



# Financial Statements

## King Vehicle Engineering Limited

For the 13 month period ended 31 July 2017

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Registered number: 05543840

**King Vehicle Engineering Limited**

## Company Information

**Directors**

H W Martin  
N C Faulconbridge  
M J Faulconbridge (appointed 3 August 2017)

**Registered number**

05543840

**Registered office**

Riverside  
Market Harborough  
LEICESTERSHIRE  
LE16 7PX

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## **Group strategic report**

**For the 13 month period ended 31 July 2017**

### **Introduction**

The directors present their Strategic report for the 13 month period ended 30 June 2017.

### **Business review**

The principal activity of King Vehicle Engineering Limited is that of a holding company.

To fully represent the full portfolio of King companies and provide a coherent structure King Trailers Limited and King Transport Engineering Limited were brought under the direct ownership of King Vehicle Engineering Limited on 1<sup>st</sup> August 2016. Also the access platform activity commenced trading under the dedicated entity of Skyking Limited from 1<sup>st</sup> February 2017.

The principal activities of the Group were:

- The design and manufacture of a comprehensive range of specialist trailers and truck bodies for abnormal and specialist loads.
- The design and manufacture of engineered solutions for transportation and materials handling.
- The design, manufacture and supply of specialist vehicle equipment.
- The hire of specialist vehicles and trailers to the traffic management and wider construction industry.
- The design, manufacture and supply of access platforms.

The King Group continues to evolve under the ownership of the Martin Group of Companies with new initiatives and structures to improve quality and client offering. Financial results have been severely impeded by long term projects, which were in progress prior to take over by the H W Martin Group, these projects have continued through the financial period incurring significant commercial cost and also a delay in adopting revised practices.

King Vehicle Engineering Limited has the opportunity to develop new client relationships and increased exposure to transportation markets through the wider Martin Group of Companies.

### **Principal risks and uncertainties**

The identification, assessment and management of opportunities and associated risks are an integral element of the business of King Highway Products Limited and the wider Martin Group. Principal risks are:

- The effect of new legislation and regulation. The impact of which on our product range may potentially increase costs and affect market demand.
- Supplier relationships and distribution agreements. The Company has a reliance on the supply of key components and products and enters into formal agreements to secure these relationships.
- Health and safety. Training is given to employees to mitigate this risk. Policies and procedures are continually monitored and reviewed as part of the Martin Group.
- Financial risk. The main risks arising from the Company's financial instruments are liquidity risk from the supply of low volume, high value products and bad debt. These risks are managed by staged and advance payments.

**King Vehicle Engineering Limited**

## **Group strategic report (continued)**

**For the 13 month period ended 31 July 2017**

### **Financial key performance indicators**

The Company's key financial and performance indicators for the year are:

- An increase in gross profit margin of 5%
- Turnover maintained at over £17 million.

This report was approved by the board and signed on its behalf.



**N C Faulconbridge**  
Director

Date: 18 December 2017

## **Directors' report**

**For the 13 month period ended 31 July 2017**

The directors present their report and the financial statements for the 13 month period ended 31 July 2017.

### **Results and dividends**

The loss for the 13 month period, after taxation, amounted to £921,625 (2016: profit £1,092,962).

The directors have not recommended a dividend (2016: £Nil)

### **Directors**

The directors who served during the 13 month period were:

M F Carrington (resigned 15 September 2017)

H W Martin

N C Faulconbridge

### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

### **Going concern**

The company funds both day-to-day operations and longer-term strategic development from its liquid resources, including the working capital generated from operations. The directors have considered the level of the liquid resources and the expected future profitability of the company and its wider group, and are satisfied that, under anticipated trading conditions, there are sufficient available resources for the company to meet its trading requirements through a period of at least 12 months from the date of signing these financial statements. For this reason they have concluded that it is appropriate to use the going concern basis in presenting these financial statements.

## Directors' report (continued)

For the 13 month period ended 31 July 2017

### Disclosure of information to auditor

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

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

### Post balance sheet events

There have been no significant events affecting the Group since the period end.

### Auditor

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

This report was approved by the board and signed on its behalf.



**N C Faulconbridge**  
Director

Date: 18 December 2017

# Independent auditor's report to the members of King Vehicle Engineering Limited

## Opinion

We have audited the financial statements of King Vehicle Engineering Limited for the 13 month period ended 31 July 2017 which comprise the Consolidated statement of income and retained earnings, Consolidated Statement of financial position, Company balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 July 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Who we are reporting to

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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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



## Independent auditor's report to the members of King Vehicle Engineering Limited (continued)

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group strategic report and directors' report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.



