



18 May 2011

**SPEEDY HIRE PLC**

**(“Speedy” or “the Group”)**

**Annual Results for the year ended 31 March 2011 and Board Changes**

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*Speedy is the leading UK provider of equipment rental and support services*

**Financial highlights**

- Adjusted loss before tax\* reduced from £6.2m in 2010 to £0.7m, demonstrating an improving year on year trend
- Second half adjusted profit before tax\* of £9.2m, compared to first half loss of £9.9m
- Revenue up 0.9% to £354.2m (2010: £351.1m) (up 3.6% when adjusted for fleet equipment sales and the disposed Accommodation Hire operation)
- EBITA\* up 3.8% at £8.3m (2010: £8.0m), following a first half EBITA\* loss of £4.6m (second half profit of £12.9m)
- Loss before tax (post amortisation and exceptional items) of £27.0m (2010: loss £22.8m)
- £10.9m increase in net capex, with net debt reduced by £5.4m to £113.9m (2010: £119.3m)
- Sale of older/under-utilised equipment has raised £16.2m (2010: £22.6m) for reinvestment into new hire fleet
- Post year-end sale of the loss-making Accommodation Hire operation for £34.9m (7.6x FY11 EBITDA pre allocations, recharges and exceptional items)
- Net debt/EBITDA\* remains strong at 1.79x (2010: 1.75x) (pro-forma 1.3x when adjusted for Accommodation Hire disposal)
- Final dividend proposed of 0.2 pence per share (2010: 0.2 pence per share)
- Good progress made in refinancing the June 2012 debt facility maturity

**Trading and operational highlights**

- Continued successful implementation of the Group’s strategy of developing close, long-term strategic partnerships with major contractors and industrial groups
- Hire activities increasingly supported by delivery of a wide range of broader complementary activities in both the UK and internationally, now accounting for 28% of Group revenue
- Improvements in UK hire rates (ending the year 10% ahead of the prior year) and in UK asset utilisation (Q4 up 12% year on year)
- Technology investment has continued, with hand held PDA’s now fully rolled out and a new e-commerce website developed
- Superstore investment programme has continued, with 9 sites opened to date
- Continued progress in the International and Training & Advisory businesses, with revenue growing to £10.7m (2010: £3.7m)

*\*before amortisation and exceptional costs*

**Commenting on the results, Ishbel Macpherson, Chairman, said:**

“We have established a solid platform from which to build and, whilst we remain alert to the continuing uncertainty in the economy, we expect to make further progress in 2011/12.”

**For further information:**

**Speedy Hire Plc**

Steve Corcoran, Chief Executive  
Justin Read, Group Finance Director  
Tel: 020 7796 4133 on Wednesday 18 May  
(thereafter Tel: 01942 720000)

**Hudson Sandler**

Nick Lyon/Kate Hough/George Parker  
Tel: 020 7796 4133

**Results presentation:**

*There will be an analysts' meeting and conference call at 9.30am today. The presentation slides to accompany the conference call will be available at [www.speedyhire.plc.uk](http://www.speedyhire.plc.uk) from 9.20am this morning. For conference call and replay facility details please contact Sarah Hughes, Hudson Sandler, on 020 7796 4133 or [shughes@hudsonsandler.com](mailto:shughes@hudsonsandler.com).*

**Forward looking statements:**

*The information in this release is based on management information.*

*This report includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date of this report.*

**Notes to Editors:**

*Founded in 1977, Speedy is the leading UK provider of equipment rental and support services to a wide range of clients across the construction, infrastructure, industrial, manufacturing and facilities management sectors - as well as to local trades and industry.*

*Operating from over 300 fixed sites - together with a number of on-site facilities at client locations throughout the UK, Ireland and the Middle East - the Group supplies a range of services, including the provision for hire of:*

- small tools and equipment*
- surveying and measurement instrumentation*
- lifting and materials handling equipment*
- powered and non-powered low-level access equipment*
- compressed air*
- temporary power generation*
- mechanical pumps*
- temporary site communications*

*The Group also provides associated services through the provision of training, asset management and testing, repair, inspection and maintenance (TRIM), as well as offering advisory services in areas such as health and safety, environmental and regulatory compliance.*

*Website: [www.speedyhire.plc.uk](http://www.speedyhire.plc.uk)*

## **CHAIRMAN'S STATEMENT**

### **Overview**

Whilst it has been another challenging year for our sector, I am pleased to report that the business has been stabilised through continued cost management, improvement in pricing and an ongoing investment programme in our depot network, IT trading platform, hire fleet and services. Each of these has contributed to the establishment of a solid base from which to return the business to growth.

Notwithstanding exceptional costs of £20.8m, which contributed to an overall loss before tax of £27.0m, we saw the benefits of these actions in 2010/11 in the reversal of the first half losses to end the year at a broadly breakeven position (profit before tax, amortisation and exceptional items). The year on year revenue comparatives improved throughout the course of the year, with particular progress made in recovering UK hire rates following the declines over the last few years. Our loss before tax (pre-amortisation and exceptional items) was £0.7m, compared to a loss of £6.2m in 2009/10 and a loss of £9.9m in the first half of 2010/11. Our ongoing drive to keep tight control over costs, whilst working to improve revenues, has resulted in a further reduction in like-for-like operating costs of 2.9% year on year. Our EBITDA margin (pre-amortisation and exceptional items) improved during the course of the year, having been 14.0% in the first half and 21.7% in the second half. We also managed the business so as to maximise cash generation, with the result that year end net debt was £5.4m lower than at the previous year end, despite a 52% increase in net capex to £31.7m.

The sale of our loss-making Accommodation Hire operation for £34.9m in cash and the unwinding of its retained working capital, estimated to be approximately £3.6m, will also serve to reduce debt further.

### **Strategic progress**

These results, and particularly the recovery in the second half, where the EBITA margin (pre-exceptional items) increased by 9.9 percentage points compared to the first half, are a reflection of the successful implementation of the Group's strategy of developing close, long-term strategic partnerships with major customers and industrial groups. This has allowed us to gain access to their supply chains at low cost, and offer broader complementary activities in testing, inspection, repair, maintenance, asset management, training and advisory services, both in the UK and, increasingly, internationally.

Having taken decisive action in 2009 in response to the global financial crisis and realigned the cost base, the focus in 2010/11 has been on strengthening the balance sheet to prepare the business for growth in line with this strategy as the economy recovers.

During 2010/11 we continued to invest in our network, our IT infrastructure, our assets and in our complementary non-hire services (e.g. testing, training and sales) which differentiate the business and thereby provides it with a platform to broaden its offerings to a wider range of customer segments. Our strategy will continue to underpin the Group throughout 2011/12 as we maintain our focus on cash, costs and customers, whilst recovering growth in our business.

Our priority remains to restore our UK business to full health, investing to refresh the fleet and in the improvement of the efficiency of our property portfolio. We will also continue to develop our fledgling businesses, principally International and Training & Advisory Services, at a measured pace.

### **Funding**

The Group's bank facility, which is a revolving credit facility of £210m, matures in June 2012. In preparation for this, the Group is in advanced discussions with its existing bank group, along with other lenders, regarding its refinancing requirements and expects to secure replacement funding in the near future.

### **Dividend**

The Company paid an interim dividend of 0.2p per ordinary share on 28 January 2011, consistent with the interim dividend paid in 2009/10.

We remain committed to a progressive dividend policy as markets recover, but remain cautious in our approach to cash in the interim. The Board is therefore recommending an unchanged final dividend of 0.2 pence per share. This represents a cash cost of c.£1m. If approved by shareholders at the forthcoming AGM, this will bring the total for the year to 0.4 pence per share.

### **Governance and Board changes**

Since the Company listed on the London Stock Exchange in 1993, our Board and executive governance structures have developed and improved. We are fully compliant with the UK Corporate Governance Code and firmly believe that good governance reduces risk and adds value to the business.

The Board has undergone a number of changes in the past year and further changes will take place in the forthcoming year.

Justin Read, the Group Finance Director, has resigned to join the Board of SEGRO plc, as its Group Finance Director. Justin will be leaving on 26 August 2011. A recruitment process for a new Group Finance Director will commence immediately and an announcement will be made once this process has been concluded.

The Board would like to express its gratitude to Justin for his valuable contribution to the Group over the last three years and to wish Justin every success in his future career.

David Wallis retired at the end of December 2010, having served as Chairman of the Company for over 10 years. Claudio Veritiero, MD of Asset Services, left the Group in October 2010 as part of our cost reduction programme. Michael Averill was appointed as Senior Independent Director on 1 January 2011, at the same time as I became Chairman. Further changes amongst the Non-Executive Directors will take place this year as Peter Atkinson will retire at the forthcoming AGM, having served six years on the Board. The Board has commenced a search for a new Non-Executive Director.

We are most grateful to David, Claudio and Peter for their invaluable contributions and wish them well for the future.

### **Employees**

2010/11 saw another year of tremendous commitment from our people. The quality of our people continues to be a core strength of our business. Our recovery through this year is down to the performance of Steve Corcoran, his team and all the employees who continue to build the business. I would like to thank them all, on behalf of the Board, for their skill, dedication, hard work and loyalty throughout this period of upheaval and difficult economic conditions.

### **Outlook**

In conclusion, whilst we acknowledge that our business has been through a very difficult and unrewarding period for our shareholders, management has aggressively taken action with regard to cash, costs and capex to ensure that the Group has not only survived the short term challenges to its future, but that it is now far stronger as a business and is very well placed for the future.

Whilst April's trading was affected by the impact of the late Easter and the subsequent Royal Wedding public holiday, the new financial year has begun satisfactorily. Although we remain alert to the continuing uncertainty in the economy, which we believe will continue for some time to come in the construction sector in particular, we are confident that the actions we have taken give us a solid platform from which to build and that we will continue to make progress in 2011/12. Our leading market position, our advanced systems, our strong cash flow and our clear market approach, position the Group strongly to take full advantage of the market upturn when economic conditions eventually improve.

## **CHIEF EXECUTIVE'S REVIEW**

### **Overview**

The financial year which closed 31st March 2011 signalled the end of the most tumultuous period in the Group's history, with the business recording a profit before tax, amortisation and exceptional items of £9.2m in the second half, reversing a £9.9m loss in the first half. When the financial crisis broke in September 2008 our business was on a significant growth curve, having reported 22.3% revenue growth in the first half of 2008/09, and was still in the process of integrating Hewden Tools which we had acquired in the prior year. The subsequent sharp contraction in construction activity left us with effectively two businesses to restructure as well as an integration to complete. Since that time through aggressive and determined action we have reduced our headcount by 29%, our vehicle fleet by a similar amount and removed 33% of our operational sites. It was this determined action that gave us the confidence to announce at this year's interims that, after a two year period of disappointing results, we were confident that the business had turned the corner. Our second half performance has supported that claim.

### **Our performance in 2010/11**

I am pleased to report that we have reversed our first half losses in the second half of the year, to end the year at a broadly break even position (profit before tax, amortisation and exceptional items), in line with our expectations. Whilst it was a challenging target to turn around a £9.9m first half loss (loss before tax, amortisation and exceptional items), it was satisfying to have delivered on that expectation with a second half performance which delivered a 9.9 percentage point improvement in operating margin (pre-amortisation and exceptional items) and a 54.6% increase in our EBITDA performance (pre-exceptional items) over the six months, at a time when our principal market, construction, continued to be in decline. The achievement is even more encouraging when considering that the performance of our Accommodation Hire operation continued to decline year on year and one of our principal clients, Connaught Plc, fell into administration. It is pleasing to note that after a period of eighteen months of aggressive self-help, in which we merged eleven trading entities into one, established a single UK based Shared Services Centre, completed the move of the entire Group onto a single IT platform and took the robust action against costs as outlined above (which have collectively contributed to an annualised reduction in our operating costs of approximately £110m since June 2008), that we saw the benefits of those initiatives come through in the second half.

Looking ahead into the current year and beyond, in the UK we are benefitting from improving hire rates (closing the year up 10% year on year), increasing demand and a more efficient cost base. Having sold the loss making Accommodation Hire operation, we are confident that we have secured a strong platform that will provide for a sustainable recovery. In addition, we have diversified our business with the continued development of the new International operation, based in the UAE, the specialist Engineering operation to target activity in the Industrial and Rail markets and the Training & Advisory operation to assist clients with their risk management, especially in the use and application of rented plant and machinery. Whilst these operations are at an early stage in their development, we are encouraged by their progress and are confident that they will provide a meaningful contribution and differentiation in the future.

