Bodycote Ltd
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Company Registration No. 08486652 (England & Wales)

ADDISON LEE FINANCING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

ADDISON LEE FINANCING LIMITED

COMPANY INFORMATION

Directors	L Griffin P B Suter P Gallagher
Secretary	L Gage
Company number	08486652
Registered office	The Point, 37 North Wharf Road, London W2 1AF
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

ADDISON LEE FINANCING LIMITED

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ADDISON LEE FINANCING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their strategic report on the Addison Lee Financing Limited group of companies ("the Group") for the year ended 31 August 2019.

Principal activities, review of the business and future developments

During the year under review, the Group was engaged principally in ground transportation activities initiated in the United Kingdom ("UK") and the United States of America ("US"), including the provision of the following services:

- private-hire and managed vehicles;
- executive cars and chauffeuring;
- airport transfers;
- coaches hire;
- transportation for events;
- deliveries and courier; and
- ownership and rental to third parties of motor vehicles

The directors consider that the Group's key financial performance indicators to be those that communicate the financial performance and strength of the Group as a whole, as follows (see note 3 for more details of alternative performance measures):

	As at 31 August 2019 £'000	As at 31 August 2018 £'000	Increase / (decrease) year on year
Revenue	394,584	390,325	1%
Gross profit	99,708	109,280	(9%)
Gross profit margin	25.3%	28.0%	(3%)
Adjusted EBITDA (note 8)	49,405	53,804	(8%)
Loss before tax	(79,974)	(26,977)	196%

Revenue growth for the year ended 31 August 2019 was 1% and was the combination of strong performance for Tristar business in the UK and sustained growth in Addison Lee and US Operations:

- Underlying revenue growth across the UK businesses of 0.4%, contributing £1.3m to the growth in Group revenues in the year; and
- Revenue growth across the US business of 4.0%, contributing £3.0m to growth in Group revenues in the year.

Notwithstanding the positive growth in revenues in the current financial year, gross profit was down by 9% arising from lower productivity mainly in the Tristar fixed cost base business followed by intense competition in the UK resulting in lower number of drivers available for Addison Lee self-employed business. In the US gross margin was down by 3% as the business continued to invest in service capability to drive revenue growth opportunities.

As part of a restructuring program, the Group has made significant changes to the operating model to deliver improved gross margin by increasing productivity, and also took measures to retain and recruit drivers to manage fleet. Page 2 of this Annual Report and Financial Statements provides a commentary on the significant programme of integration and restructuring designed to progress the assimilation to the group of acquired businesses, and also investment in areas of business transformation to support the strategic growth objectives of the Group.

Overhead costs applied in arriving at Adjusted EBITDA have increased by £3.1m compared to prior year which is the result of investment during significant transformation, integration and restructuring programs.

In addition to the investment in overhead expenditure described above, these efforts gave rise to:

- Exceptional costs in the year of £18.5m (prior year: £18.0m); and
- Capital expenditure at a level below depreciation – the net book value of tangible fixed assets decreased by £14.6m in the year from £76.8m to £62.2m (prior year: increased £15.7m from £61.1m to £76.8m)

The Group undertook significant integration and restructuring measures during the year which included:

- Transformation and restructuring of the Tristar and US operating models to improve gross margin;
- Advisory costs in relation to due diligence and sale process for both the UK and US business;
- Continuation of the integration programme to bring together the operations of Addison Lee with Tristar and Flyte Tyme in the UK and US respectively;
- Conclusion of the reorganisation of the property portfolio, including the completion of a new facility in Peterborough (customer experience centre) and the preparation for the move to a new Head Office in West London (completed in December 2018);
- Significant restructuring activities to position the Group for the new challenges involved with being an international group and operating at scale, including structural costs associated with setting up new contracts, building global capabilities, related sales functionality and structures as well as a host of business change projects;
- Continuation of a programme to realign insurance and other contractual onerous costs.

These activities resulted in additional costs which have been classified as exceptional items.

Net funding costs in the year increased from £22.9m in the prior year to £27.9m for the current year. Excluding the impact of exchange gains and losses, net finance costs increased from £22.1m to £27.9m. This increase arises from increased cost of funding (linked to prevailing interest rate environment) and an increase in net funding to finance the above.

During the year an impairment to Goodwill was recorded of £41.0m, which wrote-off £12.2m Goodwill relating to the US businesses and also £28.8m relating to the UK. Details are included in note 16 to the consolidated financial statements.

This impairment to Goodwill described above, combined with the additional investment in overheads, exceptional costs arising from continued restructuring , transformation activities within the Group and an increase in net funding costs in the year have contributed to the increase in reported losses before taxation of £80.0m versus £27.0m in the prior year.

Events after the Balance Sheet Date

Details of events occurring after the balance sheet date are provided in the Directors' report and in note 30 to the consolidated financial statements

Principal Risks and Uncertainties

Business risks

Covid-19 pandemic

In the last three weeks of March 2020, the Group witnessed unprecedented changes in the markets in which it operates caused by the onset of the covid-19 pandemic. There were rapid and substantial reductions in passenger demand in our business. Government advice and policy changed rapidly, necessitating urgent discussions with many of our customers about future service levels. The Group acted quickly and decisively to protect its ability to continue to deliver essential transport services. The mitigating actions taken as the pandemic evolved and the UK government introduced measures designed to curb the spread of the virus, including a lockdown, are more fully described in the Directors report. Nevertheless, the longer-term consequences of the covid-19 pandemic for our business remain very uncertain, both in terms of duration and impact. Accordingly, the Group is monitoring the situation carefully.

Competitive environment
The ground transportation market is highly competitive. There is a risk that a changing industry and advances in technologies means that competitors with different business models may arise. The Group continues to invest in customer experience and technology innovations and considers them as key drivers for growth.

Legislative risks
The majority of the drivers engaged by the Group in the UK are self-employed. Actions have been brought against the Group by a small number of drivers and couriers and also against other groups using similar operating models, claiming worker status for self-employed drivers. Addison Lee is appealing against the court decisions made against it and continues to monitor the progress of all these cases, studies by other parties, such as the Taylor Report issued in July 2017, and initiatives taken by the Government.

Regulatory risks
Addison Lee is subject to industry and environmental regulation in the cities and countries in which it operates. In particular, changes in the London market to the exemption of private hire vehicles from the Congestion Charge, introduction of the Ultra Low Emission Zone Charge (ULEZ) and Toxicity Charge in 2019 require ongoing mitigation through changes to customer and passenger contracts along with fleet composition as well as other mitigating actions.

Financial risks

Funding and liquidity risk
The Group's operations are financed by a combination of retained profits, loan notes, lease arrangements, and bank borrowings. Borrowings are generally raised at the Group level and lent to subsidiaries. The Group maintains sufficient committed borrowing facilities to meet its forecasted funding requirements.

Interest rate risk
Interest rate exposure arising from the Group's borrowing and deposit activity is managed by using a combination of fixed and variable rate debt instruments, and interest rate swaps.

Foreign exchange risks
Addison Lee operates directly through its subsidiaries in the UK, the US and Hong Kong. It also operates indirectly through its global network of affiliates. Transactions with customers are principally denominated in the functional currency with the result that local entities are not exposed to significant foreign exchange transaction risk.

Following the acquisition of the Tristar and Flyte Tyme groups of companies in prior years, and Tandem in the current period, the Group's principal foreign exchange exposure is in the translation of net investments in its subsidiaries and the translation of the results from the functional currency to reporting currency. Currency exposures arising from strategic transactions such as acquisitions or loans to subsidiaries are reviewed on a case by case basis.

Credit risk
As a standard policy, all customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables and amounts owed by drivers are reviewed on a regular basis. Credit terms are also reviewed and adjusted to manage credit related risks.

ADDISON LEE FINANCING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Brexit
The UK left the European Union (EU) on 31 January 2020 and is currently in a transition period after Brexit until 31 December 2020. The Group continues to monitor political activities around Brexit and will evaluate its responses and subsequent actions as and when there is more clarity.

On behalf of the board

P B Suter
Director

Date: 7 September 2020

ADDISON LEE FINANCING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their annual report and financial statements for the year ended 31 August 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A K Boland (resigned on 23 March 2020)
S Gordon (resigned on 23 March 2020)
P B Suter (appointed on 23 March 2020)
L Griffin (appointed on 23 March 2020)
P A Gallagher (appointed on 23 March 2020)

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of companies of the Group.

Results and Dividends

The results for the year are set out on page 12 and there is a commentary on those results in the Strategic report.

The directors do not recommend payment of a dividend (2018: £nil).

Financial Instruments

The Group holds financial instruments relating to its funding needs that comprise loan notes, and bank borrowings. Other financial assets and liabilities, such as trade receivables, trade payables and lease liabilities arise directly from the Group's operations, including from acquisition of vehicles. The Group monitors value and performance of certain debt instruments held by Addison Lee Insurance Limited and The Addison Lee Purpose Trust on a fair value basis. The Group has from time to time entered into derivative transactions to manage interest rate risk exposure.

Research and Development

Research and development activities continues to be undertaken in relation to booking, allocation, customer management and communications systems in order to improve and enhance both the customer experience and delivery of services.

Disabled Persons

The Group's policy is not to discriminate on grounds of disability and disabled workers are considered for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee Involvement

The Group's policy is to consult and discuss with employees on matters likely to affect employees' interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Events after the Balance Sheet Date

On 20 February 2020, the Addison Lee US business was sold to RMA Worldwide Chauffeured Transportation and the business now operates in North America as a partner under the Addison Lee Brand. Loans and other intercompany receivable balances from US business were written off as part of the sale process resulting in the provisional net loss on disposal of £22.5m.

On 23 March 2020, the Group was acquired by consortium of investors, led by Cheyne Capital and Liam Griffin. As part of the financial restructuring process:

- Addison Lee Midco II Limited and Atlas Bidco Limited entered into a sale and purchase agreement pursuant to which Addison Lee Midco II Limited sold its shares in Addison Lee Financing Limited to Atlas Bidco Limited for £1;
- Intercompany receivable and payable balances within Addison Lee Midco II Limited with Addison Lee Financing Limited and Addison Lee Group Limited were released in full;
- Lenders released the charge over the shares of Addison Lee Financing Limited;
- Lenders unconditionally and irrevocably released and discharged senior finance loans and unpaid accrued interest in respect of the debt, for nil consideration;
- Addison Lee Financing Limited with all its subsidiaries acceded to the new Senior Finance Agreement as new obligors;
- The intercreditor agreement was entered between Atlas Bidco Limited, Addison Lee Financing Limited and each obligor and the Lenders under the New SFA;
- Under the new senior finance agreement, Addison Lee Financing Limited drew down a £36m super senior facility, recognised a new £100m senior facility and repaid the £16m Bridge funding facility;

On 30 April 2020, the Directors, in line with the revised strategy to focus its operations on the core London and UK market while serving international demand through a network of affiliate partners, decided to exit the loss-making subsidiary in Hong Kong. We have appointed a Hong Kong insolvency practitioner and the business will be dissolved with a book loss of up to £0.25m based on the closing intercreditor balance of £1.9m as at 30 April 2020.

