the financial statements, which demonstrates that the company has good trading profits, is expected to continue to trade profitably and generate cash to satisfy its liabilities as they fall due and that the company has adequate resources to continue in operation on a day to day basis.

Furthermore, the company is not reliant on settlement of its receivables due from Fraikin Group (£40.3M as of 31 August 2016) in order to settle such liabilities in this forecast period.

Given the nature of the company's contractual arrangements and the level of amounts due from companies within the Fraikin Group, there is in part a reliance on the going concern of Fraikin Group for the ongoing operations of the company. The directors have therefore also considered the going concern of the company's ultimate parent company, Fraikin Group, which has the renewal and extension of its senior debt instrument falling due on 31 March 2017. The executive management of Fraikin Group are currently considering various options as to how to refinance this commitment and have confidently communicated this to the directors.

On 21 March 2016, the Fraikin Group signed the extension of its securitisation program for the financing of its European fleet (France, UK and Spain). The new program, which includes an increased drawing facility of up to €1.2bn and a maturity extended to March 2021, brings together Fraikin's historical lenders (CACIB, Lloyds, Natixis) as well as new financial partners (BNP Paribas, Banco Santander, ING). Financial terms including total amount, maturity and interest rate are significantly improved compared to the previous program and reflect the successful turnaround in Fraikin's financial performance initiated in 2015:

On 29 June 2016, it was announced that an agreement had been reached with Petit Forestier Group to acquire 100% of the share capital of Fraikin Group.

Whilst the outcome of this agreement cannot be predicted with certainty at this stage, the operating performance of the Fraikin Group leads the directors, through discussion with the Fraikin Group CFO, to believe that there is no material uncertainty that would cast doubt on the company's ability to continue as a going concern.

On this basis, the directors of Fraikin Limited continue to adopt the going concern principle in preparation of the company's financial statements for the year ended 31 December 2015.

Directors' report

Directors' qualifying third party indemnity provision

The company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' report.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance.

Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' report

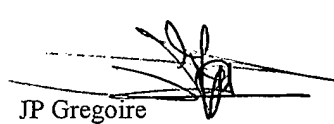
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution has been proposed for the re-appointment of Ernst & Young LLP as auditor of the company.

By order of the Board



JP Gregoire
Director

Date: 13-10-2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 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). 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 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;
- Notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Independent auditor's report

to the members of Fraikin Limited

We have audited the financial statements of Fraikin Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report

to the members of Fraikin Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Ernst & Young LLP

Andy Williams (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP (Statutory Auditor)

Birmingham

Date: 13-10-2016

Profit and loss account

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3	51,803,626	52,034,058
Cost of sales		(39,471,636)	(38,618,483)
Gross profit		12,331,990	13,415,575
Administrative expenses		(10,181,712)	(12,223,122)
Other operating income	4	117,500	138,103
Operating profit	5	2,267,778	1,330,556
Interest receivable	8	1,854,631	1,787,467
Interest payable and similar charges	9	(303,211)	(78,547)
Profit on ordinary activities before taxation		3,819,198	3,039,476
Tax on profit on ordinary activities	10	(473,879)	(338,914)
Profit for the financial year	20,21	3,345,319	2,700,562

The Company had no other comprehensive income during the year; as such total comprehensive income is the same as profits for the year.

Balance sheet

at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Intangible assets	11	9,044,940	9,606,969
Tangible assets	12	12,664,908	7,055,248
		<u>21,709,848</u>	<u>16,662,217</u>
Current assets			
Stocks	13	431,120	252,866
Debtors – due within one year	14	58,263,067	52,838,805
Cash at bank and in hand		1,124,950	2,022,341
		<u>59,819,137</u>	<u>55,114,012</u>
Creditors: amounts falling due within one year	16	(22,509,790)	(23,166,207)
Net current assets		<u>37,309,347</u>	<u>31,947,805</u>
Total assets less current liabilities		<u>59,019,195</u>	<u>48,610,022</u>
Creditors: amounts falling due after more than one year	17	(6,872,281)	-
Provision for liabilities	15	(360,870)	(169,297)
Net assets		<u><u>51,786,044</u></u>	<u><u>48,440,725</u></u>
Capital and reserves			
Called-up equity share capital	18	21,500,000	21,500,000
Share premium account	19	14,413,560	14,413,560
Profit and loss account	20	15,872,484	12,527,165
Shareholders' funds	21	<u><u>51,786,044</u></u>	<u><u>48,440,725</u></u>