### **Operating network**

Our strategy provides for a reduction in the number of operational outlets as we consolidate a number of operations that exist in the same or adjacent towns and cities into fewer, larger sites. This will support us in the development of a three tier operating model of:

- Regional Multi Service Centre's (MSC's), which will act as regional distribution centres as well as hosting our main workshop services and specialist hire facilities (light plant, fencing & safety decking);
- Superstores, which will provide a tools, lifting and survey capability under one roof to serve the major conurbations; we will retain the integrity of independent specialist skills but realise greater efficiency from our transport, administration and maintenance capabilities; and,
- Local Tool Hire, where customer needs tend to be more unplanned and reactive. In order to support our local, regional and national customers, and those more transient customers engaged in service, maintenance and FM activities, it is important that we offer full geographic coverage and be close to their operations, especially in areas of specific industrial or economic activity e.g. Grangemouth, Sellafield, Scunthorpe and Fawley.

In pursuit of this strategy, during the year we reduced the overall number of outlets from which we operate from 363 to 327, and opened our ninth Superstore. We have a further eight Superstores in various stages of internal planning or development.

#### **IT trading platform**

We have rigorously maintained our commitment to increasing both our investment in, and use of, technology. After a year of further IT investment (£2.6m), 2010/11 was the first full year in which we benefitted from the transfer of all business activities onto a single IT trading platform. When combined with the consolidation of the UK Hire operations into one trading entity, we now have full transparency of all our assets, customers and trading activities.

The benefits from this investment are already evident, with greater visibility over our hire fleet availability, its location and operational status helping to drive improvements in utilisation (Q4 utilisation in the UK was up 12% year on year) and thereby reduce capex needs. With the availability of improved information and reporting, we are able to analyse better our performance, as well as to identify older or under-utilised assets. These can then be disposed of and the cash proceeds (£16.2m in 2010/11) made available to be re-cycled for re-investment into new assets in areas of greater demand. This capability has enabled us to replenish the fleet, whilst reducing the need for traditional levels of additional debt or capital.

We are confident that our extensive investment in IT, which was maintained throughout the downturn, will provide the platform to drive margin growth, improve return on capital employed and enhance our overall customer service (which already enjoys a 92.7% recommendation score). The advancements in our systems also provide flexibility to adopt new services and activities in support of our clients' risk management, as well as enhancing our international growth capability.

#### **Disposal of Accommodation Hire operation**

Since the year end, we have announced the disposal of our Accommodation Hire operation for £34.9m (retaining the working capital estimated to be £3.6m) to Elliott Group, a wholly owned subsidiary of Algeco Scotsman which is the world's leading provider of rented, temporary accommodation. As a part of the disposal both parties have entered into a three year exclusive partnering agreement which will see us support each other in the provision of our respective fleet services. Elliott will become the provider of accommodation services and toilet hire to Speedy throughout the UK, with Speedy supporting Elliott's requirements in the provision of tools and equipment, such as power generation, lighting and compaction equipment. In addition, we will also further expand our service based revenues through the provision of engineering support to maintain Elliott's c.1,650 strong generator fleet for an initial period of three years from May 2011. The disposal is a sensible move with clear commercial benefit to the Group as it removes our only established, non market leading and loss making operation from the business, whilst enabling two market leaders to offer their respective customers access to a more comprehensive offering.

#### **Contractual revenue stream with major businesses and their downstream contractors**

Despite the challenging market conditions that have persisted, the business has continued in its objective to secure closer relationships with the UK's major construction, engineering and infrastructure groups. We are convinced that this has proven to be the right strategy evidenced by the fact that:

- We have broadened our customer base into non-construction markets such that non-construction now accounts for around 53% of Group revenue. In construction, 58.5% of our revenues are secured with the major contractors directly;
- At a time of heightened financial uncertainty, larger clients offer far greater debt security and, more importantly, workload security;
- With the conditions facing UK construction forecast to remain difficult, spending on infrastructure, especially in markets associated with water, waste, energy and transport, are expected to be more resilient and these activities tend to be the domain of the major contractors and specialist trades;
- Work in these markets is more visible, sustainable and securely funded;
- The trust of major clients gives access to and influence over their sub contractor base; and,

- Forecasts suggest there will be further consolidation in our end markets, with the major contractors taking more market share. Stronger relationships with them ensure that we are able to gain market share from this consolidation process.

Our improved knowledge and understanding of end markets has also enabled us to secure work directly with the end users themselves. For example, in the water sector we have won hire contracts with Thames Water, Wessex Water and Scottish Water and services contracts from United Utilities, Scottish Water and Severn Trent Water. In the energy sector, we have also secured significant new business awards from Murco, Chevron and Exxon for integrated site based supply.

Outside of infrastructure we have also successfully targeted large capital projects. These projects are subject to extensive financial and commercial due diligence, which provides us with confidence that the funding structures are secure and the projects themselves more sustainable. With large capital commitments in highly complex engineering and construction programmes, these projects require careful planning and highly skilled project management. They therefore also tend to be the domain of the major contractors. Our success in understanding these issues is evidenced by our award this month of the integrated on-site facilities with Brookfield Multiplex at the new £750m Glasgow South hospital.

### **Cash and finance**

Our business is a strong generator of cash and the capacity to use this to pay down debt has been one of the great achievements during the recent difficult years.

We entered the downturn with peak net debt at July 2008 of £303.2m and we finished the 2010/11 year with net debt of £113.9m (before receipts from the disposal of the Accommodation Hire operation). Since the start of the recession we have reduced debt by almost £190m. Whilst approximately £100m of this was with the support of our shareholders through a Rights Issue in July 2009, we have paid off a further £90m through funds internally generated, despite total cash costs of £26.8m associated with bank facility amendment fees, property closures, redundancy costs and other activities associated with our restructuring programme. This equates to a total cash generation through the period of £116.8m.

At the end of the financial year we have net debt to EBITDA at less than two times and net debt to net tangible fixed assets at only 0.52x. We have a strong balance sheet, which leaves us well placed as we move forward to capitalise on the strength of our cash generation to fund further capital investment as trading conditions continue to improve.

### **Strategy**

Our strategy is to develop a service led capability; one that is built around customer intimacy by gaining a real understanding of our customers and their markets. As we know them better, we are more able to develop services that are specifically designed for them and support the requirements they have to maintain their own differentiation to their clients. Success is evident in that for the year ended 31 March 2011 28% of our revenues have been derived from non-rental services. These activities are less dependent upon capital and provide far greater engagement with our customers, whilst providing clear differentiation from those peers who continue to operate a vanilla hire offering. It is our firm view that, without the addition of value added service capabilities, hire in isolation will continue to see price erosion and eventually become a commodity based activity. Service is valued, the provision of a product or an asset is not!

To not have a value added offering also fails to understand why customers have turned to hire in the first place. Our customers hire to mitigate three risks:

- Capital risk; the capital cost to purchase equipment and to replace equipment, together with the balance sheet impact of owning the equipment;
- Operating risk; the risk associated with the costs involved in financing land/property rental to operate a plant fleet, the cost of spares and parts in maintaining equipment and the logistics costs associated with transporting, storing and moving equipment; all of these are costs that have to be recovered in customers' tendering/bidding processes but yet are not core activities; and,
- Legislative risk; the increasing risks associated with legislative compliance, especially in areas of Health and Safety and, increasingly, environmental management and sustainability.

However, hiring alone will not remove these risks. For example, if hired equipment is given to someone who is inadequately trained or who uses it in an inappropriate manner then the customer runs the risk of injury to people or damage to the machinery or property exposing the customer to additional compliance or financial risk. Equally, legislative risk resides if the wrong equipment is specified or is hired where it is not suitable for use in an activity exposed to safety or environmental risk. Customers take more comfort from having access to the experts. We can give guidance on the most suitable product applicable, mitigating risks to the company, individuals and the brand.

It is an appreciation and understanding of issues like these and the drivers for hire, that has led us to establish our Training & Advisory service, our test, repair, inspection and maintenance capability and our consumable and equipment sales offering. This ensures that our customers have access to the support mechanisms and the range of service requirements to enable them better to manage the risks associated with plant and machinery in their own operations. By developing these services we also enhance the capability to shift our business from a rented asset provider to a plant services outsourcer.

This move is not a radical shift from what we do, but an evolutionary extension of what we have traditionally provided, both in support of our own business and also in an ad-hoc way to our clients. Now encompassed in our service business, they are being increasingly recognised by customers as a real value add extension in our offering and, as such, a clear business differentiation. When accompanied with the benefits afforded from our industry leading IT capability, we are increasingly able to offer our clients a compelling proposition. It is of particular relevance to those clients who are large, regular users of hired equipment and they therefore value what we do.

Our business is now in a strong position, although it has been through a very difficult period which has not provided our shareholders a satisfactory return in recent times. We are confident that the aggressive action taken to right-size the business has provided us with a secure platform from which to rebuild. Our decisions, whilst having to be appropriate for the environment in which we found ourselves, have always been accompanied with a clear view for the needs of the business over the longer term.

Our prime focus has been on ensuring that we had a strong and healthy balance sheet throughout the downturn, even if that was at the expense of short term profitability. This action was driven by a clear focus on the 3 C's of cash, costs and customers. This has ensured that the Group has not only survived the severe short term challenges to its future, but has emerged far stronger and is now very positively positioned for future growth.

#### **Current trading and prospects**

As a result of the aggressive and determined action taken by management in pursuit of our strategy, Group revenue (excluding fleet equipment sales) has improved year on year by 3.6% after adjusting for the drag effect of the Accommodation Hire operation. The improvement was 3.2% for the core UK Tools, Lifting and Survey operations. Our Power business, which was loss making in the earlier part of 2010/11, traded profitably in the second half and, with the fledgling operations in International, Engineering (a part of UK Asset Services) and Training & Advisory also progressively moving towards profitability, we are confident that our recovery is well under way. However, we are not complacent since 2011/12 will not be without its challenges:

- The construction market is forecast to remain difficult, with output expected to fall a further 0.8% this year;
- The 1% increase in National Insurance contributions which came into effect in April 2011 will add to our operating cost as we remain very much a people business, employing almost 3,800 people in the UK;
- Fuel costs remain persistently high and are forecast to remain so for the foreseeable future; every penny increase in fuel per litre increases our costs by c.£80,000 annually;
- Local authorities are expected to increase the business rates to offset spending cuts and other financial challenges; with over 300 outlets in the UK, business rates cost us £4.0m in 2010/11; and,
- The April period was down year on year (as expected) as a result of a late Easter, followed by an additional public holiday for the Royal Wedding leading into the May Day bank holiday; these combined to reduce the number of charging days in the period and resulted in many customers taking an extended break.

We are confident in our ability to deal with these issues with a renewed vigour in the Group. Having successfully restructured the business we are now very firmly focussed on looking forward, whilst maintaining a tight control over the 3 C's of Cash, Costs and Customers. Capex investment will be progressively increased and will continue to be supported through the disposal of underutilised or older assets such that net investment will remain lower than that traditionally seen.

Finally, it is important to recognise the continued commitment of the dedicated people throughout the business. Our people have responded magnificently throughout these difficult times and I am pleased to acknowledge their hard work. With trading improving, rates recovering and return on capital increasing, we look forward with increasing confidence. However, this more positive outlook is tempered with an acknowledgement that in the short term there will continue to be challenges as our business and the country as a whole emerge from recession.

## GROUP FINANCIAL REVIEW

### Group Financial Performance

Revenue in the year to 31 March 2011 of £354.2m was 0.9% above the prior year period (2010: £351.1m), notwithstanding the impact of the loss of a significant contract with Network Rail in December 2010 and the collapse of Connaught PLC, a major customer, in September 2010. Included in turnover are planned fleet equipment sales totalling £5.6m (2010: £8.5m); excluding these disposals, revenue was up 1.8%.

Gross margin improved to 61.3% (2010: 59.4%) and the Group reported EBITA (before exceptional costs) of £8.3m (2010: £8.0m), after deducting depreciation charges of £55.1m (2010: £60.2m).

The Group's loss before taxation, amortisation and exceptional items was £0.7m (2010: loss £6.2m). The loss after taxation, amortisation and exceptional items was £19.3m (2010: loss £18.3m).

Revenue in the UK & Ireland Asset Services division totalled £343.5m (of which £5.9m relates to the Irish operations), which was 1.1% down on the prior year. Despite this £3.9m drop in turnover, the division increased profits at the operating level, with EBITA (before exceptional costs) of £18.9m (2010: £15.0m), after absorbing a £1.7m charge (2010: nil) in connection with the collapse of Connaught PLC. The UK & Ireland Asset Services operating profit margin (before amortisation and exceptional costs) rose to 5.4% from 4.2% in 2010.