## Independent auditor's report to the members of King Vehicle Engineering Limited (continued)

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A handwritten signature in black ink, appearing to read "Paul Houghton".

Paul Houghton (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Sheffield

18 December 2017

## Consolidated statement of comprehensive income

For the 13 month period ended 31 July 2017

		13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
	Note		
Turnover	4	17,017,610	17,715,674
Cost of sales		(12,719,360)	(14,149,427)
<b>Gross profit</b>		<b>4,298,250</b>	<b>3,566,247</b>
Administrative expenses		(4,778,339)	(2,554,340)
Exceptional administrative expenses		(507,625)	-
Fair value movements		-	310,689
<b>Operating (loss)/profit</b>	5	<b>(987,714)</b>	<b>1,322,596</b>
Interest receivable and similar income	9	-	685
Interest payable and expenses	10	(93,272)	(113,746)
<b>(Loss)/profit before tax</b>		<b>(1,080,986)</b>	<b>1,209,535</b>
Tax on (loss)/profit	11	159,361	(116,573)
<b>(Loss)/profit for the financial 13 month period</b>		<b>(921,625)</b>	<b>1,092,962</b>
<b>Profit for the year attributable to:</b>			
Non-controlling interest		-	135,138
Owners of the parent company		921,625	(1,228,100)
		<b>921,625</b>	<b>(1,092,962)</b>

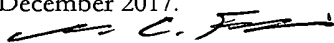
There was no other comprehensive income for 2017 (2016: £NIL).

## Consolidated statement of financial position

As at 31 July 2017

	Note	31 July 2017 £	30 June 2016 £
<b>Fixed assets</b>			
Intangible assets	12	4,511,684	-
Tangible assets	13	4,230,394	4,369,585
		<u>8,742,078</u>	<u>4,369,585</u>
<b>Current assets</b>			
Stocks	15	3,973,851	2,107,015
Debtors: amounts falling due within one year	16	1,033,439	1,172,743
Cash at bank and in hand	17	595,309	1,892,745
		<u>5,602,599</u>	<u>5,172,503</u>
Creditors: amounts falling due within one year	18	(3,365,415)	(4,767,401)
<b>Net current assets</b>		<u>2,237,184</u>	<u>405,102</u>
<b>Total assets less current liabilities</b>		<u>10,979,262</u>	<u>4,774,687</u>
Creditors: amounts falling due after more than one year	19	(8,526,191)	(1,359,577)
<b>Provisions for liabilities</b>			
Deferred taxation	21	(177,409)	(244,000)
Other provisions	22	(115,309)	(89,132)
		<u>(292,718)</u>	<u>(333,132)</u>
<b>Net assets</b>		<u><u>2,160,353</u></u>	<u><u>3,081,978</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	475	475
Share premium account	24	106,321	106,321
Profit and loss account	24	2,053,557	2,098,372
<b>Equity attributable to owners of the parent Company</b>		<u>2,160,353</u>	<u>2,205,168</u>
Non-controlling interests		-	876,810
		<u><u>2,160,353</u></u>	<u><u>3,081,978</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2017.

  
N C Faulconbridge

Director

The notes on pages 13 to 33 form part of these financial statements.

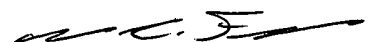
## Company statement of financial position

As at 31 July 2017

	Note	31 July 2017 £	30 June 2016 £
<b>Fixed assets</b>			
Intangible assets	12	22,501	-
Investments	14	8,259,151	391,651
		<u>8,281,652</u>	<u>391,651</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	1,704,771	797,470
Cash at bank and in hand	17	176,421	7,019
		<u>1,881,192</u>	<u>804,489</u>
Creditors: amounts falling due within one year	18	(623,673)	(679,653)
<b>Net current assets</b>		<u>1,257,519</u>	<u>124,836</u>
<b>Total assets less current liabilities</b>		<u>9,539,171</u>	<u>516,487</u>
Creditors: amounts falling due after more than one year	19	(7,862,500)	-
<b>Provisions for liabilities</b>			
Deferred taxation	21	-	(400)
		<u>-</u>	<u>(400)</u>
<b>Net assets</b>		<u><u>1,676,671</u></u>	<u><u>516,087</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	475	475
Share premium account	24	106,321	106,321
Profit and loss account	24	1,569,875	409,291
		<u><u>1,676,671</u></u>	<u><u>516,087</u></u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of income and retained earnings in these financial statements. The profit after tax of the parent Company for the year was £1,158,184 (2016: £205,811).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2017.