Future Developments

The Group will continue to focus on growth in its current markets by continuing to strengthen the quality of its service offerings and by improving the overall customer experience. The Group aims to provide customers with facilities to book managed-car services for more international locations around the world.

Going Concern

In adopting the going concern basis for preparing the financial information, the directors have considered the issues impacting the Group during the period as detailed in the operating review on note 2(c) and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report and will comply with its banking covenants. Based on the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's operations are financed by a combination of retained profits, loan notes, lease and hire purchase agreements, and bank borrowings. The Group has prepared detailed cashflow forecasts which show that it has significant headroom within, and remains compliant with, the covenants set out in its borrowing agreements for a period of at least 12 months from the date of signing the financial statements, and will be able to meet its forecast commitments over that period. Furthermore, there has been favourable trading in both July and August 2020 across the various business streams, with the courier business proving resilient and an increase in London passenger volumes. On this basis, the directors believe that it is appropriate to prepare the accounts on a going concern basis.

On behalf of the board

P B Suter
Director

Date: 7 September 2020

ADDISON LEE FINANCING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2019

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 prepared the Group financial statements (consolidated financial statements) in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 the 'Reduced Disclosure Framework'. 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and accounting estimates that are reasonable and prudent; and
- for the Group's financial statements, state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- for the Company's financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

Auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company and Group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company and Group is aware of that information. Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting to reappoint Ernst & Young LLP as auditor of the Company.

Opinion

We have audited the financial statements of Addison Lee Financing Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 August 2019 which comprise the Group Consolidated Income Statement, the Group and Parent company Balance Sheet, Group statement of cash flows, the Group statement of comprehensive income, the Group and Parent company statement of changes in equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 August 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 1 and note 30 of the consolidated financial statements, which describe the impact on the Group of Covid-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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.

Ernst & Young LLP

Philip Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

8 September 2020

ADDISON LEE FINANCING LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Revenue	5	**394,584**	**390,325**
Cost of sales		(294,876)	(281,045)
Gross profit		**99,708**	**109,280**
Other operating income	11	-	1,216
Distribution costs		(15,117)	(16,336)
Administrative expenses		(119,580)	(80,478)
Share of profit of associate	18	19	191
Exceptional items	7	(18,505)	(17,990)
Operating loss		**(53,475)**	**(4,117)**
Finance income	12(a)	1,428	69
Finance expenses	12(b)	(27,927)	(22,929)
Net finance costs		(26,499)	(22,860)
Loss before taxation		**(79,974)**	**(26,977)**
Tax (charge)/credit	13	(540)	2,113
Loss for the year		**(80,514)**	**(24,864)**

All operations for the financial year are continuing. Loss for the year is attributable to the equity holders of the parent company.

ADDISON LEE FINANCING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	2019 £'000	2018 £'000
Loss for the year	(80,514)	(24,864)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	(1,924)	(294)
Implementation of IFRS9 'Financial Instruments'	(986)	-
Total comprehensive loss for the year	**(83,424)**	**(25,158)**

All operations for the financial year are continuing. Total comprehensive loss for the year, net of tax, is attributable to the equity holders of the parent company.

ADDISON LEE FINANCING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Non-current assets			
Property, plant and equipment	14	62,165	76,822
Intangible assets	16	272,136	310,756
Investment in associate	18	734	715
Financial assets	20 (a)	852	1,468
Deferred tax assets	25	1,189	2,524
		337,076	392,285
Current assets			
Inventories	19	211	194
Trade and other receivables	20 (d)	43,914	46,887
Financial assets	20 (b)	8,840	9,444
Income tax receivable		503	648
Cash and cash equivalents	20 (c)	8,357	1,687
		61,825	58,860
Non-current assets held for disposal	15	-	2,550
Total assets		398,901	453,695
Liabilities:			
Current liabilities			
Trade and other payables	20 (e)	(47,371)	(44,124)
Interest-bearing loans and borrowings	20 (f)	(270,737)	(64,939)
Income tax payable		-	(109)
Right of use liabilities	21	(19,645)	(21,812)
		(337,753)	(130,984)
Non-current liabilities			
Interest-bearing loans and borrowings	20 (f)	(86,883)	(259,731)
Provisions	23	(9,362)	(9,859)
Right of use liabilities	21	(30,175)	(34,281)
Deferred tax liabilities	25	-	(688)
		(126,420)	(304,559)
Total liabilities		(464,173)	(435,543)
Net (liabilities)/assets		(65,272)	18,152

ADDISON LEE FINANCING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Equity			
Share capital	26	476	476
Share premium		47,083	47,083
Foreign currency translation reserve		(1,952)	(28)
Retained losses		(110,879)	(29,379)
Total shareholders' (deficit)/equity		**(65,272)**	**18,152**

The financial statements were approved by the board of directors on 7 September 2020 and were signed on its behalf by:

P B Suter
Director

ADDISON LEE FINANCING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 AUGUST 2019

	Issued share capital	Share premium	Retained losses	Foreign currency translation reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 September 2017	**476**	**47,083**	**(4,515)**	**266**	**43,310**
Loss for the year	-	-	(24,864)	-	(24,864)
Foreign exchange translation	-	-	-	(294)	(294)
Total comprehensive loss for the year	-	-	(24,864)	(294)	(25,158)
At 31 August 2018	**476**	**47,083**	**(29,379)**	**(28)**	**18,152**
Loss for the year	-	-	(80,514)	-	(80,514)
Implementation of IFRS9 'Financial Instruments'	-	-	(986)	-	(986)
Foreign exchange translation	-	-	-	(1,924)	(1,924)
Total comprehensive loss for the year	-	-	(81,500)	(1,924)	(83,424)
At 31 August 2019	**476**	**47,083**	**(110,879)**	**(1,952)**	**(65,272)**

ADDISON LEE FINANCING LIMITED

CONSOLIDATED CASH FLOW STATEMENT

AS AT 31 AUGUST 2019

	Note	2019 £'000	2018 £'000
Loss for the year		**(80,514)**	**(24,864)**
Adjustment for:			
Tax charge/(credit)		540	(2,113)
Depreciation of tangible fixed assets		30,491	28,589
Amortisation of intangible assets		12,397	10,276
Impairment of intangible assets		41,000	762
Fair value gains		-	(1,216)
Share of profit of associate		(19)	(191)
Finance income		(1,428)	(69)
Finance cost		27,927	22,929
Gain on disposal of subsidiary		(4,453)	-
Gain on disposal of property, plant and equipment		3,223	(3,141)
Increase in inventory		(17)	(25)
Decrease/(increase) in receivables		4,528	(2,917)
Increase in payables		3,692	5,315
(Decrease)/increase in provisions		(497)	319
Cash generated from operations		36,870	33,654
Interest received		1,428	69
Interest paid		(11,572)	(12,747)
Income taxes received		155	1,224
Net cash flows from operating activities		**26,881**	**22,200**
Investing activities			
Purchase of intangible assets		(14,716)	(18,994)
Purchase of property, plant and equipment		(26,308)	(66,313)
Proceeds from sale of property, plant and equipment		2,109	24,968
Acquisition of a subsidiary, net of cash acquired	31	-	(4,277)
Proceeds from sale of a subsidiary		4,449	-
Dividends received from associates	18	-	120
Proceeds from/(acquisition of) financial instruments		1,221	(234)
Net cash flows used in investing activities		**(33,245)**	**(64,730)**
Financing activities			
Proceeds from borrowings		31,636	7,511
Repayment of borrowings		(4,028)	-
Proceeds from borrowings – leases		25,001	48,928
Payment of lease liabilities		(34,248)	(37,351)
Net cash flows from financing activities		**18,361**	**19,088**
Net increase/(decrease) in cash and cash equivalents		**11,997**	**(23,442)**
Effect of exchange rate changes		(2,786)	(243)
Cash and cash equivalents at beginning of year		**(854)**	**22,831**
Cash and cash equivalents at end of year	20(c)	**8,357**	**(854)**

1. Corporate information

The consolidated financial statements of Addison Lee Financing Limited (the Company) and its subsidiaries (collectively, "the Group") for the year ended 31 August 2019 were authorised for issue by the Board of Directors on 7 September 2020. Addison Lee Financing Limited ("the Company" or "the parent") is a limited company incorporated in England and Wales. The registered office is located at The Point, 37 North Wharf Road, London W2 1AF.

The Group is principally engaged in the provision of ground transportation activities including private-hire and managed vehicles, executive cars and chauffeuring services, airport transfers, coaches hire, transportation for events and deliveries and courier services, and the ownership and rental to third parties of motor vehicles.

The list of subsidiaries held within the Group structure is provided in note 17. Information on other related party relationships of the Group is provided in note 28.

2. Significant accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee adopted for use in the European Union and complies with Article 4 of the EU International Accounting Standard (IAS) Regulation and the Companies Act 2006 applicable to companies reporting under IFRS.
The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments measured at fair value. The principal accounting policies adopted are set out below. These policies have been consistently applied except where noted.