Turnover in the fledgling International & Advisory Services segment almost tripled, rising to £10.7m compared to £3.7m in the prior year. £8.4m of the turnover relates to the International Asset Services division (2010: £2.4m). The Training & Advisory Services division reported turnover of £2.3m in the year (2010: £1.3m), largely derived from servicing the training requirements of some of the Group's major customers, in line with our strategy. The operating loss (before amortisation and exceptional items) of this segment amounted to £3.1m (2010: profit £0.5m), reflecting incremental overhead of £6.8m going in to support the growth of these two new businesses.

The figures for the segments reported above are stated before corporate costs. These costs amounted to £7.5m (before exceptional costs) in the year (2010: £7.5m), equivalent to 2.1% of gross revenue (2010: 2.1%), despite a £1.1m increase in share option charges for future awards.

### First Half / Second Half Financial Performance

In the six months to 30 September 2010, the Group's loss before taxation, amortisation and exceptional items was £9.9m (2010: loss £4.8m). The equivalent figure for the second half of the year was a profit of £9.2m (2010: loss £1.4m), notwithstanding turnover that was 0.2% lower. At the UK & Ireland Asset Services EBITA level (before exceptional items) the first half/second half swing was a positive £15.9m.

The overall Group EBITA margin (before exceptional items) in the second half rose to 7.3% from (2.6)% in the first half and 2.3% in the prior year period. Although the first half performance was hampered by the £1.7m charge taken in connection with the collapse of Connaught PLC, underlying performance in the second half has benefitted from improved cost management and better pricing.

Additionally, net interest expense (before exceptional items) was £1.6m lower in the second half as compared with the first half. This largely reflects the run-off of relatively expensive hedges between September 2010 and February 2011, as well as the move to a lower interest margin in November 2010 and lower average net debt in the second half.

### Interest and Hedging

Net interest expense (before exceptional items) totalled £9.0m (2010: £14.2m), of which £3.7m was incurred in the second half of the year.

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a margin, while the unutilised commitment is charged at 50% of the applicable margin. During the year, the margin payable on the majority of outstanding debt fluctuated between 2.5% and 3.0% depending on the Group's performance with respect to thresholds contained within the facility agreement's leverage covenant. The current applicable margin is 3.0%. A small portion of outstanding debt attracts a margin of 7.0%. This relates to borrowings linked to the Group's International operations.

The Group utilises interest rate hedges to manage fluctuations in LIBOR. Typically, it aims to hedge between 40% and 70% of net debt. At the year end, hedges with a notional value of £60m (2010: £110m) were in place, equivalent to approximately 53% of net debt outstanding. The fair value of these hedges was a liability of £0.6m at year end and they have varying maturity dates out to February 2014. The incremental interest cost arising from these hedges amounted to £2.7m during the year (2010: £3.7m).

#### **Exceptional items**

Exceptional items totalled £20.8m before taxation (2010: £11.1m). These costs fall into three areas. Firstly, those relating to restructuring and cost-saving initiatives that were undertaken during the year. These totalled £5.5m (2010: £11.1m) and were principally in respect of the creation of onerous lease provisions for closed depots and redundancies. Secondly, certain items relating to the April 2011 disposal of the Group's Accommodation Hire operation; at 31 March 2011 these assets were shown in the balance sheet as being held for sale and were written down to their fair value net of costs to sell. This treatment created an exceptional item totalling £13.8m (2010: nil). Finally, exceptional financial expense of £1.5m (2010: nil), which relates to additional amortisation of bank and advisor fees incurred in connection with the bank facility amendment process that was completed in June 2010.

The cash cost before taxation of these exceptional items was £5.2m (of which £2.4m was spent in 2011). The total future tax benefit arising from these exceptional items is anticipated to be £5.6m (2010: £2.7m).

#### **Taxation**

The Group's income statement shows a tax credit for the year of £7.7m (2010 credit: £4.5m), substantially all of which represents a reduction in the Group's deferred tax liability held on the balance sheet at the year end. Of this amount, £2.1m relates to a pre-exceptional tax credit based on an effective tax rate of 33.3% (2010 credit: 15.4%). The balance represents a credit of £5.6m in respect of the exceptional items referred to above.

Cash tax in the year ending 31 March 2011 amounted to a net payment of £1.3m (2010: net refund of £5.9m) in relation to tax liabilities of prior accounting periods.

#### **Shares, earnings per share and dividends**

At the year ending 31 March 2011, 517.2m shares were outstanding, of which 10.3m were held in the Employee Benefits Trust (including 7.6m jointly owned shares).

The basic loss per share before amortisation and exceptional items was 0.02 pence (2010: loss 1.41 pence). After amortisation and exceptional costs, it was 3.81 pence (2010: loss 4.37 pence).

The Board remains committed to the payment of dividends when prudent to do so. Subsequent to the year end, it has recommended a final dividend of 0.2 pence per share (2010: 0.2 pence) which represents a total cash cost of approximately £1.0m. This gives a total dividend for the year, on a UK GAAP basis, of 0.4 pence per share (2010: 0.4 pence). If approved by shareholders, the final dividend will be paid on 17 August 2011 to all shareholders on the register on 17 June 2011.

#### **Capital expenditure and disposals**

Total capital expenditure during the year amounted to £47.9m, of which £43.0m (2010: £33.5m) related to equipment for hire (including £5.0m in the International Asset Services division) and the balance principally to investments in the Group's depot network (3 new Superstores were opened in the year) and IT (Group-wide investment in PDA's). This compares to £43.8m in 2010, an increase of 9.4%. With disposal proceeds of £16.2m (2010: £23.0m), overall net capital expenditure totalled £31.7m (2010: £20.8m) and net capex investment in hire fleet rose 147.9%. The disposal of damaged, older or surplus hire fleet during the year generated profit of £5.0m (2010: £2.7m), underlining the appropriateness of the carrying value of the Group's fixed assets.

A consequence of the increase in hire fleet investment is that there has been only a slight increase in the average age of the Group's hire fleet. At 31 March 2011 the average age was estimated at 4.7 years (2010: 4.2 years). Based on net book value, approximately 40% of the uniquely identifiable fleet is less than three years old. Additionally, over the next three years it is anticipated that only approximately £120m will be required to replace existing hire fleet passing through their useful economic lives.

### **Cash Flow and net debt**

Cash generation has remained positive, with net cash flow generated from operating activities amounting to £12.3m in the year (2010: £43.5m). The principal reasons for the year on year reduction were a £14.6m increase in net investment in hire equipment, a £9.1m decrease in trade and other payables (consistent with the objective to improve supplier payment experience) and a £7.2m swing from tax receipt to tax paid.

Free cash flow (i.e. before acquisitions, dividends and financing activities) amounted to £7.4m (2010: £33.7m). There were no acquisitions during the year (2010: nil) and dividend payments amounted to £2.1m (2010: £4.3m).

Accordingly, despite the increase in capex, net debt has fallen from £119.3m at the beginning of the year to £113.9m at 31 March 2011, a £5.4m decrease.

Gearing (net debt divided by shareholders' funds) has remained broadly stable at 49.7% (48.4% at 31 March 2010). Similarly, net debt to EBITDA (before exceptional items) was also stable at 1.79x (2010: 1.75x).

### **Balance Sheet**

Net assets at 31 March 2011 totalled £229.4m, a £17.2m decrease on the £246.6m reported at 31 March 2010, principally reflecting the write down of the Accommodation Hire assets which were sold on 30 April 2011. Net assets per share amount to 44.3 pence (32.7 pence based on tangible assets). Net property, plant and equipment was £219.9m at 31 March 2011, of which equipment for hire represents approximately 84.4%. Net debt/net property, plant and equipment of 0.52x at 31 March 2011 (2010: 0.42x) underlines the strong asset backing within the business.

Gross trade debtors totalled £97.8m at 31 March 2011 (2010: £101.0m). Bad debt and credit note provisions totalled £7.2m at 31 March 2011 (£10.6m at 31 March 2010), equivalent to 7.4% of the debtor book (10.5% at 31 March 2010), a reduction which reflects the improvement in debtor weeks (calculated on a count-back basis) to 9.8 weeks at year-end compared to 11.1 weeks at 31 March 2010.

### **Capital Structure and Treasury**

Speedy's long-term funding is provided through a combination of shareholders' funds and bank debt.

Shareholders' funds totalled £229.4m at 31 March 2011 (2010: £246.6m). The year on year decline of £17.2m largely results from a £17.6m reduction in retained earnings, which itself principally reflects the loss for the year, including the Accommodation Hire assets' write-down, and the dividends paid during the year.

Bank funding for the Group is via a committed bank facility provided by seven relationship banks. At 31 March 2011 the amount of the facility was £210m and headroom under the facility amounted to approximately £96m (£140.5m at 31 March 2010 including £12.5m of cash). The facility is a revolving credit facility which matures in June 2012. The facility includes quarterly interest, fixed charge, leverage and cash flow cover tests. Speedy was compliant with these tests throughout the year.

Discussions regarding the refinancing of the Group's bank facility are progressing well. Based on bank responses received so far, the Board is confident that it can secure a replacement term facility at an amount and on blended pricing similar to its existing facility. Heads of terms have been agreed and independent due diligence completed. Documentation of the new facility is in process and completion is expected shortly.

The Group will continue to maintain a tight focus on cash generation, recognising however the need to invest in order to maintain the quality of its UK hire fleet. Additionally, prudent investment will be provided to help support growth of the Group's International operations.

### **Return on Capital**

Return on capital (based on EBITA before exceptional items) totalled 2.3% in the year ended 31 March 2011. This compares to 2.0% in the prior year period. The principal reason for the increase was that, despite EBITA (before exceptional items) remaining broadly stable, average gross capital employed was £36.3m lower at £354.6m (2010: £390.9m).

**Sale of Accommodation Hire operation**

On 30 April 2011, the Group completed the sale of the business and fixed assets of its Accommodation Hire operation (formerly known as 'Speedy Space') for £34.9m. Working capital in the operation at the date of sale totalling approximately £3.6m was retained for the benefit of Speedy.

In preparation for the sale, at 31 March 2011 the fixed assets of the Accommodation Hire operation were transferred to assets held for sale and were written down to fair value less costs to sell. This has resulted in an exceptional loss of £13.8m being included within the results for the year to 31 March 2011. This represents the significant portion of the overall exceptional loss that is anticipated to arise as a result of the disposal.

This operation was a part of the UK & Ireland Asset Services division and its financial results are contained within the division's segmental results. During the year the Accommodation Hire operation contributed turnover of £35.5m (2010: £40.6m), EBITDA (before recharges, allocations and exceptional items) of £4.6m (£6.8m) and made a contribution loss (before recharges, allocations and exceptional items) of £4.5m (2010: loss £2.1m). The pro-forma impact of this disposal on Group margins for the year to 31 March 2011 is to increase the Group's EBITA margin (before exceptional items) from 2.3% to 4.0% and its ROCE margin (before exceptional items) from 2.3% to 4.2%.

*STATEMENT OF DIRECTORS' RESPONSIBILITIES PURSUANT TO DISCLOSURE AND TRANSPARENCY RULES 4.1.12*

The Directors confirm that, to the best of their knowledge:

(i) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) the business review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of the Directors of the Company are:

<b>Name</b>	<b>Function</b>
Ishbel Macpherson	Non-Executive Chairman
Steve Corcoran	Chief Executive
Justin Read	Group Finance Director
Mike McGrath	Managing Director, International Asset Services
Michael Averill	Senior Independent Director
Peter Atkinson	Non-Executive Director
James Morley	Non-Executive Director

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group Board is fully committed to a programme of continual improvement which includes identifying, evaluating and managing significant risks facing the business and has developed a set of processes to allow it to do so. Ten key risk areas have been identified, the successful management of which is seen as essential to the Group's ability to achieve its corporate goals. A revised risk KPI dashboard has been agreed and will be reviewed by the Board every quarter. Additionally, the Internal Audit Plan is aligned to the key risks.

The text below summarises the risks (listed in alphabetical order) that were identified as key, together with a short description of monitoring/mitigation.

### **1. Attracting & maintaining key staff**

#### Risk description

Lack of staff with appropriate skills hinders our ability to win, mobilise and deliver our business.

#### Mitigation

Speedy offers competitive benefits packages and provides training at all levels, including a training academy. Skill and resource requirements for meeting the Group's objectives have been identified and action taken to address any gaps. Speedy also offers career development and succession plans.

