



Speedy Hire Plc

("Speedy", "the Company" or "the Group")

Results for the year ended 31 March 2018

16 May 2018

Customer service strategy improving performance; well positioned for growth

Speedy, the UK's leading provider of tools and equipment hire, and services to the construction, infrastructure and industrial markets, announces results for the year ended 31 March 2018.

Key Points

	Year ended 31 March 2018	Year ended 31 March 2017	Change
	(£m)	(£m)	%
Revenue (excluding disposals)	371.6	349.1	6.4%
Revenue	377.4	369.4	2.2%
EBITDA ¹	73.0	63.1	15.7%
Adjusted profit before tax ¹	25.9	16.2	59.9%
Profit before tax	18.0	14.4	25.0%
Adjusted earnings per share ²	4.04p	2.45p	64.9%
Basic earnings per share	2.71p	2.22p	22.1%
Net debt ³	69.4	71.4	(2.8%)
Return on Capital Employed (ROCE) ⁴	11.5%	7.7%	49.4%
Dividend for the year (pence per share)	1.65p	1.00p	65.0%

Financial Highlights

- Revenue excluding disposals increased 6.4% to £371.6m (2017: £349.1m)
- Adjusted profit before tax¹ up 59.9% to £25.9m (2017: £16.2m)
- Net debt³ reduced to £69.4m (2017: £71.4m) after £21.3m of acquisition spend
- Leverage⁵ reduced to 0.95x (2017: 1.13x)
- Adjusted earnings per share² of 4.04 pence (2017: 2.45 pence)
- Profit before tax increased to £18.0m (2017: £14.4m)
- ROCE⁴ increased to 11.5% (2017: 7.7%), exceeding the Group's weighted average cost of capital of 10.9%
- Full year dividend up 65.0% to 1.65 pence per share (2017: 1.00 pence per share)

Strategic and Operational Highlights

- Successful acquisitions of Prolift Access Limited ("Prolift") and Platform Sales & Hire Limited ("PSHL") strengthening national powered access offering
- Asset utilisation in the UK and Ireland improved by 7.6% to 55.4% (2017: 51.5%)
- Average age of hire fleet reduced to 3.8 years (2017: 4.2 years)
- Customer excellence strategy driving sustainable profitable growth
- Same day customer delivery promise launched in London during January 2018; now available nationally

Commenting on the results Russell Down, Chief Executive, said:

"We are delighted with these results which reflect a strong operational performance, robust capital management, the benefits of the strategy which was launched in September 2015, the impact of our recovery initiatives and some earlier than expected acquisition synergies."

The market remains competitive; however the current year has got off to an encouraging start with revenue ahead of the comparative period on a like for like basis. Whilst we are early into the new financial year, and some of the benefits from the acquisitions have been realised, we are confident of delivering further progress in the year ahead in line with our current expectations."

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Inside Information: This announcement contains inside information.

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 UK's leading provider of tools and equipment hire, and services to the construction, infrastructure and industrial markets. Speedy provides large national customers, including 85 of the UK's top 100 contractors, as well as local trades and industry with a range of general and specialist hire equipment, consumables, training and testing, inspection and certification (TIC) services. The Group operates from over 200 sites across the UK and Ireland, and internationally in the Middle East and Kazakhstan, as well as online. Speedy is the safest hire provider in the industry based on recorded RIDDOR accident frequency rates, and operates quality assured processes which are accredited to ISO 9001, ISO 14001, ISO 17025, OSHAS 18001, and ISO 50001.

Chairman's Statement

Overview

I am pleased to report significantly improved results again this year with increased revenue, asset utilisation and profits. We have grown revenues, managed our cost base and continued to optimise our hire fleet by investing in those assets our customers require and which provide a suitable return. As a consequence our ROCE⁴ has increased by 49.4% to 11.5%, above our cost of capital for the first time in many years. This is a key measure for the Group and we will take action to increase ROCE⁴ further over the years ahead.

Results

Revenue, excluding disposals, increased to £371.6m (2017: £349.1m), due to growth in services revenues and growing demand from our local and regional customer base. Overhead costs, principally people, vehicles and property, have continued to be tightly controlled. Adjusted profit before tax increased by 59.9% to £25.9m (2017: £16.2m). Profit before tax increased by 25.0% to £18.0m (2017: £14.4m).

Asset utilisation rates improved to 55.4% (2017: 51.5%; 2016: 44.0%) as a result of capital expenditure being focused on higher utilised assets and further work to cleanse the hire fleet of under-utilised assets. Net debt³ reduced to £69.4m (2017: £71.4m), after expenditure of £21.3m on acquisitions. The Group has a strong balance sheet, and substantial headroom under its banking facilities, which have been extended through to October 2022. This financial strength will enable the Group to grow organically through targeted capital expenditure, or value enhancing acquisitions, which will further strengthen our market position.

Acquisitions

On 24 November 2017 the Group announced that it had acquired the entire issued share capital of powered access specialists Prolift and PSHL, for a combined total consideration of £21.3m. Both businesses have been successfully integrated, now operate on Speedy systems and are performing in line with management expectations.

Dividend

The Board is recommending a final dividend of 1.15 pence per share. If approved at the forthcoming Annual General Meeting, the total dividend for the year would be 1.65 pence per share (2017: 1.00 pence), an increase of 65.0%. The dividend will be paid on 10 August 2018 to shareholders on the register at close of business on 6 July 2018.

Board and people

David Garman joined the Board as a Non-Executive Director and was appointed to the Audit and Nomination Committees on 1 June 2017. On 9 November 2017, David was also appointed a member of the Remuneration Committee.

I was appointed as Chairman in November 2014. With the recovery of the business now well-established and a strategy for growth in place, I believe it is time for someone else to take the business on into the next phase of its development. I have therefore informed the Board of my intention to step down as Chairman and a process is currently underway to identify and appoint my successor.

I will leave the business with a much stronger Board and an outstanding Executive team across the organisation. This has been achieved through a combination of external recruitment and internal development and promotion. This resource gives us a solid platform for creating further value.

I would like to take this opportunity to thank all of my colleagues throughout Speedy for the effort they have put in during the year which has enabled us to report these excellent results.

Summary

Speedy has an excellent leadership team implementing an exciting strategy for growth. Moreover, with a strong balance sheet and significant banking facilities we are well-placed to grow both organically and through value enhancing specialist hire or services acquisitions. As reflected in our increased dividend, the Group can look to the future with renewed confidence.

Jan Åstrand
Chairman

Chief Executive's Statement

Overview

We have improved our financial and operational performance significantly over the last three years following the implementation of our strategy set out in September 2015. Since that time we have restructured the Group to make it leaner and more customer focused resulting in a significant improvement in efficiency and profitability. Our key financial measure is return on capital employed (ROCE⁴) which, having increased 49.4% this year to 11.5%, is now ahead of our cost of capital. We aim to increase ROCE⁴ further through targeted capital expenditure and disposals, value enhancing acquisitions, growing services revenues and tight management of overhead costs. We are cash generative, have a robust balance sheet and a strong foundation for future growth.

Results

Revenue increased by 2.2% to £377.4m (2017: £369.4m). Revenue from disposals was £5.8m (2017: £20.3m); the reduction reflected the sale of the heavy plant division in the previous year. Therefore, revenue excluding disposals increased by 6.4% to £371.6m (2017: £349.1m).

During the year we further developed our customer service proposition, increased asset utilisation and restructured the business to improve the cross-selling of our full portfolio of services; services revenues increased by 15.0% benefitting from the full year effect of the Lloyds British acquisition.

Gross margins improved principally as a result of improved asset utilisation and changes in revenue mix. In September 2017 the UK and Ireland business was restructured to operate under one management team. The revised structure has enabled the business to operate 'as one', streamlining operations and reducing costs.

Adjusted profit before tax¹ increased by 59.9% to £25.9m (2017: £16.2m). Profit before tax increased to £18.0m (2017: £14.4m). Adjusted earnings per share² increased to 4.04 pence (2017: 2.45 pence).

Strategy

Our mission is to provide safe, reliable hire equipment and services to enable successful delivery of customer projects.

We service a range of customers from multi-national contractors through to SME customers. A key strategic priority is to grow market share with SME customers, who remain the bedrock of the hire business. Through engagement with SME customers we identified that customer service is a key driver and as a result we targeted improvements in asset availability and our logistics capability. These improvements have ensured that assets are available where and when our customers require them and enabled us to launch our 'capital commitment' service promise. This guarantees same day delivery on our top 50 products if ordered before 3pm, and was launched for the London area in January 2018. To date this campaign has not seen any service failures and has been very successful in promoting customer loyalty. As a result, the campaign and service commitment was launched nationally as 'Trust us to deliver' on 1 May 2018.