The consolidated financial statements are presented in British Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain significant accounting judgements, estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. Significant accounting policies (continued)

b) Basis of consolidation

The Group's annual consolidated financial statements comprise the financial statements of Addison Lee Financing Limited and its subsidiaries presented as a single economic entity. In the prior year,

- *the Group's annual consolidated financial statements comprised Addison Lee Midco II Ltd and its subsidiaries,* including Addison Lee Financing Limited;
- the Addison Lee Financing Limited financial statements were prepared in accordance with the requirements of FRS101;
- There are no material differences on the financial statement of the Company and accordingly reconciliation of differences between FRS101 and FRS 102 is not provided.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an entity if facts and circumstances indicated that there are changes to one or more of the three elements of control above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where there is a loss of control of a subsidiary, the Group derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between group members are eliminated on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

c) Going concern

Covid-19 has had a significant impact on trading:

- *The UK "lockdown" especially in London, in the months from March 2020 to May 2020 had a massive impact on core* Business-to-Business ("B2B") business, volumes for which were down around 60% through June 2020 versus the same months in the prior year;
- Business-to-Consumer ("B2C") trading was heavily impacted due to lockdown of hospitality/leisure/travel, this *particularly impacted evening and weekend trading, resulting in volumes continuing to be down c. 70% through June* 2020;

2. Significant accounting policies (continued)

c) Going concern (continued)

- Aggressive efforts were launched to mitigate the impact of Covid-19 that delivered around £25m cash flow saving (versus run-rate before Covid-19) from April 2020 through August 2020 via:
  - Nearly 800 full time employees were furloughed including 378 PAYE drivers;
  - Thorough review of 3rd party supplier spends delivered £560k per month of saving of which £260k is expected to continue even when volumes fully return;
  - Cash savings via deferral of VAT, PAYE and National Insurance payments using Government Covid-19 initiatives – peaking at £8.1m deferred end of June 2020;
  - Non-essential capital expenditure stopped;
  - Deferral of vehicle lease payments over 3 to 6 months, much of which is paid for through equivalent extensions to contracts at low or no costs to the business. Additional run rate savings through release of over 450 executive cars at end of their contract between March and September 2020;
  - Property lease "holiday" and deferrals to support cash flow during reduced trading due to Covid-19 lockdown and resultant economic malaise;
  - Redundancy programme underway;
  - 4-year Business Plan developed which reflects the best estimate of the Directors of the trajectory of recovery, albeit in a time of unprecedented uncertainty

Considering the ongoing impact of Covid-19 combined with high operational gearing, to support the delivery of the 4-year Business Plan, existing shareholders and lenders have agreed to provide additional funding of £20m, which is comprised of additional debt and equity.

In adopting the going concern basis for preparing the consolidated and Company financial statements, the directors have considered the issues impacting the Group and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

d) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. On the acquisition of a subsidiary, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. Where the total consideration is different to the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchase goodwill and capitalised, or a bargain purchase gain and recognised in the income statement. Contingent payments are remeasured at fair value through the income statement. All transaction costs are recognised in the income statement as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If a business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured to the acquisition date fair value and any resulting gain or loss is recognised in the income statement.

2. Significant accounting policies (continued)

e) Revenue recognition

Revenue from contracts with customers is recognised consistent with the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on an allocation of the transaction price to each performance obligation.

The transaction price is measured at the fair value of the consideration received or receivable, excluding sales taxes.

The Group operates two different business arrangements for its "Accounts" and "Non-accounts" business. The Group is deemed to be the principal for accounting purposes under both arrangements, as explained below:

Account
Revenue from "Account" business arises from customers who are registered and hold an account with one of the Group companies. The Group establishes prices and contracts directly with these customers to provide services including private-hire and courier deliveries. The responsibility for delivering on the performance obligations ultimately remains with the Group.

The Group has concluded that it is the principal in all of its revenue from this arrangement since it is the primary obligor in all these arrangements. Revenue is recognised when the service has been provided.

Non-account
Non-account revenues relate to bookings by individuals or businesses who do not hold an account with one of the Group companies. Under this arrangement the individuals or businesses contract directly with a private-hire or courier driver, and the Group receives a booking fee from drivers in return for allocating the job.

Under IFRS 15 *Revenue from Contracts with Customers*, the Group has concluded that, for accounting purposes, it is the principal in all of its revenues from the non-account arrangement and has recognised the full value of the service rather than the booking fee. Revenue is recognised when the service has been provided

Other revenue streams
Revenue from the rental of vehicles to drivers and associated motor reimbursement services, advertising services and other ancillary and related services is recognised on a time apportioned basis.

Insurance premium income
Under the annual basis of accounting, premium written comprises the premiums due on contracts entered into *during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial* year, exclusive of taxes levied on premiums.

f) Finance income and expenses
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income and expense are included in finance income in the income statement.

2. Significant Accounting policies (continued)

g) Exceptional items

The directors consider transactions to be disclosed as exceptional items if individually or, if of a similar type, in aggregate, are one-off and non-recurring in nature or they are of sufficient size that failure to separately disclose their impact would misrepresent the underlying trading performance of the Group. The exceptional items are presented in the consolidated income statement in accordance as to whether the related exceptional item was part of the ordinary operating activities of the Group.

h) Income tax

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. Significant accounting policies (continued)

i) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Over the unexpired term of the lease
Fixtures, fittings and equipment	Up to 3 years
Motor vehicles	Up to 4 years
Coaches	Up to 10 years
Right-of-use lease assets	Over the lease term

j) Investment properties

Investment properties are properties held to earn rental income and for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is determined annually by independent valuers taking into account market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise, together with the corresponding tax effect.

k) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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 Group's 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.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is assigned an indefinite useful economic life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in subsequent periods.

2. Significant accounting policies (continued)

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs and intellectual property, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. 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 for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or within a cash-generating unit. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research costs are expensed as incurred. Software and IT development expenditures incurred on an individual project are capitalised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the asset is available for use by the business. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Where computer software is not an integral part of a related item of computer hardware, the software is recognised as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software as intended by management.

The intangibles held by the Group and the useful lives over which they are amortised are as follows:

Software and IT development	Straight line basis, up to 3 years
Patents	Straight line basis over 5 years
Brands	Indefinite life (not amortised)
Customer relationships	Straight line basis over 12 years

2. Significant accounting policies (continued)

m) Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and when circumstances indicate that the carrying value may have suffered an impaired loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated, and compared to the carrying amount, in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss be recognised for the asset or cash-generating unit in prior years. As reversal of an impairment loss is recognised as income in the reporting period. Impairment losses recognised in respect of goodwill are not reversed in subsequent periods.

n) Associates

An associated undertaking is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Subsequent measurement presented in the consolidated financial statements includes the Group's share of the post-acquisition reserves of the associate less dividends received and provision for impairment.

Profit and loss arising from transactions between the Group and its associates are recognised only to the extent of unrelated investors' interest in the associate. The Group's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

2. **Significant accounting policies (continued)**

o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, and other costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred in the sale process.

p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are accounted for at the trade date.

Financial assets
Financial assets are classified, at initial recognition, 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. All financial assets are recognised initially at fair value, or in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Assets that are managed on a fair value basis in accordance with management policies, are measured at fair value through profit and loss.

Trade and other receivables
Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivable are initially recognised at fair value and do not carry any interest and are stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. Losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. Significant accounting policies (continued)

p) Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deemed deposits, and other short-term highly liquid investments with an original maturity of three months or less, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are initially recognised at fair value and classified according to the substance of the contractual agreement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured at the proceeds received, net of direct issued costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments that do not qualify for hedging

Derivatives are initially recognised at fair value at the dates the contract are entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in income statement immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Borrowings

Interest-bearing loans and overdrafts are initially recognised at fair value, which equates to proceeds less issue costs at inception. Subsequent to initial recognition, borrowings are measured at amortised cost, using the effective interest rate method. Any differences between the proceeds, net of transaction costs, and the amount due on settlement is recognised in the income statement over the term of the borrowings.

2. Significant accounting policies (continued)

q) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies
Transactions denominated in foreign currencies within each entity in the Group are translated into functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end are translated into the functional currency at the exchange rate as at the balance sheet date. Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the foreign currency translation reserve.

Translation of the results of overseas businesses
The results of overseas subsidiaries are translated into the Group's presentation currency of British Pound Sterling each month at the average exchange rate for the month. The average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

2. Significant accounting policies (continued)

t) Employee benefits

The expected costs of accumulating paid absences are recognised as an expense in the Income Statement when the employees render services that increase their entitlement to future paid absences. In the case of non-accumulating paid absences, costs are recognised as an expense in the Income Statement when the absences occur.

u) Post-retirement benefits

The Group contributes to various defined contribution schemes for the benefit of its employees. Contributions payable are charged to the Income Statement as an expense as they fall due.

v) Addison Lee Purpose Trust

The consolidated financial statements incorporate the results of the Addison Lee Purpose Trust, an entity controlled by the Group.

The Trust has been established exclusively for the purpose of providing benefits to drivers ("Contributors"), in connection with contracts with one or more Group entities, by making funds available out of a Trust Fund for the payment or reimbursement of costs, expenses or other losses incurred by or for the benefit of Contributors in the course of driving pursuant to, or in connection with, contracts between Contributors and any one or more of the Group entities identified in the Trust instruments.

Contributions receivable are accounted for on an accruals basis. Motor reimbursements paid relate to payments made in respect of a self-insured reimbursement agreement between Group Entities and motor insurers which provides for the reimbursement to each fronting insurer the deductible payable under the relevant motor insurance cover provided by each fronting insurer to Contributors and Group Entities ("Reimbursement Agreements"). Provision for motor reimbursements comprises the estimated deductible element of the cost of motor claims which have been incurred but not yet paid on behalf of the insurer at the Statement of Financial Position date, whether reported to insurers or not, based on information provided by insureds, insurers, and loss adjusters and on previous loss experience. The deductible element will be liable to be reimbursed under the Reimbursement Agreements as and when the underlying claim costs are paid. Revenue represents contributions receivable less motor reimbursements paid and provisions made for motor reimbursements.

Certain of the Trust's investments, cash and cash equivalents and accrued investment income are subject to security interest agreements in favour of third parties (see note 20 (a) and (b)). Certain investments held by the Trust are managed on a fair value basis.

2. Significant accounting policies (continued)

w) Addison Lee Insurance Limited

The consolidated financial statements incorporate the financial statements of a wholly owned subsidiary, Addison Lee Insurance Limited, whose principal activity is that of an insurance captive. Addison Lee Insurance Limited is registered with the appropriate regulatory authorities in Guernsey to engage in insurance contracts.

Revenue
Premium income is recognised as premium written less unearned premiums. Premium written comprises the premiums due on contracts entered into during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes levied on premiums. Unearned premiums represent the proportion of premiums written which is estimated to be earned in future financial years, computed separately for each insurance contract using the daily pro-rata method. Premium income net of claims incurred are recognised as insurance income in the consolidated income statement.

Claims outstanding and incurred but not reported reserve (IBNR)
Claims outstanding comprise provisions for the estimated cost of settling all claims incurred up to, but not paid at, the balance sheet date whether reported or not, together with the relevant claims settlement expenses.

Provisions for claims are based on the best estimate of the present value of liabilities based on the information currently available to the Group. The methods used, and estimates made, are continually reviewed and any resulting adjustments are reported in the income statement in the financial year in which they are made. IBNR reserves are initially provided to the expected loss ratio of 100%, and kept under review and revised on an on-going basis in accordance with projected losses for that particular year.

2. *Significant accounting policies (continued)*

x) Adoption of new and revised standards

In the current year, the Group has adopted IFRS 9 "Financial instruments" for the first time. The nature and effect of these changes are disclosed below.