### **2. Business continuity**

#### Risk description

Any interruption to the Group's IT systems or infrastructure could have a material adverse effect on the Group's business, communication, capabilities, management of projects and overall financial performance and reporting.

#### Mitigation

Responsibility for the integrity of the Group's IT systems rests with the Director of Information Technology. Preventative controls and back-up and recovery procedures are in place for key systems and all buildings. Changes to Group systems are considered as part of wider change management programmes and implemented in phases wherever possible. The Group has critical incident plans for all its UK and international operations. Insurance cover is reviewed at regular intervals to ensure we are covered in the event of a business continuity event.

### **3. Data and management information**

#### Risk description

To achieve its strategic aims, the business needs to measure and analyse performance in every business area and across all products and services. Leveraging revenue-generating opportunities, exceeding customer expectations, effective decision-making and keeping costs down all require effective systems, MI and KPIs.

#### Mitigation

The Group has IT systems throughout all business areas, which are the responsibility of the Director of Information Technology. The 'One Speedy' project, which has been running since mid-2009, continues to deliver material data and information benefits and will continue to do so. Ongoing investment is planned to use technology further to improve asset management, data management and customer management information.

### **4. External Influences**

#### Risk description

A downturn in construction/industrial activity, or a decline in the desirability of hiring tools and equipment to fulfil such activity, may reduce the prices that the Group can charge for its services and may reduce activity levels. Government expenditure is important across the wider construction industry in the UK. Any reduction in

Government expenditure which is not offset by an increase in private sector expenditure could adversely affect the Group.

#### Mitigation

The Group monitors and assesses market capacity by reference to a number of external sources, together with internal data which reports customer, product and geographical demand. It operates a flexible model that can react to prevailing market conditions.

The Group assesses changes in Government spending as part of its wider market analysis.

The impact on the Group of any such reduction in expenditure is assessed as part of the ongoing financial and operational budgeting and forecasting process. Our strategy is to develop a broader spectrum of services across different markets and to ensure that we are well positioned with clients who are likely to benefit from those areas in which increased activity is forecast.

### **5. Failure/insolvency of major customer**

#### Risk description

Whilst no single customer accounts for more than 7% of revenue or receivables, in the event of the loss of a major customer the revenue generated by the Group could be reduced with a corresponding impact on the Group's market position, and the Group could experience bad debts in respect of business already transacted.

#### Mitigation

Credit control processes are in place to monitor the potential for credit defaults and exposures. This is reported on a regular basis to the executive management team and, where necessary, issues are escalated to resolve payment issues as soon as practicable. Visibility of exposures to individual customer groups is improving through the implementation of the business information and credit management systems. Given the diversified customer base, the Group does not maintain credit insurance, and management of the risk of debt default is managed as part of the day-to-day operations of the business.

### **6. Finance**

#### Risk description

Should the Group be unable to obtain sufficient capital in the future, it may not be able to take advantage of strategic opportunities, or it may be required to reduce or delay capital expenditure, resulting in the ageing of the fleet and/or availability issues. This could disadvantage the Group relative to its competitors and may adversely impact its ability to command acceptable levels of pricing.

#### Mitigation

The Group's Treasury Policy sets out objectives regarding the nature, amount and maturity of committed funding facilities that should be in place to support the Group's activities.

In line with the policy, the Group's capital requirements and potential sources of finance are reviewed at Board level on a regular basis in order that its requirements can be adequately planned for. Close relationships are maintained with the Group's bankers in order to ensure that the Group enjoys a broad degree of support. Short lead times for purchasing hire equipment are maintained in order to manage capital requirements.

### **7. Increase in competition**

#### Risk description

The equipment rental industry is extremely competitive and highly fragmented. Many of the markets in which the Group operates are served by numerous competitors, ranging from national equipment rental companies to local independents. Some of the Group's principal competitors may have greater financial resources, be more

geographically diversified in particular regions, have greater brand recognition in certain market sectors and may be better able to withstand adverse market conditions within the industry.

#### Mitigation

The Group monitors its competitive position closely, with a view to ensuring that it is able to offer its customers the best solution to their requirements. Capital expenditure requirements are assessed as part of the budgeting process, and throughout the year via regular forecasts. Day-to-day capital expenditure requirements are assessed on a needs basis, with limited long-term future ordering commitments. The Group monitors the performance of its major accounts against market forecasts and individual expectations with a view to ensuring that the opportunities for the Group are maximised. Market share is regularly measured and our competitors' activities are reported on and reacted to where appropriate.

### **8. International**

#### Risk description

A part of the Group's growth strategy relies on the development of our international business. Speedy's "follow the customer" international approach requires that these customers identify profitable and consistent project workflow. Additionally, some of our current and target markets are politically volatile. There are also challenges inherent in controlling operations in countries that are a long distance from the UK.

#### Mitigation

Speedy's international partners are all well-established, multi-national businesses with years of experience of operating abroad. We have a dedicated international business that co-ordinates all foreign activities to ensure that local cultural, political and legal requirements are complied with. We have plans in place to manage the extraction of staff from our international operations when the need arises.

### **9. Planning & Change Management**

#### Risk description

To address the material reduction in the size of the hire market since 2008, the Group is executing a strategy that delivers growth and profit through leveraging core competencies better than our competitors, developing new and better ways of operating and entering new markets (for example, the Middle East) where different risks to those faced in the UK and Ireland will emerge. If the strategy is wrong or not executed effectively, or the changes undermine our ability to plan and forecast, the Group may not achieve its objectives.

#### Mitigation

In-depth and ongoing reviews of business strategy have been undertaken by the Board and its advisors in determining strategy. The change programme has been communicated to all employees to explain the Group's strategy, and plans to deliver the strategy are compared to actual performance. Significant projects are subject to careful evaluation and monitoring at Board level, with risks being subject to ongoing reporting around appropriate mitigation strategies. In 2010 we expanded our programme management office, and created the role of Strategic Programme Director.

### **10. Safety**

#### Risk description

The Group operates in an industry where safety is a critical consideration. Failure to meet customers' safety expectations or regulatory requirements increases the risk of legal, financial and brand damage. This requires an uncompromising attitude to safety.

### Mitigation

The Group is recognised for its industry-leading position promoting enhanced health & safety compliance, together with a commitment to product innovation. The Group's systems and health & safety and environment teams measure and promote employee understanding of and compliance with procedures that affect safety. Also customer account managers address any service and safety issues arising in respect of those customers.

## Consolidated income statement

For the year ended 31 March 2011

	Note	Before exceptional items 2011 £m	Exceptional items 2011 £m	Total 2011 £m	Before exceptional items 2010 £m	Exceptional items 2010 £m	Total 2010 £m
Revenue	2	354.2	-	354.2	351.1	-	351.1
Cost of sales		(136.9)	-	(136.9)	(142.7)	-	(142.7)
<b>Gross profit</b>		<b>217.3</b>	-	<b>217.3</b>	208.4	-	208.4
Distribution costs		(35.2)	-	(35.2)	(37.8)	-	(37.8)
Administrative expenses		(179.3)	(19.3)	(198.6)	(168.1)	(11.1)	(179.2)
<b>Analysis of operating (loss)/profit</b>							
Operating profit before amortisation and exceptional items		8.3	-	8.3	8.0	-	8.0
Amortisation		(5.5)	-	(5.5)	(5.5)	-	(5.5)
Exceptional restructuring costs	3	-	(5.5)	(5.5)	-	(11.1)	(11.1)
Exceptional write down of accommodation assets	3	-	(13.8)	(13.8)	-	-	-
<b>Operating (loss)/profit</b>		<b>2.8</b>	<b>(19.3)</b>	<b>(16.5)</b>	2.5	(11.1)	(8.6)
Financial expense	3,4	(9.0)	(1.5)	(10.5)	(14.2)	-	(14.2)
<b>Loss before taxation</b>		<b>(6.2)</b>	<b>(20.8)</b>	<b>(27.0)</b>	(11.7)	(11.1)	(22.8)
Taxation	3,5	2.1	5.6	7.7	1.8	2.7	4.5
<b>Loss for the financial year</b>		<b>(4.1)</b>	<b>(15.2)</b>	<b>(19.3)</b>	(9.9)	(8.4)	(18.3)
<b>Attributable to:</b>							
Equity holders of the parent				(19.3)			(18.3)
<b>Earnings per share</b>				<b>Pence</b>			<b>Pence</b>
- Basic	6			(3.81)			(4.37)
- Diluted	6			(3.81)			(4.37)
<b>Non-GAAP performance measures</b>							
EBITDA before exceptional costs	8	63.4			68.2		
Profit before tax, amortisation and exceptional costs	8	(0.7)			(6.2)		

**Consolidated statement of comprehensive income*****For the year ended 31 March 2011***

	<b>2011</b>	2010
	<b>£m</b>	£m
Loss for the financial year	<b>(19.3)</b>	(18.3)
Other comprehensive income:		
Effective portion of change in fair value of cash flow hedges	<b>2.5</b>	2.6
Tax on items taken directly to equity	<b>0.2</b>	-
Exchange difference on retranslation of foreign operations	<b>0.6</b>	(0.5)
	<hr/>	<hr/>
Other comprehensive income, net of tax	<b>3.3</b>	2.1
	<hr/>	<hr/>
<b>Total comprehensive income for the financial year</b>	<b>(16.0)</b>	(16.2)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to equity holders of the parent	<b>(16.0)</b>	(16.2)
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated balance sheet**  
**At 31 March 2011**

	<i>Note</i>	<b>2011</b> <b>£m</b>	2010 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	<b>60.2</b>	65.7
Property, plant & equipment		<hr/>	<hr/>
-Hire equipment	10	<b>185.7</b>	246.9
-Non-hire equipment	10	<b>34.2</b>	38.7
		<hr/>	<hr/>
		<b>219.9</b>	285.6
		<hr/>	<hr/>
		<b>280.1</b>	351.3
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>10.2</b>	11.3
Trade and other receivables	11	<b>97.7</b>	103.4
Assets classified as held for sale	12	<b>33.4</b>	-
Cash and cash equivalents		<b>0.2</b>	12.5
		<hr/>	<hr/>
		<b>141.5</b>	127.2
		<hr/>	<hr/>
<b>Total assets</b>		<b>421.6</b>	478.5
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	15	<b>(1.1)</b>	(0.2)
Other financial liabilities	14	<b>(0.6)</b>	(3.2)
Trade and other payables	13	<b>(63.3)</b>	(70.9)
Provisions	16	<b>(3.5)</b>	(4.8)
Income tax		<b>(0.3)</b>	(1.7)
		<hr/>	<hr/>
		<b>(68.8)</b>	(80.8)
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings	15	<b>(113.0)</b>	(131.6)
Provisions	16	<b>(1.2)</b>	(2.5)
Deferred tax liabilities	17	<b>(9.2)</b>	(17.0)
		<hr/>	<hr/>
		<b>(123.4)</b>	(151.1)
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(192.2)</b>	(231.9)
		<hr/>	<hr/>
<b>Net assets</b>		<b>229.4</b>	246.6
		<hr/>	<hr/>
<b>EQUITY</b>			
Share capital	18	<b>25.9</b>	25.9
Share premium account		<b>190.2</b>	190.2
Merger reserve		<b>1.0</b>	3.7
Hedging reserve		<b>(0.9)</b>	(3.4)
Translation reserve		<b>0.1</b>	(0.5)
Retained earnings		<b>13.1</b>	30.7
		<hr/>	<hr/>
<b>Total equity attributable to equity holders of the parent</b>		<b>229.4</b>	246.6
		<hr/>	<hr/>

## Consolidated cash flow statement

For the year ended 31 March 2011

		2011 £m	2010 £m
<b>Cash generated from operations before changes in hire fleet</b>	20	49.7	62.9
Purchase of hire equipment		(41.8)	(33.6)
Proceeds from sale of hire equipment		16.2	22.6
		<hr/>	<hr/>
<b>Cash generated from operations</b>		24.1	51.9
Net financial expense		(10.5)	(14.3)
Tax (paid)/received		(1.3)	5.9
		<hr/>	<hr/>
<b>Net cash flow from operating activities</b>		12.3	43.5
<b>Cash flow from investing activities</b>			
Purchase of other property, plant & equipment		(4.9)	(10.2)
Disposal of other property, plant & equipment		-	0.4
		<hr/>	<hr/>
<b>Net cash flow from investing activities</b>		(4.9)	(9.8)
		<hr/>	<hr/>
<b>Net cash flow before financing activities</b>		7.4	33.7
		<hr/>	<hr/>
<b>Cash flow from financing activities</b>			
Finance lease payments		(0.1)	(0.1)
Repayment of bank loans		(18.4)	(127.5)
Proceeds from rights issue		-	105.5
Rights issue costs		-	(5.8)
Dividends paid		(2.1)	(4.3)
		<hr/>	<hr/>
<b>Net cash flow from financing activities</b>		(20.6)	(32.2)
		<hr/>	<hr/>
<b>(Decrease) / increase in cash</b>		(13.2)	1.5
Cash at the start of the financial year		12.5	11.0
		<hr/>	<hr/>
<b>Cash at the end of the financial year</b>		(0.7)	12.5
		<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of cash</b>			
Cash		0.2	12.5
Bank overdraft		(0.9)	-
		<hr/>	<hr/>
		(0.7)	12.5
		<hr/> <hr/>	<hr/> <hr/>