We aim to be simple to do business with; during the year we reorganised the UK and Ireland business to operate as 'One Speedy', under one management team in order to streamline operations. The hire business is structured into a number of customer facing business units, with one integrated support operation ensuring consistent service delivery. Our services businesses have been reorganised into three supporting divisions: product and consumable sales; training; and testing, inspection and certification (TIC). The reorganisation ensures that we offer customers a consistent first class service, enhancing the opportunity to cross-sell our full portfolio of products and services, which is increasingly being demanded by our larger customers. This presents a major opportunity for Speedy where currently services account for c.38% of revenues. We have a pipeline of opportunities with existing customers for our services activities and therefore anticipate that the services businesses, which are less capital intensive, will grow at a faster rate than the hire business. This will enable the Group to report further improvements in ROCE⁴ towards our target of 15.0%.

The Group has a strong balance sheet and significant banking facilities with which to grow organically or through value enhancing core hire or services acquisitions. Speedy acquired powered access specialists Prolift and PSHL for a combined total consideration of £21.3m in November 2017. Prolift is based in the South West and operates with a fleet of approximately 770 access platforms. PSHL is Midlands based with a fleet of approximately 850 access platforms. The acquisitions strengthen our national powered access offering, which we are growing organically, enhance our capabilities and allow us to better serve our customers through the core fleet. Both businesses have integrated well into Speedy, and PSHL is now operating from our Tamworth distribution centre. Lloyds British, which was acquired in December 2016, is now fully integrated into the Speedy depot network.

Net debt³

Net debt³ reduced to £69.4m (2017: £71.4m), after expenditure of £21.3m for the acquisitions of Prolift and PSHL. Capital expenditure on the hire fleet increased by 10.6% to £44.8m (2017: £40.5m); proceeds on asset disposals fell to £17.6m (2017: £29.2m) following the disposal of the large plant fleet in the prior year. Net debt³ to EBITDA¹ reduced to 0.95x (2017: 1.13x).

The Group has a strong balance sheet and substantial headroom to support its growth strategy. During the year we announced an amendment and extension to our existing bank facilities. The £180m asset based finance facility, which was due to mature in September 2019, was extended by a further three years, through to October 2022, on improved terms.

Operational Review

UK and Ireland

The UK and Ireland business contributed 92.4% of Group revenues.

Total revenue, excluding asset disposals, increased by 6.3% to £343.0m (2017: £322.6m). Core hire like for like revenue growth was positive in spite of a 2.2% reduction in the net book value of the hire fleet (excluding acquisitions). Services revenues increased by 15.7% to £122.4m (2017: £105.8m) due to strong growth in product and consumable sales and the full year effect of the Lloyds British acquisition.

Gross margins increased due to improved asset utilisation and changes in the revenue mix, with underlying overhead costs reduced due to tight cost management. EBITA¹ increased to £30.2m (2017: £22.0m) before central costs of £5.0m (2017: £4.8m).

Asset utilisation improved by 7.6% to an average for the year of 55.4% (2017: 51.5%), closer to our target of 57%, based on current fleet mix. The hire fleet reduced to £182.6m (2017: £186.8m) excluding the effect of the two powered access acquisitions. The underlying reduction in the hire fleet reflects our strategy to invest in assets which reflect customer demand and provide a suitable return, whilst reducing the number of product lines and under-utilised assets. Our fleet remains the largest of its type in the UK and Ireland, and combined with our partners we are proud to offer our customers the ability to hire a full range of products.

The UK and Ireland hire and services businesses were reorganised to operate as 'One Speedy' under one management structure, streamlining operations and reducing our cost base. The restructure enhances the opportunity and incentivises our people to cross-sell our full portfolio of products and services through our sales force and depot network to all of our customers, large and small.

During the year we have enhanced the customer experience by implementing a number of improvements to customer service, processes and systems.

Listening to our customers enables us to continuously improve. To date we have sent over 200,000 customer surveys by text and email and c.90% of customers who responded are rating our service as good or very good at the point of delivery and collection, whilst providing us with valuable feedback on areas to improve. We are working on extending these surveys to generate customer feedback at every stage of the customer journey to further enhance the customer experience.

During the year we enhanced our mobile app which contains information on all our products, to enable customers to on and off hire equipment via their mobile device. This seamless approach immediately notifies our depots to deliver and collect hire equipment to and from site, speeding up the delivery and collection process and improving the customer experience. We are working on further developments to this app.

We have created centres of excellence for lifting, survey, power, rail and powered access products within our depot network, concentrating our skills in core centres to improve efficiency, asset availability and enhance our ability to grow revenues. To further improve asset availability we are utilising better management information to analyse the required stock holdings at depot level based on historical data and predictive analytics. This approach means that we are increasingly holding the optimal level of stock in the right place at the right time with which to service customers.

We reviewed our logistics capability this year to improve asset availability and better service our customers and also ensure that our cost base was optimised. Each depot and cluster is now serviced in a routine manner on a daily, rather than an ad hoc, basis which has resulted in improved asset utilisation and a reduction of 64 Speedy vehicles from the fleet during the year, excluding acquisitions.

We are proactively engaging with our c.46,000 strong SME customer base by re-invigorating our marketing approach and increasing our telemarketing activity. We have launched a number of marketing campaigns including our successful 'capital commitment' service promise which are encouraging customer loyalty. We have renewed a number of contracts with our larger customers. These include a contract extension to supply core assets to the Balfour Beatty Group for a further three years; a renewed agreement with J. Murphy & Sons

for small tools, lifting, survey and power products, as well as securing new customers including Galliford Try and Sodexo.

International

In the Middle East the business was restructured during 2015 and provides equipment and manpower to support the operation of offshore oil fields. We primarily work with national government clients in the oil and gas market on long term framework contracts in Abu Dhabi. Revenue increased by 7.9% (8.7% on a constant currency basis) to £28.6m (2017: £26.5m) as a result of an increase in the level of activity, principally on re-hired equipment. Gross margins increased reflecting improved utilisation rates whilst overhead costs reduced. EBITA¹ increased by 90.5% to £4.0m (2017: £2.1m).

The Group operates a joint venture in Kazakhstan. Profit from JV operations decreased to £0.8m (2017: £1.7m) following the high level of cyclical shutdown activity in the prior year.

Safety and sustainability

Speedy is the safest hire provider in the industry based on reported accident rates. We are pleased to report that during FY2018 we reported our lowest ever RIDDOR accident frequency rate of 0.11 per 100,000 hours worked.

During the year we gained a Considerate Construction Award in London, and won a RoSPA Gold award for health and safety for the fourth year running. We are accredited to gold standard under the Fleet Operator Recognition Scheme (FORS) and have won a number of awards including Fleet Van Operator of the year at the Motor Transport Awards 2017.

Our Corporate Social Responsibility (CSR) Roadmap ensures our CSR Key Performance Indicators (KPIs) remain integral to our business objectives and strategy. Our CSR Working Group operates within a framework which links directly to our CSR KPIs, and ensures that responsible sustainable business practice forms part of everything we do. Our approach is categorised into four key areas that we call Intelligent Marketplace, Environment, Workplace and Community.

During the year we partnered with Recycling Lives, a recycling company which processes our waste streams through segregating waste. This partnership is unique as Recycling Lives supply food to people across our regions. During the year Speedy provided 3,347 families with support through this waste recycling partnership.

People

The Group's headcount at 31 March 2018 was 3,630 (2017: 3,745) excluding the impact of acquisitions. Underlying headcount has therefore reduced by 3.1% in the year primarily due to ongoing efficiency programmes and the restructuring in September 2017.

We re-launched our employee engagement survey during FY2017 and have fulfilled our commitment to running this on an annual basis. Our FY2018 engagement index increased and measures for commitment and providing excellent customer service improved year-on-year. There was a significant improvement in employees agreeing that Speedy is a great place to work, providing evidence that our strategy of becoming the best place to work in our sector is starting to bear fruit.

The sustained improvement in results we are reporting this year would not have been possible without the continued passion and hard work of all of our people. I would like to take this opportunity to thank all my colleagues for their support and dedication during the year.

Outlook

We are delighted with these results which reflect a strong operational performance, robust capital management, the benefits of the strategy which was launched in September 2015, the impact of our recovery initiatives and some earlier than expected acquisition synergies.

The market remains competitive; however the current year has got off to an encouraging start with revenue ahead of the comparative period on a like for like basis. Whilst we are early into the new financial year, and some of the benefits from the acquisitions have been realised, we are confident of delivering further progress in the year ahead in line with our current expectations.

Russell Down
Chief Executive

Financial Review

Group financial performance

Revenue for the year to 31 March 2018 increased by 2.2% to £377.4m (2017: £369.4m). Revenue from disposals was £5.8m (2017: £20.3m); the reduction reflected the sale of the heavy plant division in the previous year. Therefore, revenue excluding disposals increased by 6.4% to £371.6m (2017: £349.1m).

Gross profit was £204.7m (2017: £191.7m), an increase of 6.8%. The gross margin was 54.2% (2017: 51.9%) and reflected changes in revenue mix and improved asset utilisation.