Approved for issue by the Board of Directors and signed on its behalf by:

JP Gregoire
DirectorDate: 

13-10-2016

Statement of Changes in Equity

for the year ended 31 December 2015

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2014	21,500,000	9,826,603	31,326,603
Profit for the year	-	2,700,562	2,700,562
At 31 December 2014	21,500,000	12,527,165	34,027,165
Profit for the year	-	3,345,319	3,345,319
At 31 December 2015	21,500,000	15,872,484	37,372,484

Notes to the financial statements

at 31 December 2015

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Fraikin Limited (the "Company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 7 October 2016 and the balance sheet was signed on the board's behalf by Jean-Philippe Gregoire. Fraikin Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non amortisation of goodwill.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Principal accounting policies

Basis of preparation

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

The company has adopted FRS 101 for the period beginning on or after 1 January 2015 with comparatives required for 1 January 2014 onwards. The company has transitioned from previously extant UK GAAP to FRS 101 for all the periods presented. Transition reconciliations where appropriate showing all material adjustments are disclosed in note 26. The company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirements of IAS 7 Statement of Cash Flows;
- (b) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (c) the requirements of IAS 8 disclosures in respect of new standards and interpretations that have been issued but are not yet effective;
- (d) the requirements of IAS 24 Related Party Disclosures in respect of related party transactions entered into by fellow group companies (the company has no other related party transactions);
- (e) roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and intangible assets (IAS 38); and
- (f) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £479,000 lower had goodwill been amortised in the year.

Notes to the financial statements

at 31 December 2015

2. Principal accounting policies (continued)

Going concern

The directors have prepared a forecast which estimates the cash flows of the business for a period of greater than twelve months from the date of approval of the financial statements, which demonstrates that the company has good trading profits, is expected to continue to trade profitably and generate cash to satisfy its liabilities as they fall due and that the company has adequate resources to continue in operation on a day to day basis.

Furthermore, the company is not reliant on settlement of its receivables due from Fraikin Group (£40.3M as of 31 August 2016) in order to settle such liabilities in this forecast period.

Given the nature of the company's contractual arrangements and the level of amounts due from companies within the Fraikin Group, there is in part a reliance on the going concern of Fraikin Group for the ongoing operations of the company. The directors have therefore also considered the going concern of the company's ultimate parent company, Fraikin Group, which has the renewal and extension of its senior debt instrument falling due on 31 March 2017. The executive management of Fraikin Group are currently considering various options as to how to refinance this commitment and have confidently communicated this to the directors.

On 21 March 2016, the Fraikin Group signed the extension of its securitisation program for the financing of its European fleet (France, UK and Spain). The new program, which includes an increased drawing facility of up to €1.2bn and a maturity extended to March 2021, brings together Fraikin's historical lenders (CACIB, Lloyds, Natixis) as well as new financial partners (BNP Paribas, Banco Santander, ING). Financial terms including total amount, maturity and interest rate are significantly improved compared to the previous program and reflect the successful turnaround in Fraikin's financial performance initiated in 2015:

On 29 June 2016, it was announced that an agreement had been reached with Petit Forestier Group to acquire 100% of the share capital of Fraikin Group.

Whilst the outcome of this agreement cannot be predicted with certainty at this stage, the operating performance of the Fraikin Group leads the directors, through discussion with the Fraikin Group CFO, to believe that there is no material uncertainty that would cast doubt on the company's ability to continue as a going concern.

On this basis, the directors of Fraikin Limited continue to adopt the going concern principle in preparation of the company's financial statements for the year ended 31 December 2015.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Residual values of fixed assets and useful economic lives

Management judgement is required to assess the residual value of the fixed assets as well as their useful economic life.