## Consolidated statement of changes in equity

### For the year ended 31 March 2011

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	<b>Total equity £m</b>
At 31 March 2009	2.5	111.0	3.7	(6.0)	-	56.3	<b>167.5</b>
Total comprehensive income for the year	-	-	-	2.6	(0.5)	(18.3)	<b>(16.2)</b>
Dividends	-	-	-	-	-	(4.3)	<b>(4.3)</b>
Equity settled share-based payments	-	-	-	-	-	(0.1)	<b>(0.1)</b>
Issue of ordinary shares	22.9	76.8	-	-	-	-	<b>99.7</b>
Employee Benefits Trust allotments	0.5	2.4	-	-	-	(2.9)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	25.9	190.2	3.7	(3.4)	(0.5)	30.7	<b>246.6</b>
Total comprehensive income for the year	-	-	-	2.5	0.6	(19.1)	<b>(16.0)</b>
Dividends	-	-	-	-	-	(2.1)	<b>(2.1)</b>
Equity settled share-based payments	-	-	-	-	-	0.9	<b>0.9</b>
Transfer to retained earnings*	-	-	(2.7)	-	-	2.7	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>25.9</b>	<b>190.2</b>	<b>1.0</b>	<b>(0.9)</b>	<b>0.1</b>	<b>13.1</b>	<b>229.4</b>

\*Transfer to retained earnings relates to the realised element of the merger reserve. The transfer is being made retrospectively in relation to the disposal of a business which occurred a number of years ago.

## **Notes to the financial statements**

### **1 Accounting policies**

Speedy Hire Plc is a Company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated and Parent Company financial statements were approved by the Board of Directors on 17 May 2011.

#### ***Statement of compliance***

Both the Group and Parent Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

#### ***Basis of preparation***

The financial statements are prepared on the historical cost basis except that derivative financial instruments are held at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

As highlighted in note 14 to the financial statements, the Group meets its day to day working capital requirements through operating cash flows, supplemented as necessary by borrowings.

The Directors have prepared cash flow projections for the period to June 2012 which show that the Group is capable of continuing to operate within its existing loan facilities and can meet the covenant tests set out within its bank facility agreement. The key assumptions on which the projections are based include an assessment of the impact of future market conditions on projected revenues and an assessment of the net capital investment required to support the expected level of revenues.

The Group has initiated discussions to ensure new debt facilities are available to the Group beyond maturity of the current facility in June 2012. These discussions are progressing well and the Directors anticipate that new facilities will be secured on acceptable terms shortly.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's Review above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Financial Review above. In addition, note 14 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

Whilst the Directors consider that there is a degree of subjectivity involved in their assumptions, on the basis of the above the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements.

#### ***Basis of consolidation***

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **Adoption of new accounting standards**

The following amendments to existing standards and IFRICs have been adopted. The changes have had no material impact on the financial statements.

- IFRS 3 Business Combinations (2008) requires some significant changes to the way business combinations are accounted for. All costs associated with business combinations are expensed directly to the Income Statement. Additionally any changes to contingent consideration classified as debt must now be dealt with through the Income Statement subsequent to acquisition.
- IFRS 2 Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
- Improvements to IFRSs: in April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective for accounting periods beginning on or after 1 January 2010, did not have any impact on the reporting of the financial position or performance of the Group.

#### **Accounting standards not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group. The key changes are as follows:

- IAS 24 (revised in 2009) - Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010.
- Improvements to IFRSs (issued May 2010). Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011.
- Amendments to IFRS 7 – Financial Instruments: Disclosures. Effective for annual periods commencing on or after 1 July 2011.
- IFRS 9 – Financial Instruments. Effective for annual periods commencing on or after 1 January 2013.

Notes to the financial statements (continued)

2 Segmental analysis

The segmental disclosure presented in the financial statements reflects the format of reports reviewed by the Chief Operating Decision-Maker (CODM).

UK and Ireland Asset Services are managed separately at below CODM level but have been aggregated into one operating segment as they have similar economic characteristics including the nature of the products and services, the type or class of customer for their products and services and the methods used to distribute their products or provide their services.

The International and Advisory Services segment contains the "International Asset Services" and "Training and Advisory" divisions which commenced trading in April 2009 but are not currently material to the Group's operations. These represent all other segments.

**For the year ended 31 March 2011**

	UK & Ireland Asset Services £m	International & Advisory Services £m	Corporate items £m	Total £m
Segmental revenue	349.1	11.0	-	360.1
Intra-group revenue	(5.6)	(0.3)	-	(5.9)
<b>Revenue</b>	<b>343.5</b>	<b>10.7</b>	<b>-</b>	<b>354.2</b>
<b>Segment result:</b>				
EBITDA before exceptional items	69.8	(0.8)	(5.6)	63.4
Amortisation	(5.5)	-	-	(5.5)
Depreciation	(50.9)	(2.3)	(1.9)	(55.1)
Exceptional restructuring costs	(4.6)	(0.2)	(0.7)	(5.5)
Exceptional write down of accommodation assets	(13.8)	-	-	(13.8)
<b>Operating loss</b>	<b>(5.0)</b>	<b>(3.3)</b>	<b>(8.2)</b>	<b>(16.5)</b>
Net financial expense				(10.5)
<b>Loss before tax</b>				<b>(27.0)</b>
Taxation				7.7
<b>Loss for the financial year</b>				<b>(19.3)</b>
Intangible assets	60.2	-	-	60.2
Hire equipment	171.7	14.0	-	185.7
Non-hire equipment	34.0	0.2	-	34.2
Current assets	99.5	4.1	4.3	107.9
Assets held for sale	33.4	-	-	33.4
Cash	-	-	0.2	0.2
<b>Total assets</b>	<b>398.8</b>	<b>18.3</b>	<b>4.5</b>	<b>421.6</b>
Liabilities	(59.4)	(2.6)	(7.1)	(69.1)
Bank overdraft	-	-	(0.9)	(0.9)
Corporate borrowings	-	-	(112.7)	(112.7)
Taxation liabilities	-	-	(9.5)	(9.5)
<b>Total liabilities</b>	<b>(59.4)</b>	<b>(2.6)</b>	<b>(130.2)</b>	<b>(192.2)</b>
<b>Capital expenditure</b>	<b>38.2</b>	<b>5.2</b>	<b>4.5</b>	<b>47.9</b>

Notes to the financial statements (continued)

2 Segmental analysis (continued)

For the year ended 31 March 2010

	UK & Ireland Asset Services £m	International & Advisory Services £m	Corporate items £m	Total £m
Segmental revenue	353.4	3.7	-	357.1
Intra-group revenue	(6.0)	-	-	(6.0)
<b>Revenue</b>	<b>347.4</b>	<b>3.7</b>	<b>-</b>	<b>351.1</b>
<b>Segment result:</b>				
EBITDA before exceptional restructuring costs	72.0	1.0	(4.8)	68.2
Amortisation	(5.5)	-	-	(5.5)
Depreciation	(57.0)	(0.5)	(2.7)	(60.2)
Exceptional restructuring costs	(7.3)	-	(3.8)	(11.1)
<b>Operating profit/(loss)</b>	<b>2.2</b>	<b>0.5</b>	<b>(11.3)</b>	<b>(8.6)</b>
Net financial expense				(14.2)
<b>Loss before tax</b>				<b>(22.8)</b>
Taxation				4.5
<b>Loss for the financial year</b>				<b>(18.3)</b>
Intangible assets	65.7	-	-	65.7
Hire equipment	237.4	9.5	-	246.9
Non-hire equipment	38.7	-	-	38.7
Current assets	106.0	1.8	6.9	114.7
Cash	-	-	12.5	12.5
<b>Total assets</b>	<b>447.8</b>	<b>11.3</b>	<b>19.4</b>	<b>478.5</b>
Liabilities	(65.5)	(0.9)	(15.7)	(82.1)
Corporate borrowings	-	-	(131.1)	(131.1)
Taxation liabilities	-	-	(18.7)	(18.7)
<b>Total liabilities</b>	<b>(65.5)</b>	<b>(0.9)</b>	<b>(165.5)</b>	<b>(231.9)</b>
<b>Capital expenditure</b>	<b>26.4</b>	<b>7.8</b>	<b>9.6</b>	<b>43.8</b>

Within the International and Advisory Services segment, revenue, operating loss and net assets of the International operations are £8.4m, £(1.9)m and £15.2m respectively (2010: £2.4m, £0.5m and £10.4m respectively).

UK and Ireland Asset Services deliver asset management, with tailored services and a continued commitment to relationship management. International Asset Services deliver major overseas projects and facilities management contracts by providing a managed site support service. Training & Advisory Services offers a comprehensive safety and skills training service and a growing advisory services offering.

Intra-group transactions are undertaken on an arm's length basis.

Corporate costs comprise certain central activities and costs, which are not directly related to the activities of the operating segments.

The financing of the Group's activities is undertaken at head office level and consequently net financing costs cannot be analysed segmentally. The unallocated net assets comprise principally working capital balances held by the Support Services function and are not directly attributable to the activities of the operating segments, together with net corporate borrowings and taxation liabilities.

## Notes to the financial statements (continued)

### 2 Segmental analysis (continued)

#### Geographical information

In presenting geographical information, revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

	2011	2011	2010	2010
	Revenues	Non-current assets	Revenues	Non-current assets
	£m	£m	£m	£m
UK	339.9	261.1	342.9	335.3
Ireland	5.9	4.8	5.8	6.5
Middle East and North Africa	8.4	14.2	2.4	9.5
	<u>354.2</u>	<u>280.1</u>	<u>351.1</u>	<u>351.3</u>

#### Major customer

No one customer represents more than 10% of revenue, reported profit or combined assets of all reporting segments.

### 3 Exceptional items

#### For the year ended 31 March 2011

In advance of the disposal of the accommodation hire assets from UK Asset Services on 30 April 2011, the assets were transferred to the 'assets held for sale' category, and were written down to fair value less costs to sell, incurring an exceptional charge of £13.8m.

Restructuring and cost saving initiatives resulted in a number of non-recurring items of expense. These included costs in relation to property closures and provision for vacant property (£2.5m) and writing off related fixtures and fittings (£0.1m), and redundancy and related costs (£2.9m).

In June 2010 the Group successfully completed amendments to enhance its banking facility in order to provide greater flexibility for future capital investment, particularly with regard to the International operations. Management have assessed the impact of this modification in line with the guidance contained within IAS 39 and have concluded that it does not represent a significant modification. As part of this process, the Group incurred fees and transaction costs of £3.5m. These costs have been capitalised and are being amortised using the effective interest rate method. This has resulted in £1.5m having been treated as exceptional finance costs in the year.

The resulting tax credit in relation to exceptional items amounted to £5.6m, of which £1.7m related to current tax and £3.9m related to deferred tax.

#### For the year ended 31 March 2010

As part of the Group's restructuring and cost-saving initiatives, a number of non-recurring items of expense were incurred. Items included costs related to the creation of a new Shared Services Centre (£0.6m), provisions in respect of further property closures including provision for vacant property (£3.9m) and writing off related fixtures & fittings (£0.7m), redundancy and related costs (£3.9m) and re-organisation costs associated with depot and back office restructuring (£2.0m).

The resulting tax credit in relation to exceptional items amounted to £2.7m, of which £2.5m related to current tax and £0.2m related to deferred tax.