EBITA¹ increased by 51.3% to £29.2m (2017: £19.3m) and profit before taxation, amortisation and exceptional costs increased to £25.9m (2017: £16.2m).

After taxation, amortisation and exceptional items, the Group made a profit of £14.1m, compared to a profit of £11.5m in 2017. The profit in the year was impacted by exceptional administrative items of £7.2m (2017: £nil) and exceptional financial expenses of £0.5m (2017: £nil). Further details are included below.

Segmental analysis

The Group's segmental reporting is split into UK and Ireland, and International. The figures in the tables below are presented before corporate costs of £5.0m (2017: £4.8m before exceptional items).

UK and Ireland	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Movement %
Revenue	348.8	342.9	1.7
EBITDA ¹	70.8	62.2	13.8
EBITA ¹	30.2	22.0	37.3

Excluding disposals, revenue improved by 6.3% to £343.0m (2017: £322.6m), with an increase across all revenue streams. During the year the Group has continued to improve the customer experience and increase asset availability. Despite a 2.2% reduction in hire fleet net book value (excluding acquisitions) to £182.6m, core hire like for like revenue growth was positive, and future revenue has been secured through a number of contract wins and renewals, including agreements with Balfour Beatty Group, J. Murphy & Sons, Galliford Try and Sodexo. Revenue for the final quarter benefited from the acquisition of Prolift Access Limited and Platform Sales & Hire Limited. Services revenues grew by 15.7%. This growth has been achieved through the successful integration of Lloyds British, the growth of our product and consumables business, and the restructure of our operations which enhances our ability to cross-sell the full portfolio of products and services to our customers.

Gross margins increased from 54.2% to 56.5% as a result of improved asset utilisation and revenue mix, including the effect of the powered access acquisitions. Overheads remain under tight control and, excluding acquisitions and exceptional items (as described further below), reduced by £3.1m from the previous year, with further restructuring undertaken to manage the cost base and increase efficiency. Headcount at the year end has fallen from 3,252 to 3,238, which includes 125 as a result of the powered access acquisitions.

Following the continued application of strict processes to manage capital expenditure, disposal decisions and ROCE⁴, asset utilisation improved by 7.6% to an average for the year of 55.4% (2017: 51.5%).

International	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Movement %
Revenue	28.6	26.5	7.9
EBITDA (excluding Kazakhstan JV) ¹	6.4	5.0	28.0
EBITA (excluding Kazakhstan JV) ¹	4.0	2.1	90.5

The International division has continued to perform strongly with revenue increasing by 7.9% due to the mobilisation of new equipment and an increase in short term hires. On a constant currency basis the improvement was 8.7%. In addition to revenue growth, an increase in gross margin and savings in administration costs contributed to the improved EBITA¹, which grew by 90.5%.

Following the one-off cyclical shutdown activity in Kazakhstan in 2017 the share of profit from the joint venture decreased to £0.8m (2017: £1.7m), in line with our expectation.

Exceptional items

Net exceptional items totalled £7.7m before taxation (2017: £nil).

Further action has been taken in the period to manage the Group's cost base and consequently the number of operating divisions and distribution centres has been reduced. Property related costs of £4.7m were incurred as part of this programme. In addition £1.3m of people costs have been incurred due to redundancies. These actions result in overhead savings of c.£3.0m per annum.

Following the powered access acquisitions, integration costs of £0.1m have been incurred to 31 March 2018, with a further £0.5m of early settlement charges paid in the year on finance leases.

The Group was a supplier to Carillion plc, which entered compulsory liquidation on 15 January 2018. An exceptional charge of £2.1m has been recognised in relation to trade receivables and asset related provisions, which is considered reasonable, based on current circumstances.

Offsetting the above exceptional costs was a £1.0m credit due to the revision of the International receivables provision following the receipt of all outstanding cash.

Interest and hedging

During the year the Group completed an amendment and extension to its bank facility which now expires in October 2022. As a consequence of the reduction in net debt³, and the refinancing in the year, net financial expense, excluding exceptional finance costs, reduced to £4.1m (2017: £4.8m). Borrowings under the Group's amended bank facility are priced on the basis of LIBOR plus a variable margin, while any unutilised commitment is charged at 35% of the applicable margin (previously 40%, before amendment in October 2017). During the year, the margin payable on the outstanding debt fluctuated between 1.50% and 2.30% dependent on the Group's performance in relation to leverage and the weighting of borrowings between receivables and plant and machinery. The effective average margin in the year was 1.92% (2017: 2.35%).

The Group utilises interest rate hedges to manage fluctuations in LIBOR. The fair value of these hedges was an asset of £0.1m at year end and they have varying maturity dates to March 2021.

Taxation

The Group seeks to protect its reputation as a responsible taxpayer, and adopts a responsible attitude to arranging its tax affairs, aiming to ensure effective, sustainable and active management of tax matters in support of business performance.

The level of risk which the Group accepts in relation to taxation is consistent with its overall objective of paying the correct amount of tax, at the right time and in accordance with the relevant laws and regulations. The Group considers that it has a low risk appetite in relation to tax matters and utilises relevant tax reliefs and allowances in the manner intended by the legislation.

The Group's income statement shows a tax charge for the year of £3.9m (2017: charge of £2.9m), and an effective tax rate of 21.7% (2017: 20.1%), which includes the effect of a deferred tax charge of £0.8m (2017: credit of £1.0m). The effective rate of tax on adjusted profit amounts to 18.9% (2017: 21.6%).

Corporation tax paid in the year ended 31 March 2018 amounted to £1.6m (2017: £1.9m).

Shares, earnings per share and dividends

At 31 March 2018, 523,703,797 shares were outstanding, of which 4,118,744 were held in the Employee Benefits Trust.

Adjusted earnings per share² was 4.04 pence (2017: 2.45 pence). After amortisation and exceptional items, basic earnings per share was 2.71 pence (2017: 2.22 pence).

The Board remains committed to the payment of dividends, with a policy of between 2x and 3x adjusted earnings per share² cover. The Board has recommended a final dividend of 1.15 pence per share (2017: 0.67 pence), which represents a cash cost of £6.0m. If approved by shareholders, this gives a total dividend for the year of 1.65 pence per share (2017: 1.00 pence), an increase of 65.0% with cover of 2.45x adjusted earnings per share (2017: 2.45x). It is proposed that the dividend will be paid on 10 August 2018 to shareholders on the register at 6 July 2018.

Capital allocation policy

The Board intends to continue to invest in the business in order to grow revenue, profit and ROCE⁴. This investment is expected to include capital expenditure within existing operations, as well as value enhancing acquisitions that fit with the Group's strategy and are returns accretive.

The Board's objective is to maximise long term shareholder returns through a disciplined deployment of cash generated, and it has adopted the following capital allocation policy in support of this:

- Organic growth: The Board will invest in capital equipment to support demand in our chosen markets. This investment will be in hire fleet and IT systems to better enable us to serve our customers;
- Regular returns to shareholders: The Board intends to pay a regular dividend to shareholders, with a policy of growing dividends through the business cycle, and a payment in the range of between 33% and 50% adjusted earnings per share;
- Acquisitions: The Board will continue to explore value enhancing acquisition opportunities in markets adjacent to, and consistent with its existing operations;
- Gearing and treatment of excess capital: The Board is committed to maintaining an efficient balance sheet. The Board has adopted a target gearing in the region of 1.5x net debt: EBITDA through the business cycle, although it is prepared to move outside this if circumstances warrant. The Board will continue to review the Group's balance sheet in light of the policy, and medium term investment requirements, and will return excess capital to shareholders if and when appropriate.

Capital expenditure and disposals

Total capital expenditure during the year amounted to £50.4m (2017: £44.7m), of which £45.4m (2017: £40.4m) related to equipment for hire and £5.0m to other property, plant and equipment (2017: £4.3m).

The hire fleet is continually reviewed to optimise asset holdings for the target markets, making informed decisions using management information on returns and asset utilisation, along with tight governance via the investment committee. The number of product lines has reduced from over 5,000 to c.3,500. This has enabled us to improve the efficiency of our supply chain, from procurement through to network operations.

Disposal proceeds of £19.2 m (2017: £29.4m) decreased during the year following the sale of heavy plant in 2017. As a result of the fleet optimisation programme and increased investment, the average age of the fleet decreased to 3.8 years (2017: 4.2 years) as at 31 March 2018.

Cash flow and net debt³

Net cash flow generated from operating activities was £30.9m (2017: £42.7m, which includes the impact of heavy plant disposals of £14.4m). Free cash flow (before dividends and financing activities) was an inflow of £17.4m (2017: £35.0m).

Net debt³ decreased by £2.0m from £71.4m at the beginning of the year to £69.4m at 31 March 2018 after expenditure of £21.3m on acquisitions. Leverage⁵ decreased to 0.95x (2017: 1.13x). Net debt³ as a percentage of hire fleet NBV decreased to 33.9% from 36.7% as at 31 March 2017.

The Group's continued strong cash position resulted in substantial headroom within the Group's bank facility.