**N C Faulconbridge**  
Director

## Consolidated statement of changes in equity

For the 13 month period ended 31 July 2017

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 April 2015	475	106,321	1,140,548	1,247,344	741,672	1,989,016
Comprehensive income for the period						
Profit for the period	-	-	957,824	957,824	135,138	1,092,962
Total comprehensive income for the period	-	-	957,824	957,824	135,138	1,092,962
At 1 July 2016	475	106,321	2,098,372	2,205,168	876,810	3,081,978
Comprehensive income for the 13 month period						
Loss for the 13 month period	-	-	(921,625)	(921,625)	-	(921,625)
Total transactions with owners	-	-	876,810	876,810	(876,810)	-
At 31 July 2017	475	106,321	2,053,557	2,160,353	-	2,160,353

## Company statement of changes in equity

For the 13 month period ended 31 July 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2015	475	106,321	203,480	310,276
<b>Comprehensive income for the period</b>				
Profit for the period	-	-	205,811	205,811
<b>Total comprehensive income for the period</b>	-	-	205,811	205,811
At 1 July 2016	475	106,321	409,291	516,087
<b>Comprehensive income for the period</b>				
Profit for the 13 month period	-	-	1,160,584	1,160,584
<b>Total comprehensive income for the 13 month period</b>	-	-	1,160,584	1,160,584
At 31 July 2017	475	106,321	1,569,875	1,676,671

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 1. General information

King Vehicle Engineering Limited (the "Company") is a company limited by shares incorporated in the UK. The registered office of the company is King Building, Riverside, Market Harborough, Leicestershire, LE16 7PX.

The principal activity of the company during the year continued to be that of a holding company.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

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

The company's functional and presentational currency is sterling (£).

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

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

### 2.3 Going concern

The company funds both day-to-day operations and longer-term strategic development from its liquid resources, including the working capital generated from operations. The directors have considered the level of the liquid resources and the expected future profitability of the company and its wider group, and are satisfied that, under anticipated trading conditions, there are sufficient available resources for the company to meet its trading requirements through a period of at least 12 months from the date of signing these financial statements. For this reason they have concluded that it is appropriate to use the going concern basis in presenting these financial statements.



## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 2. Accounting policies (continued)

#### 2.4 Reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. These disclosure exemptions are:

##### Statement of Cash Flows

Preparing a statement of cash flows, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows included in the Group Financial Statements includes the company's cashflows.

##### Key Management Personnel Compensation

Disclosing the compensation of the key management personnel as required by FRS 102 Section 33.7.

##### Related Party Disclosures

Disclosing related party transactions and balances for the period as required by FRS 102 Section 33.7.

##### Financial Instrument Disclosure

Disclosing Financial Instruments as required under FRS 102 section 11.29 to 11.48A and section 12.26 and 12.29 as this information is provided in the notes to the Consolidated Financial Statements.

In accordance with the provisions of Section 401 of the Companies Act 2006, the Company is exempt from the obligation to prepare and deliver group financial statements, as the Company is included in the audited consolidated financial statements of its ultimate parent undertaking, H W Martin Holdings Limited, which is registered in England and Wales.

The information is included in the consolidated financial statements of H W Martin Holdings Limited as at 31 July 2017 and these financial statements may be obtained from Companies House.

#### 2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 2. Accounting policies (continued)

### 2.6 Intangible assets

#### Goodwill

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

#### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Patents	33	%
Goodwill	10	%

### 2.7 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- 15 years
Plant and machinery	- 2-10 years
Motor vehicles	- 3 years
Fixtures and fittings	- 1-5 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 2. Accounting policies (continued)

#### 2.9 Stocks

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

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

#### 2.10 Debtors

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

#### 2.11 Cash and cash equivalents

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

#### 2.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 2. Accounting policies (continued)

#### 2.12 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.13 Creditors

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

#### 2.14 Finance costs

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

#### 2.15 Pensions

##### Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

#### 2.16 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 2. Accounting policies (continued)

#### 2.17 Current and deferred taxation

The tax expense for the 13 month period comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

#### 2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

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

Estimates and judgements are continually evaluated and are based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Impairment of financial statements

At the end of each reporting period, an assessment is made as to whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost, including trade debtors and stock. If there is objective evidence of impairment, an impairment loss is recognised in the statement of income and retained earnings immediately.