**Notes to the financial statements** *(continued)*

**4 Financial expense**

	<b>2011</b>	2010
	<b>£m</b>	£m
<b>Financial expense</b>		
Interest on bank loans and overdrafts	<b>(5.7)</b>	(9.9)
Hedge interest payable	<b>(2.7)</b>	(3.7)
Amortisation of bank fees in connection with refinancing in June 2010	<b>(1.5)</b>	-
Other finance costs	<b>(0.6)</b>	(0.6)
	<hr/>	<hr/>
	<b>(10.5)</b>	(14.2)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

5 Taxation

	2011 £m	2010 £m
<b>Tax charged / (credited) in the income statement</b>		
<b>Current tax</b>		
UK corporation tax on profits for the period at 28% (2010: 28%)	-	-
Adjustment in respect of prior years	(0.1)	2.8
	<hr/>	<hr/>
Total current tax	(0.1)	2.8
	<hr/>	<hr/>
<b>Deferred tax</b>		
UK deferred tax at 26% (2010: 28%) (note 17)	(5.4)	(4.9)
Adjustment in respect of prior years	(1.5)	(2.4)
Impact of rate change	(0.7)	-
	<hr/>	<hr/>
Total deferred tax	(7.6)	(7.3)
	<hr/>	<hr/>
Total tax credit	(7.7)	(4.5)
	<hr/> <hr/>	<hr/> <hr/>
<b>Tax charged / (credited) in equity</b>		
<b>Deferred tax</b>		
Net loss on revaluation of cashflow hedges	(0.2)	-
	<hr/> <hr/>	<hr/> <hr/>

The tax credit in the income statement for the year is higher than the standard rate of corporation tax in the UK of 28% (2010: 28%) and is explained as follows:

	2011 £m	2010 £m
Loss before tax	(27.0)	(22.8)
	<hr/>	<hr/>
Accounting loss multiplied by the standard rate of corporation tax at 28% (2010: 28%)	(7.6)	(6.4)
Expenses not deductible for tax purposes	1.4	1.9
Non-taxable income	(0.5)	(0.7)
Share-based payments	0.2	0.1
Unrecognised tax losses	0.3	0.2
Overseas tax losses arising not subject to tax	0.7	-
Adjustment to deferred taxation relating to future changes in corporation tax rates	(0.7)	-
Adjustment to tax in respect of prior years	(1.5)	0.4
	<hr/>	<hr/>
Tax credit for the year reported in the income statement	(7.7)	(4.5)
	<hr/> <hr/>	<hr/> <hr/>
<b>Tax charged / (credited) in equity (note 17)</b>		
Deferred tax charge	(0.2)	-
	<hr/> <hr/>	<hr/> <hr/>

There are no unrecognised deferred tax liabilities (2010: £nil).

**Notes to the financial statements** (continued)

**6 (Loss) / earnings per share**

The calculation of basic (loss) / earnings per share is based on the loss attributable to equity holders of the Parent of £19.3m (2010: loss £18.3m) and the weighted average number of 5 pence ordinary shares in issue during the year ended 31 March 2011 calculated as follows:

	<b>2011</b>	2010
<b>Loss (£m)</b>		
Loss for the year after tax – basic earnings	<b>(19.3)</b>	(18.3)
Intangible amortisation charge (after tax)	<b>4.0</b>	4.0
Exceptional items (after tax)	<b>15.2</b>	8.4
	<hr/>	<hr/>
Adjusted (loss) / earnings (after tax)	<b>(0.1)</b>	(5.9)
	<hr/> <hr/>	<hr/> <hr/>
<b>Weighted average number of shares in issue (million)</b>		
At the beginning of the year	<b>419.1</b>	186.5
Change in weighted average number of ordinary shares	<b>87.8</b>	232.4
Exercise of share options	-	0.2
	<hr/>	<hr/>
At the end of the year – basic number of shares	<b>506.9</b>	419.1
Share options	-	-
Employee share scheme	-	-
	<hr/>	<hr/>
At the end of the year – diluted number of shares	<b>506.9</b>	419.1
	<hr/> <hr/>	<hr/> <hr/>
<b>(Loss) / earnings per share (pence)</b>		
Basic (loss)/earnings per share	<b>(3.81)</b>	(4.37)
Amortisation	<b>0.79</b>	0.96
Exceptional items	<b>3.00</b>	2.00
	<hr/>	<hr/>
Adjusted (loss) / earnings per share	<b>(0.02)</b>	(1.41)
	<hr/> <hr/>	<hr/> <hr/>
Basic (loss) / earnings per share	<b>(3.81)</b>	(4.37)
Share options	-	-
Employee share scheme	-	-
	<hr/>	<hr/>
Diluted loss per share	<b>(3.81)</b>	(4.37)
	<hr/> <hr/>	<hr/> <hr/>
Adjusted (loss)/earnings per share	<b>(0.02)</b>	(1.41)
Share options	-	-
Employee share schemes	-	-
	<hr/>	<hr/>
Adjusted diluted (loss)/earnings per share	<b>(0.02)</b>	(1.41)
	<hr/> <hr/>	<hr/> <hr/>

Total number of shares outstanding at 31 March 2011 amounted to 517,215,666, including 10,274,626 shares held in the Employee Benefit Trust, which are excluded in calculating earnings per share.

## Notes to the financial statements (continued)

### 7 Dividends

The aggregate amount of dividend comprises:

	2011 £m	2010 £m
2009 final dividend (6.4 pence on 50.7m shares)	-	3.2
2010 interim dividend (0.2 pence on 517.2m shares)	-	1.1
2010 final dividend (0.2 pence on 517.2m shares)	1.1	-
2011 interim dividend (0.2 pence on 517.2m shares)	1.0	-
	<hr/>	<hr/>
	2.1	4.3
	<hr/> <hr/>	<hr/> <hr/>

Subsequent to the end of the year and not included in the results for the year, the Directors recommended a final dividend of 0.2 pence (2010: 0.2 pence) per share, bringing the total amount payable in respect of the 2011 year to 0.4 pence (2010: 0.4 pence), to be paid on 17 August 2011 to shareholders on the register on 17 June 2011.

The Employee Benefit Trust established to hold shares for the Performance Plan and Co-Investment Plan has waived its right to the interim and final proposed dividends. At 31 March 2011, the trust held 10,294,626 ordinary shares (2010: 10,410,896), including 7,594,666 jointly owned shares (2010: 7,594,666).

### 8 Non-GAAP performance measures

The Group believes that the measures below provide valuable additional information for users of the financial statements in assessing the Group's performance. The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operating performance of the individual divisions within the Group.

	2011 £m	2010 £m
Operating loss	(16.5)	(8.6)
Add back: amortisation	5.5	5.5
Add back: exceptional items	19.3	11.1
	<hr/>	<hr/>
<b>Operating profit before amortisation and exceptional costs</b>	<b>8.3</b>	<b>8.0</b>
Add back: depreciation	55.1	60.2
	<hr/>	<hr/>
<b>EBITDA before exceptional costs</b>	<b>63.4</b>	<b>68.2</b>
	<hr/> <hr/>	<hr/> <hr/>
Profit before tax	(27.0)	(22.8)
Add back: amortisation	5.5	5.5
Add back: exceptional items	20.8	11.1
	<hr/>	<hr/>
<b>Profit before tax, amortisation and exceptional costs</b>	<b>(0.7)</b>	<b>(6.2)</b>
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

9 Intangible fixed assets

	Goodwill £m	Customer lists £m	Non-compet e agreements £m	Brand £m	Supply agreements £m	Total £m
<b>Cost</b>						
At 1 April 2009, 31 March 2010 and 31 March 2011	93.5	36.2	4.9	4.1	17.9	156.6
<b>Amortisation</b>						
At 1 April 2009	49.2	15.4	3.0	3.5	14.3	85.4
Charged in year	-	3.0	0.8	0.6	1.1	5.5
At 31 March 2010	49.2	18.4	3.8	4.1	15.4	90.9
Charged in year	-	3.4	1.1	-	1.0	5.5
At 31 March 2011	49.2	21.8	4.9	4.1	16.4	96.4
<b>Net book value</b>						
<b>At 31 March 2011</b>	<b>44.3</b>	<b>14.4</b>	<b>-</b>	<b>-</b>	<b>1.5</b>	<b>60.2</b>
At 31 March 2010	44.3	17.8	1.1	-	2.5	65.7
At 31 March 2009	44.3	20.8	1.9	0.6	3.6	71.2

All goodwill has arisen from business combinations. On transition to IFRS, the balance of goodwill as measured under UK GAAP was allocated to cash-generating units (CGUs). These are independent sources of income streams, and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. As explained in note 2, the Group's reportable business segments comprise UK & Ireland Asset Services and International & Advisory Services. All intangible assets are held in the UK (part of the UK & Ireland Asset Services segment), and it is this CGU which is assessed for impairment testing.

Goodwill arising on business combinations after 1 April 2004 has been allocated to the CGUs that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the goodwill and intangible assets allocated to CGUs are determined by value in use calculations. The value in use calculations use cash flow projections based on five-year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin and the level of capital expenditure required to support trading, which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. To prepare value in use calculations, the Group uses cash flow projections for a fifteen year period. The projections are made up of the 2011–2012 budget, a subsequent four year period using the Group's business plan, and a further ten years income. The final ten years' income is extrapolated at an estimated average long-term nominal growth rate, estimated at 2.5% (2010: 2.5%) being an estimate of inflation. The resulting forecast cash flows are discounted back to present value, using the Group's pre-tax discount rate. The discount rate assumptions use an estimate of the Group's weighted average cost of capital. The pre-tax discount rate has been adjusted for Company and market specific risks. The pre-tax discount rate used to discount cash flow forecasts is 12.3% (2010: 12.6%).

At 31 March 2011, the recoverable amount calculated using the discounted forecast cash flows results in a surplus over carrying value of £78.0m (2010: £51.9m). Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. An increase of 1% in the pre-tax discount rate, with all other assumptions held constant, would reduce discounted cash flows by £16.2m, leaving headroom against carrying value at £61.8m. A decrease of 1% in the forecast revenue growth, with all the other assumptions held constant, would reduce discounted cash flows by £10.4m. At 31 March 2010, an increase of 1% in the discount rate, with other assumptions held constant, would have reduced headroom against carrying value to £34.6m. A 1% decrease in the forecast revenue growth, with other assumptions held constant, would have reduced headroom against carrying value to £32.1m.

Notes to the financial statements (continued)

10 Property, plant & equipment

	Land & buildings £m	Hire equipment £m	Other £m	Total £m
<b>Cost</b>				
At 1 April 2009	28.0	514.3	58.3	600.6
Additions	2.6	33.5	7.7	43.8
Disposals	(3.9)	(49.1)	(9.6)	(62.6)
Transfers to inventory	-	(27.5)	-	(27.5)
At 31 March 2010	26.7	471.2	56.4	554.3
Additions	2.0	43.0	2.9	47.9
Disposals	-	(31.5)	-	(31.5)
Transfers to inventory	-	(12.1)	-	(12.1)
Transfer to assets held for sale	(0.7)	(107.3)	(1.5)	(109.5)
At 31 March 2011	28.0	363.3	57.8	449.1
<b>Depreciation</b>				
At 1 April 2009	15.0	230.9	31.5	277.4
Charged in year	2.8	50.0	7.4	60.2
Impairment (note 3)	0.7	-	-	0.7
Disposals	(3.9)	(42.5)	(9.1)	(55.5)
Transfers to inventory	-	(14.1)	-	(14.1)
At 31 March 2010	14.6	224.3	29.8	268.7
Charged in year	2.5	46.0	6.6	55.1
Disposals	-	(23.9)	-	(23.9)
Impairment (note 3)	0.1	-	-	0.1
Transfers to inventory	-	(8.5)	-	(8.5)
Transfer to assets held for sale	(0.6)	(60.3)	(1.4)	(62.3)
At 31 March 2011	16.6	177.6	35.0	229.2
<b>Net book value</b>				
<b>At 31 March 2011</b>	<b>11.4</b>	<b>185.7</b>	<b>22.8</b>	<b>219.9</b>
At 31 March 2010	12.1	246.9	26.6	285.6
At 31 March 2009	13.0	283.4	26.8	323.2

An impairment review has been completed during the year using the basis set out in note 9.

## Notes to the financial statements (continued)

### 11 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	90.6	90.4
Other receivables	4.7	5.8
Prepayments and accrued income	2.4	7.2
	<u>97.7</u>	<u>103.4</u>

There are £40.0m (2010: £45.6m) of trade receivables that are past due at the balance sheet date that have not been provided against. There is no indication as at 31 March 2011 that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are past due and un-provided. The ageing of trade receivables (net of impairment provision) at the year end was as follows:

	2011 £m	2010 £m
Not past due	50.6	44.8
Past due 0–30 days	23.9	21.0
Past due 31–120 days	12.9	17.5
More than 120 days past due	3.2	7.1
	<u>90.6</u>	<u>90.4</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011 £m	2010 £m
At 1 April	6.7	9.4
Impairment provision charged to the income statement	7.6	2.9
Written off in the year	(10.2)	(5.6)
	<u>4.1</u>	<u>6.7</u>

### 12 Assets held for sale

On 30 April 2011, the Group completed the sale of its accommodation hire assets to Elliott Group Ltd, a subsidiary of Algeco Scotsman, for a total cash consideration of £34.9m. These assets are included within the 'assets held for sale' category as at the balance sheet date, at fair value less costs to sell. A £13.8m exceptional loss was recognised in the income statement (note 3).