Notes to the financial statements

at 31 December 2015

2. Principal accounting policies (continued)

Significant accounting policies

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Intangible assets

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Tangible fixed assets

Tangible fixed assets are stated at cost (less manufacturers' discounts) less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold land	–	not depreciated
Freehold buildings	–	20 years
Plant, machinery and equipment	–	3 to 10 years
Contract vehicles	–	the term of the contract
Leasehold improvements	–	the term of the lease

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Notes to the financial statements

at 31 December 2015

2. Principal accounting policies (continued)

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement.

Leases – company as a lessee

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Leases – company as a lessor

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

Financial Instruments - Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The company only has loans and receivables, such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment.

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Financial Instruments - Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The company only has loans and borrowings. Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Notes to the financial statements

at 31 December 2015

2. Principal accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Revenue recognition

Sale of goods and services

Revenue from contract hire vehicles, daily rental vehicles and maintenance contracts is recognised equally over the period of the contract. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Customer deposits are deferred and released to income at the end of the contract or refunded to the customer.

Revenue from management, purchasing and maintenance services is recognised as the service is provided in line with the underlying contractual agreements.

The company purchases vehicles for use in contracts by Fraikin Assets UK. These vehicles are immediately reassigned to Fraikin Assets UK under a Master Assignment Deed, such that Fraikin Limited does not own the vehicles. A commission is earned for providing this service which is recognised as revenue when title of the vehicle is passed to Fraikin Assets UK.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Other income

Rental income is recognised equally over the term of the lease.

Pension costs

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

Notes to the financial statements

at 31 December 2015

2. Principal accounting policies (continued)

Provisions for liabilities

A provision is recognised when the company has a legal constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Repairs and maintenance

Expenditure in respect of repairs and maintenance of the company's fleet of commercial vehicles is charged to the profit and loss account in the accounting period in which the expenditure is incurred.

3. Turnover

Turnover from continued operations represents the amounts attributable to the principal activities of the company being short term vehicle hire, fleet management services and management fees from carrying out services on behalf of Fraikin Assets UK, stated net of value added tax. All turnover arose within the United Kingdom.

4. Other operating income

	2015 £	2014 £
Rent receivable	117,500	138,103
	<u>117,500</u>	<u>138,103</u>

5. Operating profit

This is stated after charging/(crediting):

	2015 £	2014 £
Auditors' remuneration – audit of the financial statements	89,800	89,800
– tax services	4,000	4,000
- other assurance services	15,000	-
	<u>108,800</u>	<u>93,800</u>
Depreciation of owned fixed assets	1,203,152	709,823
Amortisation of intangible assets	575,880	158,711
Loss/(Profit) on disposal of fixed assets	16,305	(26,129)
Realised exchange loss on foreign currency borrowings	1,312,511	1,663,502
	<u></u>	<u></u>
Operating lease rentals – vehicles	435,233	482,403
– land and buildings	733,044	847,631
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2015

6. Directors' emoluments

	2015	2014
	£	£
Emoluments receivable in respect of qualifying directors	235,299	240,976
Company pension contributions to money purchase scheme	22,300	35,034
	<u>257,599</u>	<u>276,010</u>

The number of directors who accrued benefits under the company pension scheme was as follows:

	2015	2014
	No.	No.
Money purchase schemes	2	1
	<u>2</u>	<u>1</u>

Three (2014 – three) of the directors are employed and remunerated by the parent company. The directors remunerated by the parent company consider that their time spent on Fraikin Limited is inconsequential and as such no remuneration is disclosed for the years ended 31 December 2014 and 31 December 2015.

7. Staff costs

	2015	2014
	£	£
Wages and salaries	11,182,192	10,428,834
Social security costs	1,041,488	1,004,978
Other pension costs	280,154	304,418
	<u>12,503,834</u>	<u>11,738,230</u>

The average monthly number of employees during the year was made up as follows:

	2015	2014
	No.	No.
Management and administration	170	187
Vehicle maintenance	195	177
	<u>365</u>	<u>364</u>

8. Interest receivable

	2015	2014
	£	£
Bank interest receivable	6,613	14,442
Intercompany interest receivable	1,848,018	1,773,025
	<u>1,854,631</u>	<u>1,787,467</u>