Balance sheet

The Group continues to have a very strong balance sheet, which reflects proactive management of the asset fleet and working capital.

Net assets at 31 March 2018 totalled £197.8m (2017: £189.6m), equivalent to 37.7 pence per share, and tangible fixed assets 45.7 pence per share. Net property, plant and equipment was £239.5m at 31 March 2018 (2017: £234.6m), of which equipment for hire represents 85.4% (2017: 83.0%). Net debt / property, plant and equipment of 0.29x at 31 March 2018 (2017: 0.30x) underlines the strong asset backing within the business. Of the equipment for hire, £6.2m related to the International business (2017: £8.0m).

Gross trade receivables totalled £96.9m at 31 March 2018 (2017: £90.2m) with the increase reflecting the revenue growth. Bad debt and credit note provisions reduced to £5.2m at 31 March 2018 (2017: £6.9m), equivalent to 5.4% of gross trade receivables (2017: 7.6%), demonstrating an improved ageing profile. Debtor days were 64.8 days (2017: 63.7 days).

Trade payables were £45.5m (2017: £39.2m), with creditor days of 99.4 days (2017: 94.7days).

Capital structure and treasury

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

The Group signed an amendment and extension to its £180m bank facility on 10 October 2017, extending the current agreement by a further three years, through to October 2022. The terms have been improved, which will lower the cost of the Group's debt financing. An additional uncommitted accordion of £220m remains in place through to October 2022, should further funding requirements be needed.

At 31 March 2018 the gross amount utilised under the facility was £86.2m (2017: £85.0m). The undrawn available amount, based on eligible receivables and plant and machinery, amounted to £73.5m (2017: £75.8m). The average gross borrowings under the facility during the year ended 31 March 2018 was £88.0m (2017: £108.8m). The current facility includes quarterly leverage and fixed charge cover covenant tests which are only applied if headroom in the facility falls below £18m. The Group had significant headroom against these tests throughout the year.

On 30 August 2017 the Company completed the cancellation of the amount standing to the credit of the share premium account of the Company, increasing the level of distributable reserves available by £191.5m.

The Group will continue to closely monitor cash generation, whilst balancing the need to invest in the quality of its UK hire fleet and depot network.

Return on capital

ROCE⁴ is a key performance measure for the Group. ROCE⁴ increased to 11.5% (2017: 7.7%), which exceeds the Group's weighted average cost of capital of 10.9%, and reflects the improved profitability and strengthened balance sheet of the Group.

Chris Morgan Group Finance Director

Explanatory notes:

¹See note 7

²See note 5

³See note 9

⁴Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders' funds and Net Debt³)

⁵Leverage: Net debt³ covered by EBITDA¹

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ended 31 March 2018. Certain parts of that report are not included within this announcement.

Directors' Responsibilities Statement

We confirm that to the best of our knowledge:

- 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;
- the Strategic Report 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:

<u>Name</u>	<u>Function</u>
Jan Åstrand	Chairman
Russell Down	Chief Executive
Chris Morgan	Group Finance Director
Bob Contreras	Senior Independent Director
Rob Barclay	Non-Executive Director
David Garman	Non-Executive Director
David Shearer	Non-Executive Director

Principal risks and uncertainties

The business strategy in place and the nature of the industry in which we operate expose the Group to a number of risks. As part of the risk management framework in place, the Board considers on an ongoing basis the nature, likelihood and potential impact of each of the significant risks it is willing to accept in achieving its strategic objectives.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risks. These systems, which ensure that risk is managed at the appropriate level within the business, can only mitigate risk rather than eliminate it completely.

Direct ownership of risk management within the Group lies with the senior management teams. Each individual is responsible for maintaining a risk register for their area of the business and is required to update this on a regular basis. The key items are consolidated into a Group risk register which has been used by the Board to carry out a robust assessment of the principal risks.

The principal risks and mitigating controls in place are summarised below.

Risk	Description and potential impact	Strategy for mitigation
Safety, health and environment	<p>Serious injury or death Speedy operates, transports and provides for rental a wide range of machinery. Without rigorous safety regimes in place there is a risk of injury or death to employees, customers or members of the public.</p> <p>Environmental hazard The provision of such machinery includes handling, transport and dispensing of substances, including fuel, that are hazardous to the environment in the event of spillage.</p>	<p>The Group is recognised for its industry-leading position in promoting enhanced health and safety compliance, together with a commitment to product innovation. The Group's health, safety, and environmental teams measure and promote employee understanding of, and compliance with, procedures that affect safety and protection of the environment. Customer account managers are responsible for addressing service and safety issues.</p> <p>We maintain systems that enable us to hold appropriate industry recognised accreditations.</p>
Service	<p>Provision of equipment Speedy is required to provide well maintained equipment to its customers on a consistent and dependable basis.</p> <p>Back office services It is important that Speedy is able to provide timely and accurate management information to its customers, along with accurate invoices and supporting documentation.</p> <p>In both cases, a failure to provide such service could lead to a failure to attract or retain customers, or to diminish the level of business such customers undertake with Speedy.</p>	<p>Our use of personal digital assistants (PDAs) has been successful in improving the on-site customer experience. The Group continues to invest heavily in its IT infrastructure to improve the customer experience and support its business.</p> <p>Speedy liaises with its customer base and takes into account feedback where particular issues are noted, to ensure that work on resolving those issues is prioritised accordingly. Use of our online based customer feedback system has grown during the year and is used to better understand the customer experience and improve service levels.</p>
Revenue and trading performance	<p>Competitive pressure The hire market is fragmented and highly competitive. We are continuing to develop strategic relationships with larger customers and also working hard to grow our Local and Regional accounts.</p> <p>Reliance on high value customers There is a risk to future revenues should preferred supplier status with larger customers be lost when such agreements may individually represent a material element of our revenues.</p>	<p>The Group monitors its competitive position closely, to ensure that it is able to offer customers the best solution. The Group provides a wide breadth of offerings, supplemented by its partnered services division for specialist equipment. The Group monitors the performance of its major accounts against forecasts, strength of client future order books and individual expectations with a view to ensuring that the opportunities for the Group are maximised. Market share is measured and competitors' activities are reported on and reacted to where appropriate. The Group's integrated services offering further mitigates against this risk as it demonstrates value to our customers, setting us apart from purely asset hire companies.</p>

Risk	Description and potential impact	Strategy for mitigation
Project and change management	<p>Acquisitions</p> <p>Our strategy includes selective acquisitions that complement or extend our existing business in specialised markets. There is a risk that suitable targets are not identified, or that acquired businesses do not perform to expectations.</p>	<p>No single customer currently accounts for more than 10% of revenue or receivables.</p> <p>All potential business combinations are presented to the Board, with an associated business case, for approval.</p> <p>Once a decision in principle is made, a detailed due diligence process covering a range of criteria is undertaken. The results of due diligence are presented to the Board prior to formal approval being granted.</p> <p>The use of a cross functional project team ensures effective integration into the Group. These teams work with a blueprint plan, modified as needed to specifically address any risks identified during the due diligence phase.</p>
People	<p>Employee excellence</p> <p>In order to achieve our strategic objectives, it is imperative that we are able to recruit, retain and motivate employees who possess the right skills for the Group.</p>	<p>Skill and resource requirements for meeting the Group's objectives are actively monitored and action is taken to address identified gaps. Succession planning aims to identify talent within the Group and is formally reviewed on an annual basis by the Nomination Committee, focusing on both short and long-term successors for the key roles within the Group.</p> <p>Programmes are in place for employee induction, retention and career development, which are tailored to the requirements of the various business units within the Group.</p> <p>The Group regularly reviews remuneration packages and aims to offer competitive reward and benefit packages, including appropriate short and long-term incentive schemes.</p>
Partner and supplier service levels	<p>Supply chain</p> <p>Speedy procures assets and services from a wide range of sources, both UK and internationally based. Within the supply chain there are risks of non-fulfilment.</p> <p>Partner reputation</p> <p>A significant amount of our revenues come from our partnered services offering, where the delivery or performance is effected through a third party partner.</p> <p>Speedy's ability to supply assets with the expected customer service is therefore reliant on the performance of others with the risk that if this is not effectively managed, the reputation of Speedy and hence future revenues may be adversely impacted.</p>	<p>A dedicated and experienced supply chain function is in place to negotiate all contracts and maximise the Group's commercial position. Supplier accreditations are recorded and tracked centrally through a supplier portal where relevant and set service related KPIs are included within standard contract terms. Regular reviews take place with all supply chain partners.</p>
Operating costs	<p>Fixed cost base</p> <p>Speedy has a fixed cost base including people, transport and property. When revenues fluctuate this can have a disproportionate effect on the Group's financial results.</p>	<p>The Group has a purchasing policy in place to negotiate supply contracts that, wherever possible, determine fixed prices for a period of time. In most cases, multiple sources exist for each supply, decreasing the risk of supplier dependency and creating a competitive supply-</p>