**Notes to the financial statements** *(continued)*

**13 Trade and other payables**

	<b>2011</b>	2010
	<b>£m</b>	£m
Trade payables	<b>23.2</b>	43.3
Other payables	<b>6.8</b>	5.2
Accruals	<b>33.3</b>	22.4
	<hr/> <b>63.3</b> <hr/>	<hr/> 70.9 <hr/>

**14 Financial instruments**

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, retained profits and borrowings. A full description of the Group's approach to managing these risks is set out below.

The Group does not engage in trading or speculative activities using derivative financial instruments. A Group offset arrangement exists in order to minimise the interest costs on outstanding debt.

***Fair value of financial assets and liabilities***

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	<b>2011</b>	<b>2011</b>	2010	2010
	<b>Carrying amount</b>	<b>Fair value</b>	Carrying amount	Fair value
	<b>£m</b>	<b>£m</b>	£m	£m
Trade and other receivables	<b>95.3</b>	<b>95.3</b>	101.1	101.1
Cash	<b>0.2</b>	<b>0.2</b>	12.5	12.5
Bank overdraft	<b>(1.1)</b>	<b>(1.1)</b>	-	-
Secured bank borrowings	<b>(112.7)</b>	<b>(112.7)</b>	(131.1)	(131.1)
Finance lease liabilities	<b>(0.5)</b>	<b>(0.5)</b>	(0.7)	(0.7)
Interest rate swaps, caps and collars, used for hedging	<b>(0.6)</b>	<b>(0.6)</b>	(3.2)	(3.2)
Trade and other payables	<b>(30.0)</b>	<b>(30.0)</b>	(48.5)	(48.5)
	<hr/> <b>(49.4)</b> <hr/>	<hr/> <b>(49.4)</b> <hr/>	<hr/> (69.9) <hr/>	<hr/> (69.9) <hr/>
Unrecognised gain / (loss)		-		-

## **Notes to the financial statements** *(continued)*

### **14 Financial instruments** *(continued)*

#### ***Basis for determining fair values***

The following summarises the principal methods and assumptions used in estimating the fair value of financial instruments reflected in the table above:

##### (a) Derivatives

Broker quotes are used for all interest rate swaps, caps and collars.

##### (b) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

##### (c) Trade and other receivables / payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

The main risks arising from the Group's financial instruments are credit, interest rate, foreign currency, and liquidity risk. The Board reviews and agrees the policies for managing each of these risks on an annual basis.

#### ***Interest rates used for determining fair value***

The interest rate used to discount estimated cash flows, where applicable, has been estimated at 12.3% (2010: 12.6%).

#### ***Fair value hierarchy***

The Group and Company's financial instruments relate to cash flow hedges which are carried at fair value in both the current and prior year. The valuation is based on inputs other than quoted prices but which are directly observable (ie; as prices) (classified as Level 2 in accordance with IFRS 7).

#### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. No individual customer accounts for more than 10% of the Group's sales transactions, and the Group's exposure to outstanding indebtedness follows this profile. No collateral is held as security in respect of amounts outstanding; however, in a number of instances, deposits are held against the value of hire equipment provided. The extent of deposit taken is assessed on a case-by-case basis, and is not considered significant in comparison to the overall amounts receivable from customers.

Transactions involving derivative financial instruments are undertaken with counterparties within the syndicate of banks which provide the Group's term loan revolving credit facility. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group establishes an allowance for impairment that is based on historical experience of dealing with customers within the same risk profile.

**Notes to the financial statements (continued)**

**14 Financial instruments (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses both short and long-term cash forecasts to assist in monitoring cash flow requirements. Typically, the Group uses short-term forecasting to ensure that it has sufficient cash on demand to meet operational expenses and to service financing obligations for a period of 12 weeks. Longer-term forecasts are performed on a regular basis to assess compliance with bank covenants on existing facilities, ensuring that activities can be managed within reason to ensure covenant breaches are avoided.

At 31 March 2011, the Group had available loan facilities amounting to £210m (2010: £260m), as detailed in note 15. Of these facilities £96m remained unutilised at 31 March 2011 (2010: £128m). Details of the repayment profile of the drawn facilities at the year end, is included in note 15.

The Group monitors available facilities against forward requirements on a regular basis and where necessary, obtains additional sources of financing to provide the Group with the appropriate level of headroom against the required borrowing. The Group has obtained additional bank and equity funding in recent years as the business has grown, and maintains close contact with its syndicate of banks.

This analysis is based on the undiscounted contractual maturities on the Group's financial liabilities including estimated interest that will accrue, except where repayment is entitled and before its contractual maturity.

**At 31 March 2011**

	Undiscounted cash flows – 31 March 2011			Total £m
	2012 £m	2013 £m	2014 £m	
Revolving credit	-	112.7	-	112.7
Finance leases	0.2	0.2	0.1	0.5
	<u>0.2</u>	<u>112.9</u>	<u>0.1</u>	<u>113.2</u>
Interest payments	6.4	1.6	-	8.0
	<u>6.6</u>	<u>114.5</u>	<u>0.1</u>	<u>121.2</u>

**At 31 March 2010**

	Undiscounted cash flows – 31 March 2010			Total £m
	2011 £m	2012 £m	2013 £m	
Term loan	39.7	29.8	-	69.5
Revolving credit	-	-	61.6	61.6
Finance leases	0.3	0.3	0.1	0.7
	<u>40.0</u>	<u>30.1</u>	<u>61.7</u>	<u>131.8</u>
Interest payments	8.1	4.5	1.1	13.7
	<u>48.1</u>	<u>34.6</u>	<u>62.8</u>	<u>145.5</u>

**Notes to the financial statements (continued)**

**14 Financial instruments (continued)**

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit.

- **Currency risk**

The Group is exposed to currency risk on the translation of the results of its subsidiaries which are resident in the Republic of Ireland (Speedy Hire (Ireland) Limited and Waterford Hire Services Limited) and in the United Arab Emirates (Speedy International Asset Services Equipment Rental LLC). It is the Group's policy to review the net investment in all companies on a regular basis, and to hedge against potential exposures to movements in foreign currency where considered appropriate. At 31 March 2011, Speedy Hire (Ireland) Limited had net liabilities of £4.2m (2010: £4.3m), Waterford Hire Services Limited had net assets of £1.5m (2010: £1.5m), and Speedy International Asset Services Equipment Rental LLC had net liabilities of £2.2m (2010: assets £0.5), and no hedging instruments are in place to cover potential movements in foreign currency.

- **Interest rate risk**

The Group is exposed to a risk of a change in cash flows due to changes in interest rates as a result of its use of variable rate borrowings. The Group's policy is to review regularly the terms of its borrowing facilities, and to assess and manage the long-term borrowing commitment accordingly, and to put in place interest rate hedges to reduce the Group's exposure to significant fluctuations in interest rates. The Group adopts a policy of ensuring that between 40% and 70% of its borrowings are covered by some sort of interest rate hedge.

The principal derivative financial instruments used by the Group are interest rate swaps, caps and collars. The notional contract amount and the related fair value of the Group's financial instruments can be analysed as follows:

<b>Group and Company</b>	<b>2011 Fair Value</b>	<b>2011 Notional Amount</b>	<b>2010 Fair Value</b>	<b>2010 Notional Amount</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Designated as cash flow hedges</b>				
Fixed interest rate swaps	(0.6)	52.5	(1.9)	50.0
Interest rate collars	-	-	(1.0)	40.0
Interest rate caps	-	7.5	(0.3)	20.0
	<u>(0.6)</u>	<u>60.0</u>	<u>(3.2)</u>	<u>110.0</u>

Future cash flows associated with the above instruments are dependent upon movements in LIBOR over the contractual period. Interest is paid or received under the instruments on a quarterly or monthly basis, depending on the individual instrument, referenced to the relevant prevailing UK LIBOR rates.

The weighted average interest rate of the fixed interest rate swaps is 2.780% (2010: 5.026%) and the instruments are for a weighted average period of 19 months (2010: 11 months). The maximum contractual period is 34 months.

No collar instruments were in place in the current year. In the prior year, collar instruments bear interest rates between 4.300% and 6.500%, for a weighted average period of seven months.

Capped rate instruments bear a weighted average interest rate of 5.013% (2010: 6.245%) for a weighted average period of seven months (2010: 10 months). The maximum contractual period is 12 months.

## Notes to the financial statements (continued)

### 14 Financial instruments (continued)

#### Sensitivity analysis

In managing interest rate and currency risk, the Group aims to reduce the impact of short-term fluctuation on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 March 2011 it is estimated that a general increase of 1% point in interest rates would decrease the Group's profit before tax by approximately £0.9m. Interest rate swaps, caps and collars have been included in this calculation.

#### Capital management

The Group requires capital for, amongst other things, purchasing hire equipment to replace the existing asset base that has reached the end of its useful life, and for growth, including growth by establishing new rental locations, completing acquisitions and refinancing existing debts in the longer term. The Group defines Gross Capital as net debt (cash less borrowings) plus shareholders' funds, and seeks to ensure an acceptable return on Gross Capital. The Group has obtained additional bank borrowings and equity in recent years as the business has grown. The Board seeks to maintain a balance between debt and equity funding such that it maintains a sound capital position relevant for the prevailing economic environment.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders in order to ensure that the most attractive mix of capital growth and income return is made available to investors.

The Group encourages participation in ownership of Speedy Hire Plc shares by employees at all levels within the Group, and has developed this objective through the introduction of long term incentive plans and SAYE Schemes.

There were no changes in the Group's approach to Capital Management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 15 Borrowings

	2011 £m	2010 £m
<b>Current borrowings</b>		
Bank overdraft	0.9	-
Finance leases	0.2	0.2
	<hr/>	<hr/>
	1.1	0.2
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current borrowings</b>		
Maturing between one and two years		
Revolving credit facility	112.7	-
Maturing between two and five years		
Term loan	-	69.5
Revolving credit facility	-	61.6
Finance leases	0.3	0.5
	<hr/>	<hr/>
Total non-current borrowings	113.0	131.6
	<hr/>	<hr/>
Total borrowings	114.1	131.8
Less: cash at bank and in hand	(0.2)	(12.5)
	<hr/>	<hr/>
<b>Net debt</b>	<b>113.9</b>	<b>119.3</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

### 15 Borrowings (continued)

Both the overdraft and syndicated loan facility are secured by a fixed and floating charge over all the assets of the Group and are rated *pari passu*.

The term and revolving loan facility was originally entered into in June 2007, and was amended and restated in June 2008, March 2009 and June 2010, with all facilities maturing in June 2012. At 31 March 2011, the current facility is sub-divided into:

- (i) A secured overdraft facility, provided by Barclays Bank Plc, up to a maximum of £5m.
- (ii) Syndicated multi-currency revolving facilities, made up of:
  - (i) A revolving credit 'A facility' of £21.2m; and
  - (ii) A revolving credit 'B facility' (including overdraft) of £188.8m

The total B facility is for £188.8m, but is reduced to the extent that ancillary facilities are provided.

The revolving credit 'A facility' increased by £18.5m on 1 April 2011. The revolving credit 'B facility' reduced by £18.5m on 1 April 2011.

The revolving credit facilities can be drawn for various periods specified by the Company, up to the maturity date, with interest being calculated for the drawn period by reference to the London Inter Bank Offer Rate applicable to the period drawn, plus a margin which during the year ranged from 250 to 300 basis points (2010: 250 to 400 basis points) for facility B and 700 basis points on facility A. At 31 March 2011, the margin for facility B was 250 basis points.

The effective interest rate applicable to cash deposits during the year was 0.4% (2010: 0.2%). The effective interest rates (before exceptional finance costs) on bank overdraft and revolving credit facilities were 2.7% and 3.4% (2010: 3.0% and 4.1%) respectively.

The Group's bank overdrafts are secured by cross guarantees and debentures given by Group companies in favour of Barclays Bank PLC. The bank loans are secured by a fixed and floating charge over all the assets of the Group.