IFRS 9 "Financial instruments"
IFRS 9 impacts on the Group through the introduction of a new impairment model approach to the valuation and presentation of trade receivables and lease receivables. This means that the Group is required to reflect a provision for expected future losses against trade receivables and lease receivables at the point of recognition of the initial asset instead of an incurred loss-model where specific provisions are made as required on individual losses. The Group has applied the new accounting requirements of IFRS 9 "Financial instruments" for the first time this year. The effect on initial application was recognition of expected credit loss provision of £3.1m of which £2.1m was recognised in the current year in consolidated income statement and £1.0m was recognised in the statement of comprehensive income.

IFRS 15 Revenue from Contracts with Customers
The International Accounting Standards Board (IASB) issued International Financial Reporting Standard 15 (IFRS 15) *Revenue from Contracts with Customers* which replaces IAS 18 *Revenue*. The standard describes the principles that an entity must apply to measure and recognise revenue and related cash flows and introduces new guidance on identifying principals and agents to contracts. IFRS 15 has been endorsed for application in the EU effective from 1 January 2018. The Group elected to adopt IFRS 15 from the financial year ended 31 August 2017 and continues to do so for the current year.

IFRS 16 *Leases*
The IASB issued IFRS 16 *Leases* on 13 January 2016 which replaces IAS 17 *Leases*. The standard has been adopted into EU-IFRS effective from 1 January 2019, and early adoption is permitted provided IFRS 15 *Revenue from Contracts from Customers* has been applied.

IFRS 16 introduces a single recognition and measurement model for all leases. Lessees are required to account for all leases on the statement of financial position, including those which had previously been treated as operating leases and accounted for in the income statement as in-year expense.

The Group had elected to adopt IFRS 16 early and apply the provisions of the standard in the preparation of the 31 August 2017 year ended consolidated financial statements and continues to do so for the current year.

3. Alternative performance measures

The directors assess the performance of the Group using a variety of alternative performance measures to provide additional useful information to the members and stakeholders of the Group. These measures principally highlight underlying trends and performance, or function as key performance indicators. These measures are not defined under IFRS and therefore termed 'non-GAAP measures'. Non-GAAP measures are not designed to be a substitute for, or superior to, IFRS measures, and may not be directly comparable to performance measures used by other entities.

The non-GAAP measures used are as follows:

a) Exceptional items

The directors consider transactions to be disclosed as exceptional items if individually or, if of a similar type, in aggregate, are one-off and non-recurring in nature or they are of sufficient size that failure to separately disclose their impact would misrepresent the underlying trading performance of the Group. The exceptional items are presented in the consolidated income statement in accordance as to whether the related exceptional item was part of the ordinary operating activities of the Group

b) Adjusted EBITDA

Adjusted EBITDA is a measure of the underlying operating profit. The measure excludes exceptional, other non-recurring items, interest, tax, depreciation and amortisation and a number of other income and expenditure items.

Adjusted EBITDA is defined in the Senior Facility Agreement under which a consortium of banks provide credit facilities to the Group, and is therefore a key indicator of the Group's liquidity. Further details are provided in note 8 to the consolidated financial statements.

4. Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The key assumptions concerning the future, and other key sources of estimation of uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below. The judgement used by management in the application of the Group's accounting policies in respect of these key areas of estimation are considered to be most significant.

- The Group is required to measure all assets and liabilities acquired as part of a business combination at fair value. The determination of those fair value of those assets requires judgement. The valuation of current and financial assets and liabilities is not a key source of estimation uncertainty. However, the valuation of non-current assets and liabilities is dependent on, and sensitive to, long-term forecasts of related cash flows and discount rates applied. These are in turn dependent on long-term forecasts of the performance of the business. As such the valuation of these assets and liabilities is considered a key source of judgement.

- Software development expenditure is capitalised in accordance with the Group's accounting policy. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

- The Group is required to estimate the cost of settling all motor insurance claims incurred up to, but not paid at, the balance sheet date whether reported or not, which is considered a key source of judgement. Provisions for claims are based upon the information currently available to the directors, and subsequent information and events may show that the ultimate liability is less than, or in excess of, the amount provided.

- The classification of items as exceptional requires significant judgement to determine whether items are part of normal operating activities. Further details are set out in note 7.

- The Group is required to test goodwill and other intangible assets with indefinite useful lives annually by determining the recoverable amount of each cash-generating unit (CGU) from value-in-use calculations, which are based on cash flow projections derived from the most recent budgets and long-term plans. In carrying out this test, management makes assumptions on projected future cash flows, long term growth rates and discount rates applied to future cash flows.

- The Group is required to assess the recoverability of deferred tax assets in line with future trading and the availability of taxable profits. As explained in note 25, the Group has decided not to recognise any deferred tax assets in respect of certain losses in the UK and US.

5. Revenue

An analysis of the Group's revenue is as follows:

	2019 £'000	2018 £'000
Private car services, delivery and courier service:		
Account	256,450	254,786
Non-Account	92,484	95,267
Insurance and reimbursement policies	637	695
Rental of motor vehicles	44,998	39,487
Investment property rental	15	90
	394,584	390,325

	2019 £'000	2018 £'000
Revenue analysed by geographical market		
United Kingdom	309,922	304,510
United States	81,779	82,642
Rest of the World	2,883	3,173
	394,584	390,325

6. Loss for the year

	2019 £'000	2018 £'000
Loss for the year has been arrived at after charging/(crediting):		
Auditors remuneration (note 9)	575	-
Amortisation and impairment charge	53,397	11,038
Depreciation charge	30,491	28,589
Exceptional items	18,505	17,990
Net foreign exchange (gains)/losses	(1,362)	746
Profit on disposal of a subsidiary (note 17)	(4,453)	-
Loss/(profit) on disposal of fixed assets (motor vehicles)	3,223	(3,141)

7. Exceptional items

	2019 £'000	2018 £'000
Acquisition integration costs (1)	3,551	2,939
Legal and professional fees (2)	1,315	803
Rebranding costs (3)	529	835
Restructuring (4)	11,378	9,451
Insurance costs (5)	1,732	2,162
Write-off of irrecoverable current assets (6)		1,800
	18,505	17,990

Exceptional items are amounts arising that materially affect the Group's results. These include major one-off restructuring costs and costs relating to acquisition of Group entities.

(1) Various costs were incurred during the current year to integrate the Tandem, Flyte Tyme and Tristar businesses, including project management, temporary resources and travel;
(2) Legal and professional fees related to legal matters of a non-recurring nature;
(3) Costs related to the first major rebranding in the UK since the business commenced and subsequently in the US and spanned the financial year-end;
(4) Substantial restructuring costs were incurred to transform the business operations covering property, people and change. Costs included staff redundancies, duplicate property costs, third party costs, and set-up costs associated with establishing new operating models;
(5) These costs include the determination of the onerous element of US motor insurance premiums in the year;
(6) These costs represent the write-off in prior year of non-recurring irrecoverable current assets principally related to credit card transactions.

8. Adjusted EBITDA

	2019 £'000	2018 £'000
Operating loss	(53,475)	(4,117)
Add back:		
Exceptional items	18,505	17,990
Other non-recurring items - internal labour	1,717	4,661
Depreciation of property, plant and equipment	30,491	28,589
Amortisation of intangible assets	12,397	10,276
Impairment of intangible assets	41,000	762
Loss on disposals of property, plant and equipment	3,223	-
Less:		
Gains on disposals of property, plant and equipment	-	(3,141)
Gain on disposal of subsidiary	(4,453)	-
Fair value gains	-	(1,216)
Adjusted EBITDA	**49,405**	**53,804**

9. Auditors remuneration

	2019 £'000	2018 £'000
Fees payable to the Group's auditor for:		
Audit of the Group financial statements	575	-
	575	-

All the UK subsidiaries as set out in note 17 (a), are exempt from the requirements of the Companies Act relating to the audit of individual statutory accounts under section 479a of the Companies Act 2006. In the prior year auditor's remuneration was disclosed in the audited consolidated accounts of the ultimate UK parent company, Addison Lee Holdings Limited.

10. Employees

The average monthly number of persons including directors employed by the Group during the year was:

(a) Employee numbers	2019 Number	2018 Number
Administration	772	645
Distribution	1,122	1,622
	1,894	2,267

(b) Employment costs	2019 £'000	2018 £'000
Wages and salaries	62,032	65,771
Social security costs	5,408	6,027
Pension costs - defined contribution schemes	911	599
	68,351	72,397

11. Other operating income

	2019 £'000	2018 £'000
Gain on interest rate swaps at fair value through profit or loss (1)	-	1,166
Change in fair value of investment properties	-	50
	-	1,216

(1) In the prior year gains and losses on financial instruments measured at fair value through profit or loss relate to fair value movements on interest rate swaps contracts that were not designated as hedging instruments and do not qualify for hedge accounting. There were no financial instruments in the current financial year.

12. Net finance costs

	2019 £'000	2018 £'000
(a) Finance income		
Bank and other interest	66	69
Exchange gains in relation to foreign currency loans	1,362	-
	1,428	**69**
(b) Finance costs		
Interest on bank borrowings	(13,175)	(14,300)
Interest on loan notes and other borrowings	(11,983)	(5,373)
Finance charges payable on hire purchase and finance lease liabilities	(251)	(506)
Finance charges payable on operating lease liabilities	(2,228)	(1,694)
Bank monitoring credits/(costs)	(250)	(270)
Debt issue costs	(40)	(40)
Exchange losses in relation to financing activities	-	(746)
	(27,927)	**(22,929)**
Net finance costs	**(26,499)**	**(22,860)**

13. Tax (charge)/credit

Recognised in the income statement	**2019 £'000**	**2018 £'000**
Current income tax:		
UK corporation tax on profits for the current period	(93)	(109)
Corporation tax adjustments in respect of prior periods	200	562
	107	453
Deferred tax:		
Deferred tax for the current period	(174)	1,829
Deferred tax adjustments in respect of prior periods	(473)	(169)
	(647)	1,660
Tax (charge)/credit reported in the income statement	(540)	2,113

UK income tax is calculated at 19.00% (2018: 19.00%) of the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Tax (charge)/credit for the year can be reconciled to accounting profit as follows:

	2019 £'000	**2018 £'000**
Accounting loss before income tax	(79,974)	(26,977)
Income tax credit at rates prevailing in the UK of 19.00% (2018: 19.00%)	15,195	5,125
Adjustment in respect of prior years	(273)	393
Expenses not deductible	(9,133)	357
Income not taxable	940	-
UK tax rate changes	(157)	-
Effects of overseas tax rate changes	2,194	1,466
Effect of tax rate change on deferred tax	-	301
Group relief	(2,389)	(978)
Fixed asset timing differences	62	429
Deferred tax not recognised	(6,979)	(4,899)
Other tax adjustments	-	(81)
Tax (charge)/credit reported in the income statement	(540)	2,113

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 31 August 2019. Deferred tax has been provided at 17% being the rate at which temporary differences are expected to reverse.

However, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 31 August 2019.

14. Property, Plant and equipment

	Leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2017	15,967	20,017	94,178	130,162
Additions	13,131	2,566	50,616	66,313
Acquisition of a subsidiary	197	-	-	197
Disposals	(2,621)	(121)	(62,252)	(64,994)
Reclassifications	-	(1,378)	-	(1,378)
Exchange differences	13	1	714	728
At 31 August 2018	26,687	21,085	83,256	131,028
Additions	783	1,126	24,399	26,308
Disposals	(1,678)	(215)	(38,006)	(39,899)
Reclassifications	267	12	370	649
Exchange differences	311	330	1,048	1,689
At 31 August 2019	26,370	22,338	71,067	119,775
Depreciation and Impairment				
At 1 September 2017	4,345	14,856	49,897	69,098
Acquisition of a subsidiary	94	-	-	94
Depreciation charge for the year	2,502	3,080	23,007	28,589
In respect of disposals	(2,457)	-	(41,340)	(43,797)
Reclassifications	-	(370)	-	(370)
Exchange differences	15	61	516	592
At 31 August 2018	4,499	17,627	32,080	54,206
Depreciation charge for the year	3,058	2,538	24,895	30,491
In respect of disposals	(1,678)	(215)	(26,096)	(27,989)
Reclassification	267	(1,010)	370	(373)
Exchange differences	159	611	505	1,275
At 31 August 2019	6,305	19,551	31,754	57,610
Net book value				
At 31 August 2017	11,622	5,161	44,281	61,064
At 31 August 2018	22,188	3,458	51,176	76,822
At 31 August 2019	20,065	2,787	39,313	62,165

14. Property, plant and equipment (continued)

Right-of-use assets
Included within property, plant and machinery are right-of-use assets, which consist of assets arising from operating lease arrangements accounted for under IFRS 16, finance lease agreements and hire purchase agreements:

	Leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Carrying value at 31 August 2017	8,629	62	41,898	50,589
Acquisition of subsidiaries net	104	-	-	104
Additions	12,451	31	50,604	63,086
Depreciation charge for the year	(2,277)	(59)	(22,050)	(24,386)
Lease completion/net disposals	(18)	-	(20,485)	(20,503)
Exchange differences	(4)	-	(73)	(77)
Carrying value at 31 August 2018	18,885	34	49,894	68,813
Additions	-	2,998	24,103	27,101
Depreciation charge for the year	(2,566)	(2,045)	(24,916)	(29,527)
Lease completion/net disposals	-	-	(11,002)	(11,002)
Exchange differences	128	-	492	620
Carrying value at 31 August 2019	**16,447**	**987**	**38,571**	**56,005**

Interest expense on lease liabilities are detailed on note 12.

15. Investment property and non-current assets held for disposal

	2019	2018
	£'000	£'000
At beginning of year	2,550	2,500
Net gain from fair value changes		50
Disposals	(2,550)	-
At end of year	-	2,550

The subsidiary which held the investment property was sold during the financial year. See note 17.

During the year the Group recognised rental income of £15,000 (2018: £90,000). There were no significant direct operating expenses incurred in relation to the investment property during the period (2018: £nil).

16. Intangible assets

	Goodwill	Software and IT *development*	Patents	Customer lists, brands *and other* intangibles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 September 2017	293,502	31,952	1,207	19,937	346,598
Additions	-	18,916	78	-	18,994
Acquisition of subsidiaries	-	5,760	-	-	5,760
Disposals	-	(1,047)	-	-	(1,047)
Reclassification	-	428	-	-	428
Exchange differences	25	338	-	(44)	319
At 31 August 2018	293,527	56,347	1,285	19,893	371,052
Additions	-	14,716	-	-	14,716
Reclassification	-	(649)	-	-	(649)
Exchange differences	59	624	-	619	1,302
At 31 August 2019	293,586	71,038	1,285	20,512	386,421
Amortisation and impairment					
At 1 September 2017	30,850	17,037	600	1,438	49,925
Amortisation charge for the year	-	9,487	238	551	10,276
Impairment	-	762	-		762
Reclassifications	-	(737)	-	157	(580)
Exchange differences	(7)	(95)	-	15	(87)
At 31 August 2018	30,843	26,454	838	2,161	60,296
Amortisation charge for the year	-	12,179	218	-	12,397
Impairment	41,000	-	-	-	41,000
Reclassifications	-	373	-	-	373
Exchange differences	59	75	-	85	219
At 31 August 2019	71,902	39,081	1,056	2,246	114,285
Net book value					
At 31 August 2017	262,652	14,915	607	18,499	296,673
At 31 August 2018	262,684	29,893	447	17,732	310,756
At 31 August 2019	221,684	31,957	229	18,266	272,136

16. Intangible assets (continued)

The Group tests goodwill and other intangible assets with indefinite useful lives annually, or more frequently if circumstances indicate that the carrying amounts may have suffered an impaired loss.

The Group has two CGUs for the financial year ended 31 August 2019. Both the UK and US operations are managed as single units by their dedicated management teams, and in the UK and US, there are two separate brands, Addison Lee and Tristar.

The Group has determined the recoverable amount of each cash-generating unit (CGU) from value-in-use calculations. The value-in-use calculations are based on cash flow projections derived from the most recent budget and detailed plans for the next five years as approved by management, with projections extended out to seven years (by assuming growth from years three to five continues up to and including year seven), with a terminal growth rate from year eight. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant cash-generating unit.

Goodwill acquired in business combinations is allocated at acquisition, or subsequent reorganisation, to the CGU that is expected to benefit from the business combination.

As a result of the disposal of the US business and change of control in the UK, as well as intensive competition and the current uncertain economic environment, the Group has recognised an impairment of £41,000,000 as at 31 August 2019 (2018: nil), £12,175,000 relating to US operations and £28,825,000 relating to UK operations.

The carrying amounts of goodwill and intangible assets net of Goodwill impairment are as follows:

As at 31 August 2019	**US operations £'000**	**UK operations £'000**	**Total £'000**
Goodwill	-	221,684	221,684
Other intangibles	-	3,600	3,600
	-	225,284	225,284
Discount rates applied to future cash flows	*13.5%*	*12.7%*	

As at 31 August 2018	**US operations £'000**	**UK operations £'000**	**Total £'000**
Goodwill	12,175	250,509	262,684
Other intangibles	-	3,600	3,600
	12,175	254,109	266,284
Discount rates applied to future cash flows	*13.5%*	*12.7%*	

16. *Intangible assets (continued)*

Following the disposal of US business on 20 February 2020 and change of control in the UK, fair value remeasurement of acquired assets and liabilities may result in material change in carrying value of goodwill and other intangible assets. The Group will perform detailed purchased price allocation calculations and adjustment in carrying value of goodwill and other intangible will be made accordingly.

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions

Projected future cash flows
Sales volumes and growth rates for the next five years are derived from management estimates for the business in which each CGU operates. Sales volumes and growth rates projections have been extended out to seven years (by assuming growth from years three to five continues up to year seven) and are based on past experience and management expectation of future changes in the market.

Growth rates used for periods beyond those covered by management's detailed plans
Growth rates are derived from management estimates which take into account the long-term nature of the industry and long-term growth in gross domestic product of the territories in which the CGU operates. For the purpose of impairment testing a conservative approach has been used based on a growth rate of 2.0% growth per annum.

Discount rates applied to future cash flows
Discount rates reflect current market assessments of the time value of money and the risks specific to the CGU and represent the return that investors would require for an investment with cash flows and risk profile equivalent to those of the CGU.

The Group's pre-tax weighted average costs of capital (WACC) has been used as the foundation for determining the discount rates to be applied. The WACC has then been adjusted to reflect risks specific to the CGU not already reflected in the cash flows for that CGU.

Sensitivity analysis
The Group has undertaken sensitivity testing on its calculations and concluded that no reasonably foreseeable change in key assumptions used in the impairment calculations would result in a significant impairment charge being recognised in the consolidated financial statements.

17. Subsidiaries

Details of the Company's subsidiaries are as follows:

a) Subsidiary undertakings incorporated (and with place of business) in the England & Wales

Name of undertaking	Company registration number	Nature of business	% equity interest (1) 2019	2018
Registered office at The Point, 37 North Wharf Road, London W2 1AF:				
Addison Lee Limited	01205530	Private mini cab hire	100	100
Addison Lee Group Limited (1)	08486720	Holding company	100	100
Addison Lee Coaches Limited (2)	05822489	Property investment	-	100
Addison Lee Services Limited	07305923	Administration services	100	100
Blueback Limited	06377529	Private mini cab hire	100	100
Eventech Limited	03229417	Rental of motor vehicles	100	100
Professional IT (Logistics) Limited	03806233	Software development	100	100
Seela Limited	08167525	Rental of motor vehicles	100	100
W1 Cars Limited	08048025	Private mini cab hire	100	100
Registered office at Unit 1 Horton Road, West Drayton, Middlesex, UB7 8BQ:				
Aptus Worldwide Limited	06325936	Provider of ground transportation	100	100
Bodycove Limited	03292923	Holding company	100	100
Project Tristar Limited	06434912	Provider of global chauffeur services	100	100
Registered office at Frodsham Business Centre, Bridge Lane, Frodsham, Cheshire, WA6 7FZ:				
Prestige Daily Rentals & Vehicle Solutions Limited	08933821	Provider of car rentals	100	100

17. Subsidiaries (continued)

b) Subsidiary undertakings incorporated (and with place of business) in the United States

Name of undertaking	Nature of business	% equity interest (1) 2019	2018
Registered principal office: 90 McKee Drive, Mahwah, New Jersey 07430			
American Limousine LLC	Provider of ground transportation	100	100
America Transportation Holdings LLC	Provider of ground transportation	100	100
Flyte Line Transportation LLC	Provider of ground transportation	100	100
Registered principal office: 16517-16521 Arminta Street, Van Nuys, California 91406			
ATH Transport LLC	Provider of ground transportation	100	100
Registered agent office at Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19801:			
Addison Lee Inc.	Private mini cab hire	100	100
Tristar Chauffeur Management Inc.	Provider of global chauffeur services	100	100
Tristar Services (US) Inc.	Provider of global chauffeur services	100	100
Transportation Technology Services US Inc.	Software development	100	100

c) Subsidiary undertakings incorporated in rest of the world

Name of undertaking	Country of incorporation and place of business	Nature of business	% equity interest (1) 2019	2018
Registered offices at: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4JH.				
The Addison Lee Purpose Trust (3)	Guernsey	Purpose Trust	-	-
Addison Lee Insurance Limited	Guernsey	Insurance captive	100	100
Addison Lee Trustee Limited	Guernsey	Trustee company	100	100
Registered office at Suite 1901-02, 19th Floor, Lever Tech Centre, No. 69-71 King Yip Street, Kwun Tong, Kowloon, Hong Kong				
Tristar Worldwide Asia Limited	Hong Kong	Provider of global chauffeur services	100	100

17. Subsidiaries (continued)

(1) The parent holds an equity interest directly in Addison Lee Group Limited. Equity interest in other subsidiary undertakings are held indirectly by the parent.