#### Impairment of Investments

The company considers whether investments are impaired. Where an indication of impairment is identified, the estimation of the recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

### 4. Turnover

Analysis of turnover by country of destination:

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
United Kingdom	17,017,610	17,606,433
Rest of the world	-	109,241
	<u>17,017,610</u>	<u>17,715,674</u>

### 5. Operating (loss)/profit

The operating profit is stated after charging/(crediting):

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
Depreciation of owned tangible fixed assets	996,134	436,253
Depreciation of tangible fixed assets held under hire purchase agreements and finance leases	-	492,751
Amortisation of intangible assets, including goodwill	503,460	-
Exchange differences	-	120,930
Defined contribution pension cost	<u>48,591</u>	<u>8,980</u>

## Notes to the financial statements

For the 13 month period ended 31 July 2017

**6. Auditor's remuneration**

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	32,350	18,000
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Other services relating to taxation	11,400	-

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Wages and salaries	3,441,603	1,195,345	9,364	186,679
Social security costs	260,888	134,806	16,047	21,283
Cost of defined contribution scheme	48,591	8,980	-	-
	<b>3,751,082</b>	<b>1,339,131</b>	<b>25,411</b>	<b>207,962</b>

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

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Administration and management	60	25	1	2
Direct labour	56	-	-	-
	<b>116</b>	<b>25</b>	<b>1</b>	<b>2</b>

King Vehicle Engineering Limited

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 8. Directors' remuneration

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
Directors' emoluments	149,241	300,287

## 9. Interest receivable

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
Other interest receivable	-	685

## 10. Interest payable and similar charges

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
Bank interest payable	83,795	113,746
Other interest payable	9,477	-



# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 11. Taxation

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
<b>Corporation tax</b>		
Current tax on profits for the period	(141,370)	144,773
<b>Total current tax</b>	<u>(141,370)</u>	<u>144,773</u>
<b>Deferred tax</b>		
Excess of depreciation over taxation allowances	(31,438)	30,324
Other timing differences	2,875	(58,524)
Losses and other differences	10,572	-
<b>Total deferred tax</b>	<u>(17,991)</u>	<u>(28,200)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(159,361)</u>	<u>116,573</u>

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 11. Taxation (continued)

### Factors affecting tax charge for the 13 month period

The tax assessed for the 13 month period is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.69% (2016 - 20%). The differences are explained below:

	13 months ended 31 July 2017 £	15 months ended 30 June 2016 £
(Loss)/profit on ordinary activities before tax	<u>(1,080,986)</u>	<u>1,209,535</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.69% (2016 - 20%)	(212,846)	241,907
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,347	22,209
Fixed asset differences	-	(56,974)
Utilisation of tax losses	9,578	-
Adjustments to tax charge in respect of prior periods	(7,386)	-
Other timing differences leading to an increase/ (decrease) in taxation	27,937	(33,938)
Non-taxable income	-	(62,138)
Deferred tax not recognised	17,576	-
Group relief	3,433	5,507
<b>Total tax charge for the 13 month period</b>	<u><u>(159,361)</u></u>	<u><u>116,573</u></u>

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 12. Intangible assets

Group and Company

	Patents £	Goodwill £	Total £
<b>Cost</b>			
At 1 July 2016	-	58,769	58,769
Additions	22,501	4,992,643	5,015,144
At 31 July 2017	22,501	5,051,412	5,073,913
<b>Amortisation</b>			
At 1 July 2016	-	58,769	58,769
Charge for the year	-	503,460	503,460
At 31 July 2017	-	562,229	562,229
<b>Net book value</b>			
At 31 July 2017	22,501	4,489,183	4,511,684
At 30 June 2016	-	-	-

The policy for writing down Goodwill on acquisitions has been reviewed and it is considered that tight margins due to economic climate have resulted in the amount of time expected to fully realise the benefit of the investment to be increased to 10 years. This decision has been made on the financial performance in the current year and for the forecast year ahead.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