Notes to the financial statements

at 31 December 2015

9. Interest payable and similar charges

	2015	2014
	£	£
Bank loans and overdrafts	303,211	78,547

10. Tax

(a) Tax charged in the profit and loss account

	2015	2014
	£	£
<i>Current tax:</i>		
UK corporation tax on the profit for the year	-	26,657
Adjustment in respect of prior years	282,306	-
Total current tax (note 10(b))	282,306	26,657
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	208,440	325,129
Adjustment in respect of prior years	70	(12,872)
Change in tax rate	(16,937)	-
Total deferred tax (note 15)	191,573	312,257
Tax expense in the profit and loss account	473,879	338,914

(b) Reconciliation of the total tax charge

The tax expense in the profit and loss account for the year is lower (2014 – lower) than the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are reconciled below:

	2015	2014
	£	£
Profit before taxation	3,819,198	3,039,476
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	773,388	653,487
<i>Effects of:</i>		
Expenses not deductible for tax purposes	14,493	12,473
Difference between current and deferred tax rate	(27,363)	(24,385)
Group relief received without payment	(552,078)	(212,541)
Effect of change in tax rates	(16,937)	-
Reversal of accounting amortisation	-	(102,991)
Adjustment in respect of prior years	282,376	12,871
Total tax expense reported in the profit and loss account (note 10(a))	473,879	338,914

Notes to the financial statements

at 31 December 2015

11. Intangible fixed assets

	<i>Goodwill</i>	<i>Software</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 January 2015	9,580,638	4,017,297	13,597,935
Additions	-	13,851	13,851
At 31 December 2015	9,580,638	4,031,148	13,611,786
Amortisation:			
At 1 January 2015	3,832,255	158,711	3,990,966
Charge for the year	-	575,880	575,880
At 31 December 2015	3,832,255	734,591	4,566,846
Net book value:			
At 31 December 2015	5,748,383	3,296,557	9,044,940
At 31 December 2014	5,748,383	3,858,586	9,606,969

Goodwill acquired on the acquisition of the trade and assets of Lex was previously being amortised over a period of 20 years however this was frozen at the date of transition to FRS 101 (1 January 2014) and the carrying value is now subsequently assessed annually for impairment. There was no impairment identified in 2015 or 2014.

Notes to the financial statements

at 31 December 2015

12. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant, machinery and equipment</i>	<i>Contract vehicles</i>	<i>Leasehold improve- ments</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 January 2015	1,110,327	945,038	5,292,469	2,684,079	10,031,913
Additions	-	496,069	6,356,304	23,463	6,875,836
Disposals	-	(173,955)	(61,887)	-	(235,842)
Transfers	-	5,676	1,158	(6,834)	-
At 31 December 2015	1,110,327	1,272,828	11,588,044	2,700,708	16,671,907
Depreciation:					
At 1 January 2015	248,365	588,580	76,520	2,063,200	2,976,665
Charge for the year	47,409	187,507	1,039,802	151,890	1,426,608
Disposals	-	(230,090)	(3,423)	(162,761)	(396,274)
At 31 December 2015	295,774	545,997	1,112,899	2,052,329	4,006,999
Net book value:					
At 31 December 2015	814,553	726,831	10,475,145	648,379	12,664,908
At 31 December 2014	861,962	356,458	5,215,949	620,879	7,055,248

There are no fixed asset impairment losses under IAS 36 in the year (2014: £nil).

Notes to the financial statements

at 31 December 2015

13. Stocks

	2015	2014
	£	£
Spare parts, fuel and lubricants	431,120	252,866

The difference between the purchase price of stock and its replacement cost is not material.

14. Debtors

	2015	2014
	£	£
Debtors falling due within one year:		
Trade debtors	3,565,877	2,543,098
Amounts owed by group undertakings	50,786,088	47,945,873
Corporation tax recoverable	26,657	458,969
Other debtors	1,181,547	1,518,994
Prepayments and accrued income	2,702,898	371,871
	58,263,067	52,838,805

Included within amounts owed by group undertakings are loans to Fraikin SAS of £29,463,442 (2014 - £30,649,559) and Fraikin Assets UK of £7,000,000 (2014 - £7,000,000). The former is repayable on demand and interest is payable at a variable rate set by the Bank of France, whilst the latter is repayable on demand, but only in the event that Fraikin Assets UK has surplus funds in line with a signed agreement. Interest is payable at a variable rate set by the Bank of France.

15. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2015	2014
	£	£
Included in Provisions for liabilities	(360,870)	(169,297)

The movement in the deferred tax account during the year was:

	2015	2014
	£	£
Balance brought forward	(169,297)	142,960
Profit and loss account movement arising during the year (note 10(a))	(191,573)	(312,257)
Balance carried forward	(360,870)	(169,297)

Notes to the financial statements

at 31 December 2015

15. Deferred tax (continued)

The balance of the deferred tax account consists of the tax effect of timing differences in respect of:

	2015 £	2014 £
(Accelerated)/Decelerated capital allowances	(454,726)	(219,718)
Other temporary differences	93,856	50,421
	<u>(360,870)</u>	<u>(169,297)</u>

There is no unprovided deferred tax in either year.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company profits are taxed at an effective rate of 20.25%. Reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and given Royal Assent on 18 November 2015. Accordingly, the deferred tax liability at 31 December 2015 has been calculated at 18% (2014: 20%).

Further to the Budget announcement on 16 March 2016, the corporation tax rate will now be reduced to 17% from 1 April 2020. The effect of this subsequent reduction on deferred tax has not been reflected in these financial statements due to the relevant legislation not having been substantively enacted at the reporting date.

16. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	3,145,751	3,750,702
Amounts owed to group undertakings	11,271,072	12,252,977
Corporation tax	-	-
Other taxation and social security	35,141	411,125
Loans (note 18)	1,431,260	-
Other creditors	763,162	663,062
Accruals and deferred income	5,863,404	6,088,341
	<u>22,509,790</u>	<u>23,166,207</u>

Trade creditors are non-interest bearing and are normally settled on 60 day terms.

Other creditors are non-interest bearing and are normally settled on 60-90 day terms.

Amounts owed to group undertakings are non-interest bearing and are normally settled on 60 day terms.

Notes to the financial statements

at 31 December 2015

17. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Loans	6,872,281	-
	<u>6,872,281</u>	<u>-</u>

Loans include a facility with Blackhorse finance.

The loan is contracted for the purchase of vehicles and has an average repayment term of 5 years.

The loan is secured by a charge over the vehicles purchased through the loan facility with Blackhorse finance. A total of £1,431,260 is included as a current instalment of the overall loan facility and represents the portion of the loan which is due within 1 year from the balance sheet date. The total amount to Blackhorse finance is £8,303,541 (2014: £nil).

18. Issued share capital

<i>Authorised, allotted, called up and fully paid</i>	<i>No.</i>	2015 £	<i>No.</i>	2014 £
Ordinary shares of £1 each	21,500,000	21,500,000	21,500,000	21,500,000
		<u>21,500,000</u>		<u>21,500,000</u>

19. Share premium account

There were no movements in the share premium account during the year.

20. Profit and loss account

	£
At 1 January 2015	12,527,165
Profit for the financial year	3,345,319
	<u>15,872,484</u>
At 31 December 2015	<u>15,872,484</u>

21. Reconciliation of shareholders' funds

	2015 £	2014 £
Opening shareholders' funds	48,440,725	45,740,163
Profit for the financial year	3,345,319	2,700,562
	<u>51,786,044</u>	<u>48,440,725</u>
Closing shareholders' funds	<u>51,786,044</u>	<u>48,440,725</u>

22. Capital commitments

Amounts contracted but not provided in the financial statements amounted to £8,626,012 (2014 – £9,668,839). Of these amounts £8,258,995 (2014 – £9,444,151) relate to vehicles that ultimately will be sold to Fraikin Assets UK.