#### Analysis of consolidated net debt

	At 31 March 2010 £m	Non-cash movement £m	Cash flow £m	At 31 March 2011 £m
Cash at bank and in hand	12.5	-	(12.3)	0.2
Borrowings	(131.8)	-	17.7	(114.1)
	<u>(119.3)</u>	<u>-</u>	<u>5.4</u>	<u>(113.9)</u>

Notes to the financial statements (continued)

16 Provisions

	Onerous property contracts £m
At 1 April 2009	7.9
Created in the year	3.9
Provision utilised in the year	(4.8)
Unwinding of discount	0.3
	<hr/>
At 31 March 2010	7.3
Created in the year	2.5
Provision utilised in the year	(5.0)
Unwinding of discount	(0.1)
	<hr/>
<b>At 31 March 2011</b>	<b>4.7</b>
	<hr/> <hr/>

Of the £4.7m, £3.5m (2010: £4.8m) is due within one year and £1.2m (2010: £2.5m) is due after one year. The key assumption underlying the calculation of the provision relates to the assumed sublet period. The provision is calculated based on a gross liability to the earlier of three years and the estimated date of sublet, or break clause, and includes estimated dilapidations at current market rates. The total liability is discounted at 12.3% (2010: 12.6%). If leases on properties which are forecast to be exited in 2014 are not exited until 2015, the increase required in the discounted provision would amount to £0.1m, after taking account of leases that expire during the additional year.

17 Deferred tax

	Property, plant & equipment £m	Intangible assets £m	Share-based payments £m	Other items £m	Total £m
At 1 April 2009	22.5	3.4	-	(1.6)	24.3
Recognised in income	(5.4)	(1.5)	-	(0.4)	(7.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	17.1	1.9	-	(2.0)	17.0
Recognised in income	(8.5)	(0.4)	(0.1)	1.4	(7.6)
Recognised in equity	-	-	-	(0.2)	(0.2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>8.6</b>	<b>1.5</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>9.2</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group has trading losses carried forward at 31 March 2011 amounting to approximately £4.9m (2010: £3.7m). A deferred tax asset of £nil (2010: £0.2m) has been recognised in respect of those losses.

The Group also has capital losses carried forward at 31 March 2011 amounting to approximately £5.8m (2010: £7.5m). No deferred tax asset has been recognised in respect of these losses.

In his budget in March 2011, the Chancellor of the Exchequer announced budget changes, which, if enacted in the proposed manner, will have a significant impact on the Group's future tax position. However, as at 31 March 2011, the tax changes announced in the Budget, reducing the main rate of corporation tax from 26% to 23%, was not substantively enacted and as such, in accordance with IAS 12, the changes have not been reflected in the Group's financial statements as at 31 March 2011.

## Notes to the financial statements (continued)

### 17 Deferred tax (continued)

The budget proposed a decrease in the rate of corporation tax from 26% to 23% by 1% each year from April 2012. The effect of the reduction in the tax rate to 23% on the Group's deferred tax liability would be to reduce the deferred tax liability by £1.5m, which would substantively be recognised in the income statement.

The tax change will also impact the amount of future cash tax payments to be made by the Group.

The effect on the Group of these proposed changes to the UK tax system will be reflected in the Group's financial statements in future years, as appropriate, if the proposals are substantively enacted.

### 18 Share capital

	2011	2010
	£m	£m
<b>Allotted, called up and fully paid</b>		
517.2 million (2010: 517.2 million) ordinary shares of 5 pence each	25.9	25.9
	<u>25.9</u>	<u>25.9</u>

There were no changes to share capital during the year. During 2010, 458,658,900 ordinary shares of 5p were issued on exercise of the rights issue for a cash consideration of £99.7m, net of £5.8m issue costs.

An Employee Benefits Trust was established in 2004 (the 'Trust'). The Trust holds shares issued by the Company in connection with the Performance Plan and Co-investment Plan. No shares were allotted to the Trust during the year. The Company allocated 7,594,666 shares to the Trust in 2010 which are held jointly with the participating employees as part of the ExSOP award arrangements. No shares were transferred to employees during the year (2010: nil). At 31 March 2011, the Trust held 10,294,626 (2010: 10,410,896) shares - including 7,594,666 jointly owned shares.

The movement in issued share capital was as follows:

	Number million	£m
As at 1 April 2009	50.9	2.5
Employee Benefits Trust allotments	7.6	0.5
Placing of ordinary shares	458.7	22.9
	<u>517.2</u>	<u>25.9</u>
<b>At 31 March 2010 and 31 March 2011</b>	<u>517.2</u>	<u>25.9</u>

**Notes to the financial statements (continued)**

**19 Share incentives**

As at 31 March 2011, options and awards over 26,883,206 shares (2010: 19,036,681) were outstanding under employee share schemes. The Group operates three share incentive schemes. During the year no options were exercised by employees (2010: nil).

As at 31 March 2011 options to acquire 8,339,678 (2010: 5,014,731) Speedy Hire Plc shares were outstanding under the Speedy Hire Sharesave Scheme. These options are exercisable by employees of the Group at prices between 17 and 183 pence (2010: 29 and 255 pence) at dates between December 2010 and June 2014 (2010: February 2010 and April 2013). At 31 March 2011, options to acquire 11,164,241 (2010: 6,427,284), and awards over 7,379,287 (2010: 7,594,666) shares were outstanding under the Performance and Co-Investment Plans. These options were exercisable at effectively nil cost between March 2011 and September 2013 (2010: June 2011 and December 2012). Awards granted under the Performance Plan as ExSOP awards involve the acquisition of shares jointly by the participant and the trustee of the Company's employee trust on terms that, to the extent certain performance conditions are satisfied, the participant can benefit from any growth of the shares in excess of a hurdle. Initial Value Awards entitle the holder to a value (in shares or cash) equal to the number of ExSOP shares (if any) in respect of which the performance condition is met multiplied by the share value on the award date or, if lower, the share value when the ExSOP award crystallises.

The number and weighted average exercise price ("WAEP") of share options and awards under all the share incentive schemes are as follows:

	<b>2011 WAEP pence</b>	<b>2011 Number</b>	2010 WAEP pence	2010 Number
Outstanding at 1 April	<b>10</b>	<b>19,036,681</b>	145	1,610,332
Rights adjustment	-	-	-	4,322,131
	<b>10</b>	<b>19,036,681</b>	39	5,932,463
Granted	<b>8</b>	<b>10,606,221</b>	9	15,645,660
Exercised	-	-	-	-
Lapsed	<b>28</b>	<b>(2,759,696)</b>	74	(2,541,442)
Outstanding at 31 March	<b>7</b>	<b>26,883,206</b>	10	19,036,681
Exercisable at 31 March	<b>183</b>	<b>85,094</b>	233	75,583

Options and awards outstanding at 31 March 2011 have weighted average remaining contractual lives as follows:

	<b>2011 years</b>	2010 years
Exercisable at nil pence	<b>1.8</b>	2.2
Exercisable at 17 pence	<b>2.8</b>	-
Exercisable at 29 pence	<b>1.5</b>	2.5
Exercisable at 183 pence	-	0.8
Exercisable at 255 pence	-	0.4

**Notes to the financial statements (continued)**

**19 Share incentives (continued)**

The fair value of services received in return for share options granted and shares awarded is measured by reference to the fair value of those instruments. The pricing models and inputs used for the outstanding options (on a weighted average basis where appropriate) are as follows:

**Speedy Hire Share Save Plan**

	December 2010	September 2009	December 2007	September 2007	December 2006
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	21p	29p	183p	255p	233p
Share price volatility	88.2%	85.7%	25.5%	22.9%	22.9%
Option life	3.25 years	3.25 years	3.25 years	3.25 years	3 years
Expected dividend yield	1.4%	3.1%	2.1%	1.5%	1.3%
Risk free interest rate	1.4%	2.1%	4.5%	5.3%	5.1%

**Co-investment Plan**

		July 2008	July 2007	July 2006
Pricing model used		Stochastic	Stochastic	Stochastic
Exercise price		Nil	Nil	Nil
Share price volatility		-	-	-
Option life		3 years	3 years	3 years
Expected dividend yield		3.7%	1.4%	1.6%
Risk-free interest rate		5.2%	5.8%	4.2%

**Performance Plan**

	July 2010	September 2009	July 2008	July 2007	July 2006
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	Nil	Nil	Nil	Nil	Nil
Share price volatility	94.0%	88.0%	29.3%	23.6%	22.4%
Option life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	1.5%	3.1%	3.7%	1.4%	1.6%
Risk-free interest rate	1.2%	2.1%	5.2%	5.8%	4.2%

**Notes to the financial statements** *(continued)*

**20 Note to the cash flow statement – cash from operating activities**

	<b>2011</b>	2010
	<b>£m</b>	£m
Loss before tax	<b>(27.0)</b>	(22.8)
Financial expense, net	<b>10.5</b>	14.2
Exceptional write down of accommodation assets	<b>13.8</b>	-
Amortisation	<b>5.5</b>	5.5
Depreciation	<b>55.1</b>	60.2
Profit on disposal of hire equipment	<b>(5.0)</b>	(2.7)
Loss on disposal of other property, plant and equipment	-	0.2
Exceptional write-down of other property, plant and equipment	<b>0.1</b>	0.7
Decrease in inventories	<b>1.1</b>	0.9
Decrease in trade and other receivables	<b>6.4</b>	0.9
(Decrease) / increase in trade and other payables	<b>(9.1)</b>	6.5
Movement in provisions	<b>(2.6)</b>	(0.6)
Equity-settled share-based payments	<b>0.9</b>	(0.1)
	<hr/>	<hr/>
<b>Cash from operating activities</b>	<b>49.7</b>	62.9
	<hr/>	<hr/>

**21 Commitments**

The Group had contracted capital commitments amounting to £2.0m (2010: £2.7m) at the end of the financial year for which no provision has been made.

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	<b>Land &amp; buildings</b>		<b>Other</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£m</b>	£m	<b>£m</b>	£m
Total future minimum lease payments				
- not later than one year	<b>16.4</b>	16.2	<b>9.4</b>	11.2
- later than one year and not later than five years	<b>51.7</b>	50.8	<b>10.3</b>	12.0
- later than five years	<b>35.7</b>	39.2	-	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>103.8</b>	106.2	<b>19.7</b>	23.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements (continued)**

**22 Post balance sheet events**

**Dividends**

The Directors have proposed a dividend of 0.2 pence per share as a final dividend in respect of the year ended 31 March 2011. No charge in respect of the proposed dividend has been made in the income statement for the year, and there were no tax consequences. The total amount payable if the dividend is approved at the AGM is as follows:

	<b>2011</b>	2010
	<b>£m</b>	£m
0.2 pence (2010: 0.2 pence) on 517.2m (2010: 517.2m) ordinary shares	<b>1.0</b>	1.0

**Disposal of Accommodation Hire operation**

On 30 April 2011, the Group completed the sale of its accommodation hire assets to Elliott Group Ltd, a subsidiary of Algeco Scotsman, for a total cash consideration of £34.9m. These assets are included within the 'assets held for sale' category as at the balance sheet date, together with a £13.8m exceptional loss in the income statement. The disposal will deliver a pro-forma increase in Speedy's operating margin and return on capital, and delivers a reduction in Group borrowings. Working capital in the operation at the date of sale totalling approximately £3.6m was retained for the benefit of Speedy.

The Accommodation Hire operation was reported within the UK&Ireland Asset Services segment. The pro-forma income statement, adjusting for the disposal of the Accommodation Hire operation, is as follows:

	<b>Group</b>	<b>Disposal<sup>2,3</sup></b>	<b>Pro-forma</b>		<b>Disposal<sup>2,3</sup></b>	<b>Pro-forma</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>		<b>2010</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>
Revenue	<b>354.2</b>	<b>35.5</b>	<b>318.7</b>		351.1	40.6
EBITDA <sup>1</sup>	<b>63.4</b>	<b>4.6</b>	<b>58.8</b>		68.2	6.8
EBITDA <sup>1</sup> margin	<b>17.9%</b>	<b>13.0%</b>	<b>18.4%</b>		19.4%	16.7%
Operating profit <sup>1</sup>	<b>8.3</b>	<b>(4.5)</b>	<b>12.8</b>		8.0	(2.1)
Operating profit <sup>1</sup> margin	<b>2.3%</b>	<b>(12.7%)</b>	<b>4.0%</b>		2.3%	(5.2%)

<sup>1</sup> before amortisation and exceptional costs

<sup>2</sup> disposal of the Accommodation Hire operation

<sup>3</sup> the EBITDA<sup>1</sup> and Operating profit<sup>1</sup> of the Accommodation Hire operation are the contribution before depreciation, amortisation and exceptional items and contribution before amortisation and exceptional items respectively and are stated before allocations and recharges