**13. Tangible fixed assets****Group**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 July 2016	10,453	6,359,885	151,192	68,787	6,590,317
Additions	19,186	596,240	67,936	39,338	722,700
Acquisition of subsidiary	-	512,511	12,976	157,966	683,453
Disposals	-	(1,543,067)	(26,162)	-	(1,569,229)
At 31 July 2017	29,639	5,925,569	205,942	266,091	6,427,241
<b>Depreciation</b>					
At 1 July 2016	9,407	2,043,212	113,266	54,847	2,220,732
Charge for the periods	1,075	894,766	38,081	62,212	996,134
Disposals	-	(1,006,253)	(13,766)	-	(1,020,019)
At 31 July 2017	10,482	1,931,725	137,581	117,059	2,196,847
<b>Net book value</b>					
At 31 July 2017	19,157	3,993,844	68,361	149,032	4,230,394
At 30 June 2016	1,046	4,316,673	37,926	13,940	4,369,585

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 July 2017 £	30 June 2016 £
Plant and machinery	115,500	134,167
Motor vehicles	2,739,912	2,979,301
	<u>2,855,412</u>	<u>3,113,468</u>

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 14. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
King Highway Products Limited	Ordinary	100 %	Manufacture and sale of specialist truck equipment
Safety Vehicle Hire and Lease Limited	Ordinary	100 %	Hire of vehicles
KFSL Limited	Ordinary	100 %	Holding of intellectual property
King Trailers Limited	Ordinary	100 %	Manufacture and sale of specialist trailers
King Transport Equipment Limited	Ordinary	100 %	Manufacture and sale of engineer solutions for transportation and material handling.
Skyking Limited	Ordinary	100 %	Manufacture and sale of specialist truck equipment

The aggregate of the share capital and reserves as at 31 July 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves 31 July £	Profit/(loss) 31 July £
King Highway Products Limited	1,207,083	(108,641)
Safety Vehicle Hire and Lease Limited	2,179,046	240,886
KFSL Limited	100	(8,963)
King Trailers Limited	1,260,516	70,650
King Transport Equipment Limited	(235,611)	(748,889)
Skyking Limited	(157,083)	(162,083)
	<u>4,254,051</u>	<u>(717,040)</u>

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 July 2016	391,651
Additions	7,867,500
At 31 July 2017	<u>8,259,151</u>
<b>Net book value</b>	
At 31 July 2017	<u>8,259,151</u>
At 30 June 2016	<u>391,651</u>

## 15. Stocks

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Raw materials and consumables	1,184,578	262,749	-	-
Work in progress (goods to be sold)	2,333,354	106,293	-	-
Finished goods and goods for resale	455,919	1,737,973	-	-
	<u>3,973,851</u>	<u>2,107,015</u>	<u>-</u>	<u>-</u>

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

Stock recognised in cost of sales during the 13 month period as an expense was £13,996,161 (2016: £26,314,286).

An impairment loss of £1,817,448 (2016: £1,572,212) was recognised in cost of sales against stock during the 13 month period due to slow-moving and obsolete stock.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 16. Debtors

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Trade debtors	538,945	573,872	-	-
Amounts owed by group undertakings	131,115	465,259	1,702,043	793,692
Other debtors	14,244	133,612	328	3,778
Prepayments and accrued income	349,135	-	-	-
Deferred taxation	-	-	2,400	-
	<u>1,033,439</u>	<u>1,172,743</u>	<u>1,704,771</u>	<u>797,470</u>

Across the group an impairment loss of £90,863 (2016: £75,100) was recognised against trade debtors at the year end.

The bad debt expense recognised in the Statement of income and retained earnings in the year was £18,747 (2016: £7,281)

Amounts owed to group undertakings are interest free and repayable on demand.

### 17. Cash and cash equivalents

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Cash at bank and in hand	<u>595,309</u>	<u>1,892,745</u>	<u>176,421</u>	<u>7,019</u>

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 18. Creditors: Amounts falling due within one year

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Trade creditors	1,152,311	1,349,119	2,239	4,693
Amounts owed to group undertakings	-	539,504	619,734	589,693
Corporation tax	-	140,603	400	65,700
Taxation and social security	455,319	296,433	-	8,678
Obligations under finance lease and hire purchase contracts	707,339	824,868	-	-
Other creditors (incl directors loans)	808,569	598,307	-	-
Accruals and deferred income	241,877	1,018,567	1,300	10,889
	<u>3,365,415</u>	<u>4,767,401</u>	<u>623,673</u>	<u>679,653</u>

Amounts owed to group undertakings are interest free and repayable on demand.

Obligations under hire purchase agreements are secured against the assets to which they relate.