(2) Addison Lee Coaches Limited was disposed of during the financial year ended 31 August 2019.

(3) Except for the interests in The Addison Lee Purpose Trust where the Group is deemed to have control, all equity interests are held in ordinary shares.

18. Investment in associate

Details of the associated undertaking is as follows:

Name of undertaking	**Country of incorporation and place of business**	**Nature of business**	**Class of shareholding**	**% equity interest 2019**	**% equity interest 2018**
Haulmont Technology Limited	England & Wales	Software consultancy	Ordinary	30	30

Haulmont Technology Limited's services include assisting the Group in maintaining its primary booking and allocation platform.

	2019 £'000	**2018 £'000**
Investment in associated undertakings		
At beginning of year	715	644
Share of post-acquisition profit	19	191
Dividends received	-	(120)
At end of year	734	715

All of the operations of the associate were continuing during the year (2018: all continuing).

19. Inventories

	2019 £'000	**2018 £'000**
Raw materials and consumables	211	194

Inventories held by the Group include, but are not limited to, spare automobile parts and repair equipment. The Group periodically reviews the value of items in inventory and writes off inventory based on its assessment of market circumstances and the general condition of the items.

20. Financial assets and financial liabilities

An overview of all financial instruments held by the Group is set out below, including details of each type of financial instrument, and the basis used to determine the fair value of the instruments, including judgements and estimation of uncertainty of fair value hierarchy, as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices); and
Level 3: Inputs for the asset of liability that are not based on observable market data

The Group holds the following financial instruments:

Financial assets	*Notes*	*Fair value hierarchy*	Assets at fair value through the P&L	Financial assets at amortised cost	Total
			£'000	£'000	£'000
2019					
Government and corporate bonds	(a)	Level 1	852	-	852
Certificates of deposits	(b)	Level 1	8,840	-	8,840
Cash and cash equivalents	(c)		-	8,357	8,357
Trade and other receivables	*(d)*		-	43,914	43,914
			9,692	52,271	61,963
Total current			8,840	52,271	61,111
Total non-current			852	-	852
2018					
Government and corporate bonds	(a)	Level 1	1,468	-	1,468
Certificates of deposits	(b)	Level 1	9,444	-	9,444
Cash and cash equivalents	(c)		-	1,687	1,687
Trade and other receivables	(d)		-	46,887	46,887
			10,912	48,574	59,486
Total current			9,444	48,574	58,018
Total non-current			1,468	-	1,468

20. Financial assets and financial liabilities (continued)

Financial liabilities	Notes	Fair value hierarchy	Liabilities at fair value through the P&L	Financial liabilities at amortised cost	Total
			£'000	£'000	£'000
2019					
Trade and other payables	(e)		-	47,371	47,371
Interest-bearing loans and borrowings	(f)		-	357,620	357,620
Right of use liabilities	21		-	49,820	49,820
			-	454,811	454,811
Total current			-	337,753	337,753
Total non-current			-	117,058	117,058
2018					
Trade and other payables	(e)		-	44,074	44,074
Interest-bearing loans and borrowings	(f)		-	324,670	324,670
Right of use liabilities	21		-	56,092	56,092
			-	424,836	424,836
Total current			-	130,825	130,825
Total non-current			-	294,011	294,011

a) Government and corporate bonds

Up until 17 October 2018, the Group appointed Credit Suisse (Guernsey) Limited ('CSG') to act as an investment manager for certain assets in Addison Lee Insurance Limited. Under the terms of a discretionary portfolio management agreement, CSG invested in a balanced portfolio of segregated government and corporate bonds with the following investment limitations:

- Maximum portfolio duration: 5 years
- Maximum individual holding maturity: 8 years
- Maximum amount that maybe held with any one counterparty limit: 10% of the value of the portfolio with a maximum of £1 million.
- Minimum credit rating: A3 Moody's / A-Standard and Poor's.
- Minimum cash balance: 5% of the portfolio.
- No investment in instruments that suffer withholding tax.

The Group's holdings in corporate bonds formed part of this portfolio. The Group managed these debt instruments on a fair-value basis in accordance with management policies, and also monitored the performance of the portfolio of investments on a fair value basis. These instruments were measured at fair value through the profit and loss.

20. Financial assets and financial liabilities (continued)

a) Government and corporate bonds (continued)

On 17 October 2018, the discretionary portfolio management agreement was cancelled and the holdings in corporate bonds were liquidated with the proceeds being placed on fixed deposit.

Certain investments, cash and cash equivalents and accrued investment income of Addison Lee Insurance Limited are subject to a security interest agreement in favour of the following party:

	2019 £'000	2018 £'000
Government and corporate bonds	852	1,468

Certain investments, cash and cash equivalents and accrued investment income of Addison Lee Insurance Limited are subject to a security interest agreement in favour of the following party:

Security held in favour of:	2019 £'000	2018 £'000
Aviva Insurance Limited	1,409	2,071
	1,409	2,071

b) Certificates of deposit

The Addison Lee Purpose Trust has appointed Ravenscroft Cash Management Limited (formerly known as Royal London Asset Management (C.I.) Limited ("RCML") to act as investment manager. Under the terms of a discretionary portfolio management agreement, RCML are permitted to invest in a balanced portfolio of securities and money market instruments within the following investment limitations.

- Deposits with approved institutions – maximum maturity 3 months;
- Certificates of deposit issued by approved institutions – maximum maturity 2 years
- Government securities and/or corporate bonds having a maximum maturity of 2 years and 1 year respectively where the issuer has a long-term credit rating no lower than AA by Standard and Poor's and/or Moody's Investors Service.

The Group's holdings in certificates of deposit form part of these portfolios. The Group manages these debt instruments on a fair-value basis in accordance with management policies, and also monitors the performance of the portfolio of investments on a fair value basis. These instruments are measured at fair value through profit and loss.

These instruments are highly liquid and are readily convertible into known amounts of cash, which may be subject to some risk of change in value on early conversion.

20. Financial assets and financial liabilities (continued)

b) Certificates of deposit (continued)

	2019 £'000	2018 £'000
Certificates of deposit	8,840	9,444

Certain investments including certificates of deposit, cash and cash equivalents and accrued investment income of Addison Lee purpose Trust are subject to a security interest agreement in favour of the following party:

Security held in favour of:	2019 £'000	2018 £'000
Aviva Insurance Limited	312	1,757
QBE Insurance (Europe) Limited	8,429	7,590
	8,741	9,347

c) Cash and cash equivalent

	2019 £'000	2018 £'000
Cash at bank	7,571	728
Cash – insurance (1)	786	959
Cash and cash equivalents	8,357	1,687
Bank overdraft	-	(2,541)
Balances per statement of cash flows	8,357	(854)

(1) Cash balances are funds held in the Addison Lee Purpose Trust that and Addison Lee Insurance Limited are subject to security interest agreement in favour of third parties, as set out in notes 20 (a) and 20 (b) above.

d) Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	29,833	30,299
Provision for impairment	(3,578)	(464)
Net trade receivables	26,255	29,835
Receivables from related parties	6,072	4,829
Other receivables, prepayment and accrued income	11,587	12,223
Total trade and other receivables	43,914	46,887

Trade receivables are non-interest bearing and are generally on terms of 30 days.

As at 31 August 2019 trade receivables with an initial carrying value of £3,578,000 (2018: £464,000) were impaired and fully provided for.

20. Financial assets and financial liabilities *(continued)*

d) Trade and other receivables (continued)

Classification as trade and other receivables, prepayments and accrued income

Trade receivables are amounts due from customers for services performed in the ordinary course of the business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets if not, they are presented as non-current assets. The trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Receivable from related parties

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest is charged at commercial rates. Collateral is not normally requested.

Fair values of trade and other receivables

Due to short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk and interest rate risk can be found in note 22.

e) Trade and other payables

Amounts due within one year	**2019 £'000**	**2018 £'000**
Trade payables	15,872	22,432
Payroll tax and other statutory liabilities	3,873	3,939
Liabilities relating to held for sale assets	-	50
Other payables, accruals and deferred income	27,626	17,703
	47,371	44,124

Trade creditors are non-interest bearing and are normally settled within 30 to 45 days. Amounts due to Group undertakings are payable on demand and bear interest on commercial terms as assessed periodically by the Group. Other liabilities are non-interest bearing and have an average term of less than six months.

The carrying amounts of trade payables are assumed to be the same as their fair values, due to their short-term nature.

20. Financial assets and financial liabilities (continued)

f) Borrowings

Borrowings are repayable as follows:

	Bank loans and overdraft (1)	Loan from related parties	Loan notes	Hire purchase/ finance lease obligations	Total
	£'000	£'000	£'000	£'000	£'000
2019					
Current	235,933	31,025	-	3,779	270,737
Between one and five years	261	-	-	5,353	5,614
After more than five years	-	-	81,269	-	81,269
Total borrowings	**236,194**	**31,025**	**81,269**	**9,132**	**357,620**
Current	235,933	31,025	-	3,779	270,737
Non-current	261	-	81,269	5,353	86,883
2018					
Current	45,501	16,888		2,550	64,939
Between one and five years	196,036	-	-	12,934	208,970
After more than five years	-	-	50,761	-	50,761
Total borrowings	241,537	16,888	50,761	15,484	324,670
Current	45,501	16,888	-	2,550	64,939
Non-current	196,036	-	50,761	12,934	259,731

(1) Includes bank overdraft of £nil (2018: £2,541,000).

20. Financial assets and financial liabilities (continued)

f) Borrowings (continued)

Senior bank debt, bank loans and overdrafts

Bank borrowings are secured over the assets of the Group. The Group has £235.9m (2018: £45.5m) bank borrowings including revolving credit facilities that are payable within one year.

Of the £235.9m bank loans payable within one year, £230.6m is repayable on maturity on 17 April 2020. Interest on these borrowings are generally charged either one-month or six-month GBP LIBOR plus a margin between 4.00% and 4.75%.

On 29 November 2018, with the consent of the ING Bank N.V. acting on behalf of the Group's lenders, the termination date in respect of £30.0m of the £34.9m that was payable by 19 April 2019 was extended to 17 April 2020.