Risk	Description and potential impact	Strategy for mitigation
Information technology and data integrity	<p>IT system availability Speedy is increasingly reliant on IT systems to support our business activities. Interruption in availability or a failure to innovate will reduce current and future trading opportunities respectively.</p> <p>Data accuracy The quality of data held has a direct impact on how both strategic and operational decisions are made. If decisions are made based on erroneous data there could be a direct impact on the performance of the Group.</p> <p>Data security Speedy, as with any organisation, holds data that is commercially sensitive and in some cases personal in nature. There is a risk that disclosure or loss of such data is detrimental to the business, either as a reduction in competitive advantage or as a breach of law or regulation.</p>	<p>side environment. All significant purchase decisions are overseen by a dedicated supply chain team with structured supplier selection procedures in place. Property costs are managed by an in-house team of specialists who undertake routine maintenance works and manage the estate in terms of rental costs.</p> <p>We operate a dedicated fleet of commercial vehicles that are maintained to support our brand image. Fuel is purchased through agreements controlled by our supply chain processes.</p> <p>Annual and more medium-term planning processes are in place; these create future visibility as to the level and type of IT infrastructure and services required to support the business strategy. Business cases are prepared for any new/upgraded systems, and require formal approval.</p> <p>The use of dedicated analysts within the business provides accurate and timely management information. This information has been further enhanced in FY2018 with the development of dashboards in key areas based on real time data.</p> <p>Mitigations for IT data recovery are described below under business continuity as these risks are linked.</p> <p>Speedy's IT systems are protected against external unauthorised access. All mobile devices have access restrictions and, where appropriate, data encryption is applied.</p>
Funding	<p>Sufficient capital Should the Group not be able to obtain sufficient capital in the future, it might not be able to take advantage of strategic opportunities or it might be required to reduce or delay expenditure, resulting in the ageing of the fleet and/or non-availability. This could disadvantage the Group relative to its competitors and might adversely impact on its ability to command acceptable levels of pricing.</p>	<p>The Board has established a treasury policy regarding the nature, amount and maturity of committed funding facilities that should be in place to support the Group's activities.</p> <p>The £180m asset based finance facility, including an additional uncommitted accordion of £220m has been extended during the year, through to October 2022. Close relationships are maintained with the Group's bankers with a view to ensuring that the Group enjoys a broad degree of support.</p> <p>In line with the treasury policy, the Group's capital requirements, forecast and actual financial performance and potential sources of finance are reviewed at Board level on a regular basis in order that its requirements can be managed with appropriate levels of spare capacity.</p>
Economic vulnerability	<p>Economy Any changes in construction/industrial market conditions could affect activity levels and consequently the prices that the Group can</p>	<p>The Group assesses changes in both Government and private sector spending as part of its wider market analysis. The impact on the Group of any such change is assessed as part</p>

Risk	Description and potential impact	Strategy for mitigation
	<p>charge for its services. Any reduction in Government expenditure which is not offset by an increase in private sector expenditure could adversely affect the Group.</p> <p>In common with many UK businesses, Speedy faces uncertainty as to the possible impact of leaving the European Union. There are risks to the overall level of economic activity, in addition to more direct risks relating to increased costs as a result of the falling value of sterling.</p>	<p>of the ongoing financial and operational budgeting and forecasting process. Our strategy is to develop a differentiated proposition in our chosen markets and to ensure that we are well positioned with clients and contractors who are likely to benefit from those areas in which increased activity is forecast.</p>
Corporate culture	<p>Operational empowerment and culture We operate an internal structure that is aligned around separate specialisms to better serve our customer base. Each division is challenged to operate with a degree of empowerment within overriding Group policies.</p>	<p>All Speedy employees are expected to abide by our Code of Conduct, which forms a condition of employment. Training is provided, via a combination of online and face-to-face means, to all management grades in areas such as compliance with the Bribery Act 2010 and relevant competition laws. Group policies are in place that both support and oversee key aspects of our operation in particular the areas of treasury, purchasing, asset management, accounting and debt management. Review and exception reporting activities are in place, which are designed to ensure that individuals cannot override risk mitigation procedures which have been put in place by the Group.</p> <p>All of the above are supported by a well-publicised and robust whistleblowing policy with rigorous follow up of all concerns raised.</p>
Business continuity	<p>Business interruption Any significant interruption to Speedy's operational capability, whether IT systems, physical restrictions or personnel based, could adversely impact current and future trading as customers could readily migrate to competitors.</p> <p>This could range from short-term impact in processing of invoices that would affect cash flows to the loss of a major site.</p>	<p>Preventative controls, back-up and recovery procedures are in place for key IT systems. 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 in place for all its central UK and International sites. Insurance cover is reviewed at regular intervals to ensure appropriate coverage in the event of a business continuity issue.</p>
Asset holding and integrity	<p>Asset range and availability Speedy's business model relies on providing assets for hire to customers, when they want to hire them. In order to maximise profitability and ROCE, demand is balanced with the requirement to hold a range of assets that is optimally utilised.</p>	<p>A better understanding of customer expectation of the relative timescales for delivery across our range of assets allows us to reduce holdings of less time-critical assets by centralising the storage locations, whilst at the same time increasing the breadth of holding across our customer trading locations of those assets most likely to be required on a short notice basis.</p> <p>We regularly monitor our asset status information and use this to optimise our asset holdings.</p> <p>We constantly review our range of assets and introduce innovative solutions to our customers as new products come to market, under our Green Option programme.</p>

Viability statement

The Group operates an annual planning process which includes a five year strategic plan and a one year financial budget. These plans, and risks to their achievement, are reviewed by the Board as part of its strategy review and budget approval processes. The Board has considered the impact of the principal risks to the Group's business model, performance, solvency and liquidity as set out above.

The projections for the first three years of the strategic plan are based on detailed action plans developed by the Group with specific initiatives and accountabilities. There is inherently less certainty in the projections for years four and five and the Directors have determined that three years is an appropriate period over which to assess the Viability statement. In October 2017, the Group successfully extended the £180m asset based finance facility to October 2022 on improved terms. The Strategic Plan makes certain assumptions about the adequacy of facilities to meet the Group's capital investment and acquisition strategies.

In making this statement the Directors have considered the resilience of the Group, its current position, the principal risks facing the business in distressed but reasonable scenarios, and the effectiveness of any mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2021.

Consolidated Income Statement

For the year ended 31 March 2018

		Year ended 31 March 2018			Year ended 31 March 2017 £m
	Note	Before exceptional items £m	Exceptional items £m	Total £m	
Revenue including share of joint venture's revenue		380.7	-	380.7	375.1
Less: share of joint venture's revenue		(3.3)	-	(3.3)	(5.7)
Revenue	2	377.4	-	377.4	369.4
Cost of sales		(172.7)	-	(172.7)	(177.7)
Gross profit		204.7	-	204.7	191.7
Distribution costs		(35.5)	-	(35.5)	(34.6)
Administrative expenses		(140.2)	(7.2)	(147.4)	(139.6)
Analysis of operating profit					
Operating profit before amortisation and exceptional items		29.2	-	29.2	19.3
Amortisation		(0.2)	-	(0.2)	(1.8)
Exceptional items	3	-	(7.2)	(7.2)	-
Operating profit		29.0	(7.2)	21.8	17.5
Share of results of joint venture		0.8	-	0.8	1.7
Profit from operations		29.8	(7.2)	22.6	19.2
Financial expense		(4.1)	(0.5)	(4.6)	(4.8)
Profit before taxation		25.7	(7.7)	18.0	14.4
Taxation	4	(4.9)	1.0	(3.9)	(2.9)
Profit for the financial year		20.8	(6.7)	14.1	11.5
Earnings per share					
- Basic (pence)	5			2.71	2.22
- Diluted (pence)	5			2.70	2.21
Non-GAAP performance measures					
EBITDA before exceptional items	7	73.0			63.1
Profit before tax, amortisation and exceptional items	7	25.9			16.2
Adjusted earnings per share (pence)	5	4.04			2.45

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	2018	2017
	£m	£m
Profit for the financial year	14.1	11.5
Other comprehensive income that may be reclassified subsequently to the Income Statement:		
- Effective portion of change in fair value of cash flow hedges	0.5	0.3
- Exchange difference on translation of foreign operations	(1.5)	2.3
Other comprehensive income, net of tax	(1.0)	2.6
Total comprehensive income for the financial year	13.1	14.1