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

	Group 31 July 2017 £	Group 30 June 2016 £	Company 31 July 2017 £	Company 30 June 2016 £
Net obligations under finance leases and hire purchase contracts	663,691	1,359,577	-	-
Amounts owed to group undertakings	<u>7,862,500</u>	<u>-</u>	<u>7,862,500</u>	<u>-</u>

A new loan agreement was entered into on 31 July 2017 with H W Martin Holdings Limited for £7,862,500. Following this agreement, the amounts owed to group undertakings above are charged interest at 3.5% and are repayable on 1 August 2018. No interest was charged prior to the new loan agreement.

## 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 31 July 2017 £	Group 30 June 2016 £
Within one year	707,339	821,741
Between 1-5 years	663,691	1,359,577
	<u>1,371,030</u>	<u>2,181,318</u>



# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 21. Deferred taxation

### Group

2017  
£

At beginning of period	(244,000)
Charged to profit or loss	66,591
<b>At end of year</b>	<b>(177,409)</b>

### Company

### Company

2017  
£

At beginning of period	(400)
Charged to profit or loss	2,800
<b>At end of year</b>	<b>2,400</b>

	Group 31 July 2017 £	Company 31 July 2017 £
Excess of depreciation over taxation allowances	(181,757)	2,400
Tax losses carried forward	4,920	-
Other timing differences	(572)	-
	<b>(177,409)</b>	<b>2,400</b>

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 22. Provisions

Group

	Product warranty £
At 1 July 2016	89,132
Charged to profit or loss	26,177
<b>At 31 July 2017</b>	<b>115,309</b>

### 23. Share capital

	31 July 2017 £	30 June 2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
2,250 A Ordinary Shares shares of £0.10 each	225	225
2,500 B Ordinary Shares shares of £0.10 each	250	250
	<b>475</b>	<b>475</b>

### 24. Reserves

#### Share premium account

Includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

#### Profit and loss account

Includes all current and prior period retained profits and losses.

## Notes to the financial statements

For the 13 month period ended 31 July 2017

### 25. Business combinations

On 1 August 2016 King Vehicle Engineering Limited acquired in full the following companies: KFSL Limited, King Trailers Limited and King Transport Equipment Limited. In addition to this the Company also acquired the remaining share capital of Safety Vehicle Hire and Lease Limited.

	31 July 2017 £
Total Consideration	7,862,500
<b>Recognised amounts of identified assets and liabilities acquired</b>	
Fixed assets	375,994
Stock	3,676,756
Debtors	1,862,587
Bank	1,182,787
Finance leases	(122,706)
Corporation tax	(55,205)
Other creditors	(4,098,556)
Deferred tax	48,200
<b>Net assets</b>	<b>2,869,857</b>
Goodwill	4,992,643

### 26. Capital commitments

There are no capital commitments at the year-end of 2017 or 2016.

### 27. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge represents contributions payable by the Company to the fund and amounted to £48,591 (2016: £8,980).

Contributions totalling £2,617 (2016: £772) were payable to the fund at the balance sheet date.

# Notes to the financial statements

For the 13 month period ended 31 July 2017

## 28. Commitments under operating leases: lessee

At 31 July 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 31 July 2017 £	Group 30 June 2016 £
Not later than 1 year	56,323	67,898
Later than 1 year and not later than 5 years	81,203	147,279
	<u>137,526</u>	<u>215,177</u>

## 29. Commitments under operating leases: lessor

At 31 July 2017 the Group had future minimum lease income under non-cancellable operating leases as follows:

	Group 31 July 2017 £	Group 30 June 2016 £
Not later than 1 year	671,038	975,893
Later than 1 year and not later than 5 years	748,380	841,729
	<u>1,419,418</u>	<u>1,817,622</u>

## 30. Related party transactions

King Vehicle Engineering Limited has taken advantage of the exemption in FRS 102 (section 33) 'Related party disclosure' not to disclose transactions with other members of the group.

## 31. Controlling party

The directors consider that the ultimate parent undertaking of the company is H W Martin Holdings Limited incorporated in England and Wales.

The largest and smallest group of undertakings for which group accounts has been drawn up is that headed by H W Martin Holdings Limited which is incorporated in England and Wales.

Consolidated financial statements can be obtained from H W Martin Holdings Limited, Fordbridge Lane, Blackwell, Alfreton, Derbyshire, DE55 5JY.