Subsidiary undertakings, Addison Lee Group Limited and Addison Lee Financing Limited entered into a fixed and floating arrangement with ING Bank N.V., London branch on 19 April 2013 as amended on 7 July 2017, in respect of bank borrowings of fellow group companies including loans provided to Addison Lee Financing Limited. The bank borrowings as at 31 August 2019 are £230.6m (2018: £230.6m) and are secured over the assets of group companies.

Subsidiary undertakings, American Limousine LLC, ATH Transport LLC, Flyte Line Transportation LLC, American Transportation Holdings LLC, Tristar Service (US) Inc., Transportation Technology Services Inc., Tristar Chauffeur Management Inc. and Tristar Vehicle Leasing Inc., entered into a secured revolving loan facility with M&T Bank, New York on 19 May 2016 as amended on 17 July 2018. The facility has a limit of US$10m (£7.7m), of which US$5.0m (£4.1m) (2018: £7.6m) has been drawn as at the year end.

Subsidiary undertaking, Addison Lee Limited entered into a floating unsecured overdraft arrangement with Barclays Bank Plc on 25 April 2018. The facility is reviewed annually and has a limit of £6m, of which £nil (2018: £2.5m) has been drawn as at the year end.

Loans from related parties

Loans from related parties accrue interest at a commercial rate determined by the Group. The loans are unsecured and repayable on demand.

Loan notes

Loan notes are stated net of issue costs of £0.1m (2018: £0.1m), and comprise of the following:

£19.25m (2018: £19.25m) repayable April 2026 and accruing interest at 4% p.a.
£31.62m (2018: £21.62m) repayable April 2026 and accruing interest at 12% p.a.
£15.55m (2018: £nil) repayable April 2026 and accruing interest at 20% p.a.
£15.00m (2018: £nil) repayable July 2028 and accruing interest at 20% p.a.

20. Financial assets and financial liabilities (continued)

f) Borrowings (continued)

Hire purchase/finance lease obligations

Assets acquired under hire purchase/finance lease contracts secured by the lessor's title to the leased assets.

Fair value

For borrowings the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is considered to be either close to current market rates or the borrowings are of a short-term nature.

Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 22.

21. Right of use liabilities

Right of use liabilities relate to operating lease arrangements accounted for under IFRS 16, the policy for which is set out in note 2(x). The liabilities relate primarily to vehicle and property leases. The corresponding assets are included in right-of-use assets disclosed in note 14.

22. Financial risk management

For the year ended 31 August 2019, Group's main exposures to financial risk have arisen due to:

- *Credit risk resulting from the creditworthiness of both its customer base and of the banks which cash* deposits have been placed.
- Interest rate and liquidity risk arising from the debt funding
- Foreign exchange fluctuations investments in subsidiaries

Financial risks are managed in line with the objectives and processes laid down by the Group.

Foreign exchange – market risk

Following the acquisition of the Tandem, Tristar and Flyte Tyme groups of companies in the United States, the Group's principal foreign exchange exposure is in the translation of net investments in its subsidiaries.

Currency exposures arising from strategic transactions such as acquisitions or loans to subsidiaries are reviewed and hedged on a case by case basis.

Amounts recognized in profit or loss and other comprehensive income

During the year, the following foreign exchange related amounts were recognized in profit or loss and other comprehensive income:

	2019	2018
	£'000	£'000
Net foreign exchange gain recognised in the income statement:		
Included in net financing cost	1,758	-
Net loss recognised in other comprehensive income:		
On translation of foreign operations	(1,924)	-

22. Financial risk management (continued)

	2019 £'000	2018 £'000
Impact on post tax profit		
USD/GBP exchange rate – US dollar strengthens / (weakens) by 5%	760	691

Interest rate – market risk

The Group's main interest rate risk arises from bank borrowings with variable interest rates. Interest rates on loan notes and lease obligations are fixed. A movement of 25 base points in interest rates would have impacted the financial statements as follows:

	2019 £'000	2018 £'000
Impact on post tax profit		
Interest rates – decrease / (increase) of 25 basis points	577	209

Interest rate exposure arising from the Group's borrowing and deposit activities is managed by using a combination of fixed and variable rate debt instruments, and interest rate swaps.

Credit risk

Credit risk exists due to the possibility of the counterparty default between the date of asset recognition and date of settlement and arises on:

- Trade receivables owed by the Group's customers;
- Cash and cash equivalents deposited at banks; and
- Unsettled in the money derivative financial instruments

Trade credit risk is managed primarily by the Group's credit control staff members, who assess creditworthiness and allocate credit limits based on information available from independent credit reference agencies together with past and current collections experience. The customer base is well diversified and there is no significant concentration of risk.

Cash deposits are held only with high grade banks and financial institutions.

Impairment factors

The Group assesses annually whether there is any evidence of impairment based on whether any of the following indicators are present:

- Default event, or financial difficulties suggestive that a default event is probable
- Significant delinquency in payments for any other reason

22. Financial risk management (continued)

Liquidity risk

The Group's main liquidity risk arises from the maturity of its borrowings. Management agrees an annual funding and liquidity plan as part of the Group's annual budget, designed to ensure that the Group maintains a prudent liquidity buffer at all times and cash flow forecasts are regularly monitored against plans and budgets.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into groupings based on their contractual maturity dates:

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000
At 31 August 2019				
Trade and other payables	47,371	-	-	47,371
Interest-bearing loans and borrowings	270,737	5,614	81,269	357,620
	318,108	5,614	81,269	404,991
At 31 August 2018				
Trade and other payables	44,074	-	-	44,074
Interest-bearing loans and borrowings	64,939	208,970	50,761	324,670
	109,013	208,970	50,761	368,744

Maturities of right of use liabilities

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000
At 31 August 2019	19,645	22,120	8,055	49,820
At 31 August 2018	21,812	24,035	10,246	56,093

23. Provisions

	Motor claims	Insurance technical	Lease dilapid-ations	Total
	£'000	£'000	£'000	£'000
As 1 September 2018	7,620	1,791	448	9,859
Charge for the year	-	-	388	388
Movements on technical claims	-	(799)	-	(799)
Movements on motor claims	(86)	-	-	(86)
As at 31 August 2019	7,534	992	836	9,362

	Notes	2019 £'000	2018 £'000
Claims outstanding		992	1,718
Unearned premium		-	73
	24	992	1,791

24. Insurance

Addison Lee Insurance Limited (insurance company) was set up to specifically cover the motor insurance needs of the operating subsidiaries within the Group. The Group conducted its insurance activities primarily through the insurance company from 16 November 2011 to 26 November 2015. The detail of the claims history is set out below.

Claims development history
The following tables show the development of claims set out in note 23 over a period of time.

The policy period for each policy year runs as follows:
2010/11 to 2013/14: 16 November to 15 November
2014/15: 16 November 2014 to 26 November 2015

The total provided for a policy year at the first financial year end after the inception of that policy is therefore for part of the policy period only, but it may include provision for unexpired risk in the remaining part of the policy period.

24. Insurance (continued)

Estimate of ultimate claims costs gross:

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
Position at end of reporting year:						
One year later	2,932	4,093	3,496	3,794	4,708	-
Two years later	4,374	5,284	5,279	5,765	6,537	-
Three years later	4,362	5,005	5,044	5,404	6,681	-
Four years later	4,370	5,048	4,978	5,233	6,558	-
Five years later	4,231	5,080	5,031	5,236	6,389	6,389
Six years later	4,264	5,170	4,956	5,180	-	5,180
Seven years later	4,346	5,155	4,921	-	-	4,921
Eight years later	4,341	5,227	-	-	-	5,227
Nine years later	4,355	-	-	-	-	4,355
Current estimate of cumulative claims	4,355	5,227	4,921	5,180	6,389	26,072
Cumulative payments to date	(4,299)	(5,145)	(4,882)	(5,106)	(5,648)	(25,080)
Liabilities recognised	56	82	39	74	741	992

No claims development table is presented for the goods in transit policy as claims incurred are typically settled within one year.

Insurance risk management

The insurance company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The insurance company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The insurance company is exposed to inaccurate pricing of underwriting.

The insurance company accepts risks provided only that, among other considerations, the insurance company continues to be able to meet its solvency requirements as specified by the Guernsey Financial Services Commission ("the GFSC") and provided that the insurance company remains fully funded to a level sufficient to satisfy the GFSC, including due allowance being made for any capital contributions, inwards letters of credit and subordinated loans. All material changes to the underwriting program have to be notified to the GFSC, which has the power to object to any change that is proposed.

The insurance company manages its risk via its underwriting strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria.

24. Insurance (continued)

Concentration risk

The insurance company only provides insurance cover to, and is therefore only exposed to, the insurance risks of Group entities and drivers who provide services to and receive services from Group entities. The insurance company underwrites a range of exposures covering the main areas of the Group's business and the contractual liabilities of drivers as follows:

- Motor deductible protection; and
- Motor deductible protection reinsurance

Assumptions and sensitivities

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The insurance company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as claims cost and expected loss ratios.

The insurance company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience may differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on profit and the shareholder's equity For each sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged.

	2019 £'000	2018 £'000
5% increase /(decrease) in claims outstanding and IBNR reserves	50	90
5% increase /(decrease) in loss ratios	1,161	1,161

25. Deferred taxation

Deferred tax assets and liabilities are offset where the Group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances, after offset, for financial reporting purposes:

	Property, plant and equipment	Goodwill and intangible assets	Other assets	Total
	£'000	£'000	£'000	£'000
At 1 September 2017	3,018	(2,944)	2,009	2,083
Acquisitions and disposals	-	(1,907)	-	(1,907)
(Expense)/credit for the year	(522)	1,682	500	1,660
At 31 August 2018	2,496	(3,169)	2,509	1,836
Prior year adjustment	1,320	234	(2,027)	(473)
Credit/(expense) for the year	1,009	(701)	(482)	(174)
At 31 August 2019	4,825	(3,636)	-	1,189

Prior year adjustment primarily relates to unclaimed capital allowances which resulted in higher accounting base of fixed assets offset by lower available tax losses. There is no expiry date in respect of utilisation of the temporary timing differences.

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances after offset of assets and liabilities as presented within the statement of financial position:

	2019	2018
	£'000	£'000
Non-current:		
Deferred tax assets	1,189	2,524
Deferred tax liabilities	-	(688)
	1,189	1,836

The Group has not recognised gross temporary differences of £43.5m (*2018: £15.2m*) as it does not currently expect to be able to recover these amounts in the near term.