Consolidated Balance Sheet

At 31 March 2018

	Note	31 March 2018 £m	31 March 2017 Restated* £m
ASSETS			
Non-current assets			
Intangible assets		10.0	3.8
Investment in joint venture		5.1	5.7
Property, plant and equipment			
Hire equipment	8	204.5	194.8
Non-hire equipment	8	35.0	39.8
Deferred tax asset		1.4	1.1
		<u>256.0</u>	<u>245.2</u>
Current assets			
Inventories		7.9	6.6
Trade and other receivables		99.7	91.0
Current tax asset		-	0.6
Cash	9	9.8	5.6
		<u>117.4</u>	<u>103.8</u>
Total assets		<u>373.4</u>	<u>349.0</u>
LIABILITIES			
Current liabilities			
Borrowings	9	(5.7)	(4.4)
Other financial liabilities		-	(0.4)
Trade and other payables		(83.7)	(74.2)
Provisions		(1.6)	(1.2)
Current tax liability		(1.4)	-
		<u>(92.4)</u>	<u>(80.2)</u>
Non-current liabilities			
Borrowings	9	(73.5)	(72.6)
Trade and other payables		-	(0.2)
Provisions		(1.5)	(0.3)
Deferred tax liability		(8.2)	(6.1)
		<u>(83.2)</u>	<u>(79.2)</u>
Total liabilities		<u>(175.6)</u>	<u>(159.4)</u>
Net assets		<u>197.8</u>	<u>189.6</u>
EQUITY			
Share capital		26.2	26.2
Share premium		-	191.4
Merger reserve		1.0	1.0
Hedging reserve		(0.1)	(0.6)
Translation reserve		(0.9)	0.6
Retained earnings		171.6	(29.0)
Total equity		<u>197.8</u>	<u>189.6</u>

* See note 10

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2016	26.1	191.4	1.0	(0.9)	(1.7)	(37.5)	178.4
Total comprehensive income	-	-	-	0.3	2.8	11.5	14.6
Dividends	-	-	-	-	-	(3.8)	(3.8)
Tax on items taken directly to equity	-	-	-	-	(0.5)	-	(0.5)
Equity-settled share-based payments	-	-	-	-	-	0.8	0.8
Issue of shares under the Sharesave Scheme	0.1	-	-	-	-	-	0.1
At 31 March 2017	26.2	191.4	1.0	(0.6)	0.6	(29.0)	189.6
Total comprehensive income	-	-	-	0.5	(1.5)	14.1	13.1
Dividends	-	-	-	-	-	(6.1)	(6.1)
Tax on items taken directly to equity	-	-	-	-	-	(0.1)	(0.1)
Equity-settled share-based payments	-	-	-	-	-	1.2	1.2
Issue of shares under the Sharesave Scheme	-	0.1	-	-	-	-	0.1
Capital reduction transfer*	-	(191.5)	-	-	-	191.5	-
At 31 March 2018	26.2	-	1.0	(0.1)	(0.9)	171.6	197.8

*On 23 August 2017, the High Court of Justice confirmed the cancellation of the amount within the share premium account of the Company. The court order approving the cancellation was registered by the Registrar of Companies on 30 August 2017 and the cancellation became effective on that date. This follows the approval of the cancellation by the Company's shareholders at its annual general meeting held on 12 July 2017.

Consolidated Cash Flow Statement

For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Cash generated from operating activities			
Profit before tax		18.0	14.4
Financial expense		4.1	4.8
Exceptional financial expense		0.5	-
Amortisation		0.2	1.8
Depreciation		43.8	43.8
Share of profit of equity accounted investments		(0.8)	(1.7)
(Profit) / loss on disposal of hire equipment		(0.7)	1.5
Loss on disposal of other property, plant and equipment		-	0.3
Increase in inventories		(1.0)	(0.2)
Increase in trade and other receivables		(4.5)	(5.8)
Increase in trade and other payables		2.5	2.4
Movement in provisions		1.1	(1.9)
Equity-settled share-based payments		1.2	0.8
		<u>64.4</u>	<u>60.2</u>
Cash generated from operations before changes in hire fleet			
Purchase of hire equipment		(44.8)	(40.5)
Proceeds from sale of hire equipment		17.6	29.2
		<u>37.2</u>	<u>48.9</u>
Cash generated from operations			
Interest paid		(4.7)	(4.3)
Tax paid		(1.6)	(1.9)
		<u>30.9</u>	<u>42.7</u>
Net cash flow from operating activities			
Cash flow from investing activities			
Purchase of non-hire property, plant and equipment		(5.0)	(4.3)
Proceeds from sale of other property, plant and equipment		1.6	0.2
Acquisitions, net of cash acquired		(10.7)	(3.8)
Investment in joint venture		0.6	0.2
		<u>(13.5)</u>	<u>(7.7)</u>
Net cash flow from investing activities			
Net cash flow before financing activities		<u>17.4</u>	<u>35.0</u>
Cash flow from financing activities			
Finance lease payments		(8.5)	(0.5)
Drawdown of loans		401.9	374.7
Payment of loans		(401.9)	(408.4)
Proceeds from the issue of Sharesave Scheme shares		0.1	0.1
Dividends paid		(6.1)	(3.8)
		<u>(14.5)</u>	<u>(37.9)</u>
Net cash flow from financing activities			
Increase / (decrease) in cash and cash equivalents		<u>2.9</u>	<u>(2.9)</u>
Cash at the start of the financial year		1.5	4.4
		<u>4.4</u>	<u>1.5</u>
Net cash at the end of the financial year			
Analysis of cash and cash equivalents			
Cash	9	9.8	5.6
Bank overdraft	9	(5.4)	(4.1)
		<u>4.4</u>	<u>1.5</u>

Reconciliation of Net Debt

	<i>Note</i>	2018 £m	2017 £m
Net increase / (decrease) in cash and cash equivalents		2.9	(2.9)
(Increase) / decrease in borrowings	9	(0.9)	34.3
Finance lease liabilities	9	0.3	0.4
Movement in capitalised loan costs	9	(0.3)	(0.6)
Change in net debt during the year		2.0	31.2
Net debt at 1 April		(71.4)	(102.6)
Net debt at 31 March		(69.4)	(71.4)

Notes to the Financial Statements

1 Accounting policies

Speedy Hire Plc is a company incorporated and domiciled in the United Kingdom. The consolidated Financial Statements of the Company for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group and Parent Company Financial Statements were approved by the Board of Directors on 15 May 2018.

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.

The Group extended and amended its £180m asset based finance facility ('the facility') in October 2017, which matures in October 2022 and has no prior scheduled repayment requirements.

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented as necessary by borrowings. The Directors have presented a Viability Statement which confirms that the Group is capable of continuing to operate within its existing loan facilities and can meet the covenant tests set out within the facility. 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.

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.

The financial information set out in this final results announcement does not constitute the Group's statutory accounts for the year ended 31 March 2018 or 31 March 2017 but is derived from those accounts. Statutory accounts for Speedy Hire Plc for the year ended 31 March 2017 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2018 will be delivered in due course. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Copies of full accounts will be available on the Group's corporate website in due course. Additional copies will be available on request from Speedy Hire Plc, 16 The Parks, Newton-le-Willows, Merseyside, WA12 0JQ.

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 delivers asset management, with tailored services and a continued commitment to relationship management. International delivers major overseas projects and facilities management contracts by providing a managed site support service.

For the year ended 31 March 2018

	UK and Ireland	International	Corporate items	Total
	£m	£m	£m	£m
Revenue	348.8	28.6	-	377.4
Segment result:				
EBITDA before exceptional costs	70.8	6.4	(4.2)	73.0
Depreciation	(40.6)	(2.4)	(0.8)	(43.8)
Operating profit / (costs) before amortisation and exceptional items	30.2	4.0	(5.0)	29.2
Amortisation	(0.2)	-	-	(0.2)
Exceptional (costs) / income	(8.2)	1.0	-	(7.2)
Operating profit / (costs)	21.8	5.0	(5.0)	21.8
Share of results of joint venture	-	0.8	-	0.8
Trading profit / (costs)	21.8	5.8	(5.0)	22.6
Financial expense				(4.1)
Exceptional financial expense				(0.5)
Profit before tax				18.0
Taxation				(3.9)
Profit for the financial year				14.1
Intangible assets	10.0	-	-	10.0
Investment in joint venture	-	5.1	-	5.1
Hire equipment	198.3	6.2	-	204.5
Non-hire equipment	32.4	2.6	-	35.0
Taxation assets	-	-	1.4	1.4
Current assets	97.0	9.7	0.9	107.6
Cash	-	-	9.8	9.8
Total assets	337.7	23.6	12.1	373.4
Liabilities	(70.9)	(10.6)	(5.3)	(86.8)
Borrowings	-	-	(79.2)	(79.2)
Taxation liabilities	-	-	(9.6)	(9.6)
Total liabilities	(70.9)	(10.6)	(94.1)	(175.6)

Notes to the Financial Statements (continued)

2 Segmental analysis (continued)

Corporate items 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 by segment. The unallocated net assets comprise principally working capital balances held by the support services function and which are not directly attributable to the activities of the operating segments, together with net corporate borrowings and taxation.