Notes to the financial statements

at 31 December 2015

23. Other financial commitments

As at 31 December 2015 the company had total commitments under non-cancellable operating leases as set out below:

	2015		2014	
	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>
	£	£	£	£
Operating leases which expire:				
Within 1 year	738,361	197,856	799,034	297,814
Within 2 to 5 years	1,609,241	221,210	2,084,906	253,201
After more than 5 years	495,030	-	750,474	-
	<u>2,842,632</u>	<u>419,066</u>	<u>3,634,414</u>	<u>551,015</u>

Other items include company cars held under operating leases.

24. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There are no other transactions which require disclosure.

25. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is Financiere Truck (Investissement) SAS, a company incorporated in France. The largest and smallest group for which group financial statements are prepared is Financiere Truck (Investissement) SAS. Copies of the group financial statements can be obtained from Fraikin, West Plaza, 9 Rue du Debarcadere, CS 80037, 92700 Colombes, Cedex, France.

26. Transition to FRS101

For all the periods up until 31 December 2014 the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101. Accordingly, the company has prepared the financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started with an opening balance sheet dated 1 January 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "first time adoption of International Financial Reporting Standards".

Notes to the financial statements

at 31 December 2015

Reconciliation of equity as at 31 December 2014

	UK GAAP	Adjustments	FRS101
	£	£	£
Fixed assets			
Intangible assets	5,269,351	4,337,618	9,606,969
Tangible assets	10,913,834	(3,858,586)	7,055,248
	16,183,185		16,662,217
Current assets			
Stocks	252,866		252,866
Debtors	52,838,805		52,838,805
Cash at bank and in hand	2,022,341		2,022,341
Creditors: amounts falling due within one year	(23,166,207)		(23,166,207)
Net current assets	31,947,805		31,947,805
Total assets less current liabilities	48,130,990		48,610,022
Creditors: amounts falling due after more than one year	-		
Provision for liabilities	(169,297)		(169,297)
Net assets	47,961,693		48,440,725
Capital and reserves			
Called-up equity share capital	21,500,000		21,500,000
Share premium account	14,413,560		14,413,560
Profit and loss account	12,048,133	479,032	12,527,165
Shareholders' funds	47,961,693		48,440,725

The effects of the application of FRS 101 on prior year's previously disclosed results are as follows:

	2014 as previously reported	Impact of goodwill amortisation		Restated 2014
	£	£	£	£
Operating profit	851,524	479,032	-	1,330,556
Profit before taxation	2,560,444	479,032		3,039,476
Taxation	(338,914)	-	-	(338,914)
Profit for the financial year	2,221,530	479,032		2,700,562

Notes to the financial statements

at 31 December 2015

Reconciliation of equity as at 1 January 2014

	UK GAAP	Adjustments	FRS101
	£	£	£
Fixed assets			
Intangible assets	5,748,383		5,748,383
Tangible assets	2,380,246		2,380,246
	8,128,629		8,128,629
Current assets			
Stocks	211,346		211,346
Debtors	63,523,076		63,523,076
Cash at bank and in hand	1,313,920		1,313,920
Creditors: amounts falling due within one year	(27,436,808)		(27,436,808)
Net current assets	37,611,534		37,611,534
Total assets less current liabilities	45,740,163		45,740,163
Creditors: amounts falling due after more than one year	-		-
Provision for liabilities	-		-
Net assets	45,740,163		45,740,163
Capital and reserves			
Called-up equity share capital	21,500,000		21,500,000
Share premium account	14,413,560		14,413,560
Profit and loss account	9,826,603		9,826,603
Shareholders' funds	45,740,163		45,740,163

Note A - Goodwill

Under FRS 101 Goodwill is not amortised, it is instead assessed annually for impairment under IAS 36. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Notes to the financial statements

at 31 December 2015

This results in an increase in the profit after tax of £479,000 for the year ended 31 December 2014 and an increase in net assets as at 31 December 2014 increased by £479,000. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £479,000 lower had goodwill been amortised in the year.

On transition to FRS 101 the group took advantage of the exemption under IFRS 1 not to restate its business combinations which occurred before the transition date.

Note B – Intangible assets

Software under UK GAAP was recorded as a tangible fixed asset. Under FRS101, software has been included as an intangible asset. This has no impact on shareholder's equity at the date of transition or on shareholder's equity or comprehensive income for the year ended 31 December 2014.