26. Share capital

Allotted, called up and fully paid	2019 £'000	2018 £'000
47,558,269 Ordinary shares of £0.01 each	476	476

27. Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £'000	2018 £'000
Motor vehicles	3,432	20,512
Leasehold improvements	-	2,245
	3,432	22,757

28. Related party transactions

The following are transactions with related parties engaged by the Group during the year and the balances outstanding at the balance sheet date:

Transactions with companies under common control:

	2019 £'000	2018 £'000
CIM Global LLC		
Monitoring fees charged to the Group	(250)	(156)
Balance payable by the Group	(500)	(250)
CEP III Alphyn I S.C.A		
Balances due to the Group	1,295	1,295

Transactions with associated undertaking:

	2019 £'000	2018 £'000
Haulmont Technology Limited		
Sales to the Group	(1,555)	(2,314)
Balance payable by the Group	(120)	(215)

28. Related party transactions (continued)

Transactions with parent company undertaking:

	2019 £'000	2018 £'000
Addison Lee Midco I Limited		
Interest expense payable accrued by the Group outstanding	(23,948)	(13,591)
Loan notes payable outstanding	(81,420)	(50,761)
Non-interest bearing loans payable	(3,244)	(3,000)

	2019 £'000	2018 £'000
Addison Lee Holdings Limited		
Non-interest bearing receivable balances	2,686	1,533
Non-interest bearing loans payable	(318)	(318)

	2019 £'000	2018 £'000
Addison Lee Coaches Limited		
Non-interest bearing loans receivable	2,723	2,708

	2019 £'000	2018 £'000
Addison Lee Payments Limited		
Non-interest bearing payable balances	8,505	-

	2019 £'000	2018 £'000
Addison Lee Midco II Limited		
Non-interest bearing receivable balances	110	21

28. Related party transactions (continued)

Transactions with directors

	2019 £'000	2018 £'000
A Boland		
Cumulative interest charged by the Group on a loan provided to the director	222	156
Balance of loan and interest owed to the Group	2,067	2,001

Compensation of key management personnel of the Group

The key management of the Group are the directors.

	2019 £'000	2018 £'000
Short-term benefits	725	837
Post-employment benefit	-	11
	725	848

Post-employment benefits relate to contributions to defined contribution schemes.

Remuneration disclosed above includes the following amounts paid to the highest paid director as follows:

	2019 £'000	2018 £'000
Total emoluments (excluding pension contributions)	425	507
Pension contributions	-	-
	425	507

29. Controlling party

At the balance sheet date, the ultimate parent undertaking and controlling party was Carlyle Europe Partners III L.P. The largest and smallest group preparing consolidated financial statements that incorporates the financial statements of the Company is headed by Addison Lee Financing Limited, a company incorporated in England and Wales.

On 23 March 2020 the company was acquired by a consortium of investors led by Cheyne Capital. The ultimate parent undertaking and controlling party is Cheyne European Strategic Value Credit S.a.r.l 3, a company incorporated in Luxembourg.

30. Events after the Balance Sheet Date

On 20 February 2020, Addison Lee US business was sold to RMA Worldwide Chauffeured Transportation and the business now operate in North America as a partner under the Addison Lee Brand. Loans and other intercompany receivable balances from US business were written off as part of the sale process resulting in the provisional net loss on disposal of £22.5m.

On 23 March 2020, the Group was acquired by consortium of investors, led by Cheyne Capital and Liam Griffin. As part of the financial restructuring process –

- Addison Lee Midco II Limited and Atlas Bidco Limited enter into a sale and purchase agreement pursuant to which Addison Lee Midco II Limited sold its shares in Addison Lee Financing Limited to Atlas Bidco Limited for £1;
- Intercompany receivable and payable balances within Addison Lee Midco II Limited with Addison Lee Financing Limited and Addison Lee Group Limited were released in full;
- Lenders released the charge over the shares of Addison Lee Financing Limited;
- Lenders unconditionally and irrevocably released and discharged senior finance loans and unpaid accrued interest in respect of the debt, for nil consideration;
- Addison Lee Financing Limited with all its subsidiaries acceded to the New Senior finance agreement as new obligors;
- The intercreditor agreement was entered between Atlas Bidco Limited, Addison Lee Financing Limited and each obligor and the Lenders under the New SFA;
- Under the New senior finance agreement, Addison Lee Financing Limited drew down £36m super senior facility, recognised new £100m senior facility and repaid £16m Bridge funding facility;
- Lease financing for new vehicles continues to be readily available on a replacement and extension basis and the forecast does not anticipate growth in the size of the fleet relative to the closing position as at 31 August 2019.

Covid-19 is considered a non-adjusting event on the current financial statements. The business had taken measures to adjust to the current pandemic as and the Board is performing regular reviews of its strategic position to ensure we are best prepared to respond to any future changes.

31. Business combinations

In the prior year, on 1 September 2017, the Group acquired Transportation Technology Services Inc. ("Tandem") (see also note 17) for a consideration of US$5.5m (£4.3m). The financial results of Tandem have been included in the Group's consolidated results from 1 September 2017.

Details of purchase consideration, the net assets acquired and goodwill are as follows

Year ended 31 August 2018	**$'000**	**£'000**
Consideration:		
Cash to acquire 100% of shares	5,536	4,277
Total purchase consideration	5,536	4,277

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Book value £'000	**Fair value £'000**
Intangible assets	903	5,760
Existing goodwill	697	-
Property, plant and equipment	43	43
Loan note deposits	217	217
Deferred tax asset/(liability)	10	(1,907)
Receivables	334	334
Accruals and deferred income	(140)	(140)
Other current liabilities	(30)	(30)
Net borrowings	(4,917)	-
Net identifiable assets/(liabilities) acquired	(2,883)	4,277

ADDISON LEE FINANCING LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	5	47,558	47,558
Current assets			
Debtors	6	346,561	304,828
		346,561	304,828
Creditors:			
Amounts falling due within one year	7	(269,849)	(32,302)
Net current (liabilities) / assets		76,712	272,526
Total assets less current liabilities		124,270	320,084
Creditors: amounts falling due after more than one year	8	(66,420)	(256,498)
Net assets		**57,850**	**63,586**
Capital and reserves			
Called up share capital	9	476	476
Share premium account		47,083	47,083
Retained losses		10,291	16,027
Total shareholder's equity		**57,850**	**63,586**

Parent Company Statement of Profit and Loss for the Year Ended 31 August 2019

No profit and loss account is presented for Addison Lee Financing Limited as permitted under section 408 of the Companies Act 2006. The parent company's loss for the year ended 31 August 2019 is £5,736,000 (2018: profit of £26,201,000).

The financial statements were approved by the board of directors on 7 September 2020 and signed on its behalf by:

P B Suter
Director

Company Registration No. 08486652

ADDISON LEE FINANCING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2019

	Issued share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
At 1 September 2017	476	47,083	(10,174)	37,385
Profit for the year	-	-	26,201	26,201
Total comprehensive profit for the year	-	-	26,201	26,201
At 31 August 2018	**476**	**47,083**	**16,027**	**63,586**
Loss for the year	-	-	(5,736)	(5,736)
Total comprehensive loss for the year	-	-	(5,736)	(5,736)
At 31 August 2019	**476**	**47,083**	**10,291**	**57,850**

ADDISON LEE FINANCING LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

1. **Authorisation of financial statements and statement of compliance with FRS101**
The parent company financial statements of Addison Lee Financing Limited (the "company") for the year ended 31 August 2019 were authorised for issue by the board of directors on 7 September 2020, and the balance sheet was signed on the board's behalf by P Suter. Addison Lee Financing Limited is a private company incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

In the prior year, the company financial statements were prepared in accordance with the requirements of FRS102. There are no material differences on the financial statements of the company and accordingly reconciliation of differences between FRS101 and FRS 102 is not provided

The financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments measured at fair values. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company.

The accounting policies of the Company follow the Group policies which are set out on pages 18 to 67 of the consolidated financial statements. The financial statements are prepared in British Pound Sterling and are rounded to the nearest thousand pounds (£000).

2. **Accounting policies**

Basis of preparation
The accounting policies which follow have been applied in preparation of the financial statements for the year. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 62 B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS3 *Business Combinations*
- The requirements of IFRS 7 *Financial Instruments: Disclosures*
- The requirement of paragraph 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of Paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 *Presentation of Financial Statements*
- The requirements of IAS 7 *Statement of Cash Flows*
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
- The requirements in IAS 24 *Related Party Disclosures* to disclose related parties transactions entire into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member (Group)
- The requirements of paragraph 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*

Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts report for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Details are set out in Strategic Report of consolidated financial statements.

3. Auditors remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	575	-

Auditors remuneration in 2018 was incurred by Addison Lee Holdings Limited.

4. Employees

The company did not engage any employees (2018: none) and did not incur and employment related costs (2018: £nil) during the year.

5. Fixed asset investments

	2019 £'000	2018 £'000
Investments in subsidiary undertaking	47,558	47,558
	47,558	47,558

Investments in subsidiary undertakings are held at cost. The Company has direct and indirect subsidiaries which are reflected in note 17 of its consolidated financial statements.

6. Debtors

	2019 £'000	2018 £'000
Amounts due from group undertakings	346,561	304,828
	346,561	304,828

7. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	230,629	15,000
Amounts due to group undertakings	13,472	13,293
Accruals and deferred expenses	25,748	4,009
	269,849	32,302

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

	2019 £'000	2018 £'000
Bank loans and overdrafts	-	215,628
Loan notes 4%	19,250	19,250
Loan notes 12%	47,170	21,620
	66,420	256,498

The loan notes are repayable on 19 April 2026 and accrue interest, compounded each year at the rate of 4% and 12% respectively.

9. Share capital

Allotted, called up and fully paid	2019 £'000	2018 £'000
47,558,269 (2018: 47,558,269) ordinary shares of £0.01 each	476	476

10. Events after the Balance Sheet Date

On 23 March 2020, Addison Lee's UK business was sold by The Carlyle Group ("Carlyle") to a consortium of investors. As a result, Cheyne European Strategic Value Credit S.a.r.l. 2 became the Group's largest shareholder. Also see note 30 to the consolidated financial statements.

11. Related party transactions

The Company has taken advantage of exemptions not to disclose transactions with entities wholly owned by the group headed by Addison Lee Financing Limited.

Key management

The key management of the Company are its directors. No director received any emoluments in relation to services provided to the Company.

12. Controlling parties

At the balance sheet date, the ultimate parent undertaking and controlling party was Carlyle Europe Partners III L.P. The largest and smallest group preparing consolidated financial statements that incorporates the financial statements of the Company is headed by Addison Lee Financing Limited, a company incorporated in England and Wales.

On 23 March 2020 the company was acquired by a consortium of investors led by Cheyne Capital. The ultimate parent undertaking and controlling party is Cheyne European Strategic Value Credit S.a.r.l 3, a company incorporated in Luxembourg.

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