For the year ended 31 March 2017

	UK and Ireland	International	Corporate items	Total
	£m	£m	£m	£m
Revenue	342.9	26.5	-	369.4
Segment result:				
EBITDA before exceptional costs	62.2	5.0	(4.1)	63.1
Depreciation	(40.2)	(2.9)	(0.7)	(43.8)
Operating profit/ (costs) before amortisation and exceptional items	<u>22.0</u>	<u>2.1</u>	<u>(4.8)</u>	<u>19.3</u>
Amortisation	(1.8)	-	-	(1.8)
Exceptional (costs)/ income	(1.2)	1.6	(0.4)	-
Operating profit/ (costs)	<u>19.0</u>	<u>3.7</u>	<u>(5.2)</u>	<u>17.5</u>
Share of results of joint venture	-	1.7	-	1.7
Trading profit/ (costs)	<u>19.0</u>	<u>5.4</u>	<u>(5.2)</u>	<u>19.2</u>
Financial expense				(4.8)
Profit before tax				<u>14.4</u>
Taxation				(2.9)
Profit for the financial year				<u>11.5</u>
Intangible assets*	3.8	-	-	3.8
Investment in joint venture	-	5.7	-	5.7
Hire equipment	186.8	8.0	-	194.8
Non-hire equipment*	36.5	3.3	-	39.8
Taxation assets	-	-	1.7	1.7
Current assets*	87.1	9.9	0.6	97.6
Cash	-	-	5.6	5.6
Total assets	<u>314.2</u>	<u>26.9</u>	<u>7.9</u>	<u>349.0</u>
Liabilities	(63.5)	(8.4)	(4.4)	(76.3)
Borrowings	-	-	(77.0)	(77.0)
Taxation liabilities	-	-	(6.1)	(6.1)
Total liabilities	<u>(63.5)</u>	<u>(8.4)</u>	<u>(87.5)</u>	<u>(159.4)</u>

* Adjusted for fair value adjustments, see note 10.

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.

	Year ended 31 March 2018		Year ended 31 March 2017	
	Revenues £m	Total assets £m	Revenues £m	Total assets £m
UK	339.7	337.7	335.0	309.0
Ireland	9.1	12.1	7.9	13.1
United Arab Emirates	28.6	23.6	26.5	26.9
	<u>377.4</u>	<u>373.4</u>	<u>369.4</u>	<u>349.0</u>

Revenue by type

Revenue is attributed to the following activities:

	Year ended 31 March 2018	Year ended 31 March 2017
	£m	£m
Hire and related activities	228.5	224.7
Services	143.1	124.4
Disposals	5.8	20.3
	<u>377.4</u>	<u>369.4</u>

Major customers

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 2018

During the year, exceptional administrative costs of £8.2m and exceptional finance costs of £0.5m were incurred, offset by an exceptional credit of £1.0m.

Further action has been taken to manage the Group's cost base and consequently the number of operating divisions and distribution centres has been reduced. Property related costs of £4.7m, including onerous lease costs, dilapidations and asset write offs, and redundancy costs of £1.3m have been incurred as part of this programme. These actions result in overhead savings of c.£3.0m per annum.

The Group was a supplier to Carillion plc, which entered compulsory liquidation on 15 January 2018. A charge of £2.1m has been recognised in relation to trade receivables and asset related provisions. Management believes the estimates are reasonable based on current circumstances; however actual costs may differ from these estimates.

Integration costs of £0.1m have been incurred in relation to acquisitions made in the year. As a result of settlement of debt acquired, an exceptional finance cost of £0.5m was incurred.

Offsetting the above exceptional costs was a £1.0m credit due to the revision of the International receivables provision, following the receipt of all outstanding cash.

Notes to the Financial Statements (continued)

3 Exceptional items (continued)

For the year ended 31 March 2017

During the year, exceptional administrative costs of £2.2m were incurred, exceptional income of £1.6m received, and £0.6m of contingent acquisition consideration released to the Income Statement.

Exceptional costs of £0.8m were incurred in restructuring the UK and Ireland business. The number of regional operating divisions was reduced from three to two, with consequent reductions in staff numbers and associated redundancy costs. Contract costs which were being amortised following an acquisition in 2013, amounting to £0.8m, have been written off following the insolvency of the counter party. £0.2m of costs have been incurred relating to the acquisition of the Lloyds British business, including professional and restructuring costs arising from the business integration. £0.4m of professional fees were incurred in relation to September's General Meeting.

Exceptional income of £1.6m was received in respect of receivables previously provided for through exceptional charges arising from International asset disposals. £0.6m of contingent consideration arising on the prior year acquisition of OHP Limited was released to the Income Statement following settlement of the amounts payable.

4 Taxation

	2018 £m	2017 £m
Tax charged in the Income Statement		
Current tax		
UK corporation tax on profits for the period at 19% (2017: 20%)	3.3	3.8
Adjustment in respect of prior years	(0.2)	0.1
Total current tax	<u>3.1</u>	<u>3.9</u>
Deferred tax		
UK deferred tax at 17% (2017: 17%)	0.8	(0.5)
Adjustment in respect of prior years	-	(0.2)
Impact of rate change	-	(0.3)
Total deferred tax	<u>0.8</u>	<u>(1.0)</u>
Total tax charge	<u><u>3.9</u></u>	<u><u>2.9</u></u>
Tax credited in equity		
Current tax		
Current tax on equity-settled share-based payments	0.1	-
Current tax on foreign exchange reserve	-	0.4
Total current tax	<u>0.1</u>	<u>0.4</u>
Deferred tax		
Deferred tax on foreign exchange reserve	-	0.1
Total deferred tax charged in equity	<u>-</u>	<u>0.1</u>
Total tax charged to equity	<u><u>0.1</u></u>	<u><u>0.5</u></u>

The adjusted tax rate of 18.9% (2017: 21.6%) is lower than the standard rate of UK corporation tax of 19% (2017: 20%).

Notes to the Financial Statements (continued)

8 Taxation (continued)

The tax charge in the Income Statement for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 20%) and is explained as follows:

	2018	2017
	£m	£m
Profit before tax	18.0	14.4
Accounting profit multiplied by the standard rate of corporation tax at 19% (2017: 20%)	3.4	2.9
Expenses not deductible for tax purposes	1.2	0.8
Non-taxable income	-	(0.1)
Share-based payments	0.2	0.2
Overseas profits not subject to tax	(0.4)	(0.2)
Share of joint venture income already taxed	(0.2)	(0.3)
Adjustment to deferred taxation relating to future changes in corporation tax rates	-	(0.3)
Difference between current and deferred tax rates	(0.1)	-
Adjustment to tax in respect of prior years	(0.2)	(0.1)
Tax charge for the year reported in the Income Statement	3.9	2.9
Tax charged in equity		
Current tax charge	0.1	0.4
Deferred tax charge	-	0.1
Tax charged to equity	0.1	0.5

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

Notes to the Financial Statements (continued)

9 Earnings per share

The calculation of basic earnings per share is based on the profit for the financial year of £14.1m (2017: profit of £11.5m) and the weighted average number of 5 pence ordinary shares in issue, and is calculated as follows:

	2018	2017
Profit (£m)		
Profit for the year after tax – basic earnings	14.1	11.5
Intangible amortisation charge (after tax)	0.2	1.5
Exceptional items (after tax)	6.7	(0.3)
	<u>21.0</u>	<u>12.7</u>
Adjusted earnings (after tax)		
Weighted average number of shares in issue (m)		
Number of shares at the beginning of the year	519.4	519.2
Exercise of share options	0.1	0.1
	<u>519.5</u>	<u>519.3</u>
Weighted average for the year – basic number of shares	519.5	519.3
Share options	2.2	0.8
Employee share scheme	1.2	0.3
	<u>522.9</u>	<u>520.4</u>
Weighted average for the year – diluted number of shares		
Earnings per share (pence)		
Basic earnings per share	2.71	2.22
Amortisation	0.04	0.29
Exceptional costs	1.29	(0.06)
	<u>4.04</u>	<u>2.45</u>
Adjusted earnings per share		
Basic earnings per share	2.71	2.22
	<u>2.70</u>	<u>2.21</u>
Diluted earnings per share		
Adjusted earnings per share	4.04	2.45
Share options	(0.02)	(0.01)
	<u>4.02</u>	<u>2.44</u>
Adjusted diluted earnings per share		

Total number of shares outstanding at 31 March 2018 amounted to 523,703,797 (2017: 523,566,491), including 4,118,744 (2017: 4,129,653) shares held in the Employee Benefit Trust, which are excluded in calculating earnings per share.

Notes to the Financial Statements (continued)

10 Dividends

The aggregate amount of dividend comprises:

	2018 £m	2017 £m
2016 final dividend (0.40 pence on 523.4m shares)	-	2.1
2017 interim dividend (0.33 pence on 523.5m shares)	-	1.7
2017 final dividend (0.67 pence on 523.6m shares)	3.5	-
2018 interim dividend (0.50 pence on 523.7m shares)	2.6	-
	<u>6.1</u>	<u>3.8</u>

Subsequent to the end of the year and not included in the results for the year, the Directors recommended a final dividend of 1.15 pence (2017: 0.67 pence) per share, bringing the total amount payable in respect of the 2018 year to 1.65 pence (2017: 1.00 pence), to be paid on 10 August 2018 to shareholders on the register on 6 July 2018.

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 2018, the Trust held 4,118,744 ordinary shares (2017: 4,129,653).

11 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.

	2018 £m	2017 £m
Operating profit	21.8	17.5
Add back: amortisation	0.2	1.8
Add back: exceptional items	7.2	-
Operating profit before amortisation and exceptional items ('EBITA')	<u>29.2</u>	<u>19.3</u>
Add back: depreciation	43.8	43.8
EBITDA before exceptional items	<u>73.0</u>	<u>63.1</u>
Profit before tax	18.0	14.4
Add back: amortisation	0.2	1.8
Add back: exceptional items	7.7	-
Adjusted profit before tax	<u>25.9</u>	<u>16.2</u>

Notes to the Financial Statements (continued)

12 Property, plant and equipment

	Land and buildings £m	Hire equipment £m	Other £m	Total £m
Cost				
At 1 April 2016	54.7	378.5	80.4	513.6
Foreign exchange	0.6	0.5	-	1.1
Acquisition through business combinations*	-	-	0.2	0.2
Additions	0.7	40.4	3.6	44.7
Disposals	(0.3)	(35.7)	(0.2)	(36.2)
Transfers to inventory	-	(33.0)	-	(33.0)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017*	55.7	350.7	84.0	490.4
Foreign exchange	(0.4)	0.2	-	(0.2)
Acquisition through business combinations	0.1	15.8	1.1	17.0
Additions	0.4	45.4	4.6	50.4
Disposals	(5.3)	(31.2)	(17.0)	(53.5)
Transfers to inventory	-	(16.1)	-	(16.1)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	50.5	364.8	72.7	488.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
At 1 April 2016	27.0	158.6	63.9	249.5
Foreign exchange	0.2	0.1	0.2	0.5
Charged in year	3.4	35.2	5.2	43.8
Disposals	-	(24.2)	-	(24.2)
Transfers to inventory	-	(13.8)	-	(13.8)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	30.6	155.9	69.3	255.8
Foreign exchange	(0.1)	0.1	-	-
Charged in year	3.2	34.7	5.9	43.8
Disposals	(3.8)	(19.5)	(16.9)	(40.2)
Transfers to inventory	-	(10.9)	-	(10.9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	29.9	160.3	58.3	248.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 March 2018	20.6	204.5	14.4	239.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2017*	25.1	194.8	14.7	234.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	27.7	219.9	16.5	264.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Adjusted for fair value adjustments, see note 10.

The net book value of land and buildings comprises freehold properties of £nil (2017: £nil), and short leasehold properties of £20.6m (2017: £25.1m).

At 31 March 2018, the net carrying amount of leased property, plant and equipment is £0.8m (2017: £1.3m).

Notes to the Financial Statements (continued)

13 Borrowings

	2018 £m	2017 £m
Current borrowings		
Bank overdraft	5.4	4.1
Finance lease liabilities	0.3	0.3
	<u>5.7</u>	<u>4.4</u>
Non-current borrowings		
Maturing between two and five years		
- ABL facility	73.3	72.1
- Finance lease liabilities	0.2	0.5
	<u>73.5</u>	<u>72.6</u>
Total non-current borrowings	73.5	72.6
Total borrowings	79.2	77.0
Less: cash	(9.8)	(5.6)
	<u>69.4</u>	<u>71.4</u>
Net debt	<u>69.4</u>	<u>71.4</u>

The Group has a £180m asset based finance facility which was amended and extended during the year. The facility is sub divided into:

(i) A secured overdraft facility, provided by Barclays Bank Plc which secures by cross guarantees and debentures the bank deposits and overdrafts of the Company and certain subsidiary companies up to a maximum of £5m. The reported overdraft balance at 31 March 2018 of £5.4m excluded cash in transit at that date; the actual overdraft balance was £3.3m.

(ii) An asset based finance facility of up to £175m, based on the Group's hire equipment and trade receivables balance. The undrawn availability of this facility as at 31 March 2018 was £73.5m (2017: £75.8m) based on the Group's eligible hire equipment and trade receivables.

The facility is for £180m, but is reduced to the extent that any ancillary facilities are provided, and is repayable in October 2022, with no prior scheduled repayment requirements. An additional uncommitted accordion of £220m remains in place through to October 2022.

Interest on the facility is calculated by reference to the London Inter Bank Offered Rate applicable to the period drawn, plus a margin of 150 to 250 basis points (previously 170 to 275 basis points), depending on leverage and on the components of the borrowing base. During the period, the effective margin was 1.92% (2017: 2.35%).

The facility is secured by fixed and floating charges over the UK and Ireland assets.

Analysis of consolidated net debt

	31 March 2017 £m	Non-cash movement £m	Arising on acquisition £m	Cash flow £m	31 March 2018 £m
Cash at bank and in hand	5.6	-	-	4.2	9.8
Finance lease liabilities	(0.8)	-	(8.2)	8.5	(0.5)
Bank overdraft	(4.1)	-	-	(1.3)	(5.4)
Borrowings	(72.1)	(0.8)	(0.9)	0.5	(73.3)
	<u>(71.4)</u>	<u>(0.8)</u>	<u>(9.1)</u>	<u>11.9</u>	<u>(69.4)</u>

Notes to the Financial Statements (continued)

9 Borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018	2017
	£m	£m
- not later than one year	0.3	0.3
- later than one year and not later than five years	0.2	0.5
	<u>0.5</u>	<u>0.8</u>

Under the terms of the lease agreements, no contingent rents are payable. The difference between the total future minimum lease payments and their present value is immaterial.

Notes to the Financial Statements (continued)

10 Acquisition of subsidiaries

In November 2017, the Group acquired 100% of the share capital of both Prolift Access Limited (“Prolift”) and Platform Sales & Hire Limited (“PSHL”).

Prolift is a specialist powered access business based in the South West. PSHL is a specialist powered access business based in the Midlands. The Group expects to realise both revenue and cost synergies from these acquisitions, which will allow the Group to support an increased proportion of customer demand through its core fleet.

The acquisitions have been accounted for using the acquisition method of accounting. A provisional assessment has been made of the fair value to the Group of the assets and liabilities acquired.

For the period to the end of 31 March 2018, the acquisitions contributed revenue of £5.9m and operating profit of £0.3m to the Speedy Group results.

The fair values of the assets and liabilities acquired are as follows:

	Book value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible assets	-	0.2	0.2
Tangible fixed assets	15.0	1.9	16.9
Inventory	0.3	(0.2)	0.1
Receivables	3.5	-	3.5
Cash	1.5	-	1.5
Current payables	(7.1)	(0.2)	(7.3)
Non-current payables	(8.4)	(0.5)	(8.9)
	<u>4.8</u>	<u>1.2</u>	<u>6.0</u>
Goodwill capitalised			<u>6.2</u>
Cash consideration			<u>12.2</u>
Debt assumed on acquisition			<u>9.1</u>
Total consideration			<u><u>21.3</u></u>

Consideration paid for shares in Prolift was £5.1m, with £2.5m of net assets acquired. Consideration paid for shares in PSHL was £7.1m, with £3.5m of net assets acquired.

The fair value adjustment to tangible fixed assets and inventory reflects their estimated market value at the time of acquisition. Fair value adjustments have also been recognised for provisions not previously recognised.

The customer relationship intangible has been valued using the ‘excess earnings’ method, and is based on income forecast to be generated by the businesses acquired. Capital asset charges have been applied using a risk-adjusted weighted average cost of capital in respect of fixed assets, working capital and the workforce. Other assumptions used in the valuation include an assumed growth in income from customers of 5.0% per annum, and a discount rate applied to the resulting income stream of 9.0% (post tax). The customer list intangible is being amortised over five years, which is considered to be the period over which the majority of the benefits are expected to arise.

The brand intangible has been valued using the ‘relief-from-royalty’ method, using a royalty rate of 0.5% of income, discounted at a rate of 9.0%. The intangible is being amortised over a period of two years, which is estimated to be the useful life within the business.

Notes to the Financial Statements (continued)

10 Acquisition of subsidiaries (continued)

Prior year acquisition

The Group purchased the brand, business and assets of Lloyds British Testing Limited in the prior year. The fair values disclosed as provisional in the 2017 Financial Statements in respect of this acquisition have been finalised during the year. As a result, the opening balance sheet has been restated to account for a £0.1m reduction to the fair value of property, plant and equipment and £0.2m reduction in inventory. This has resulted in £0.3m additional goodwill being recognised.

	Book value at acquisition £m	Fair value Adjustment* £m	Fair value* £m
Other property, plant and equipment	0.4	(0.2)	0.2
Inventory	0.3	0.1	0.4
Intangible assets – customer relationship and trade name	-	2.7	2.7
Deferred tax	-	(0.3)	(0.3)
	0.7	2.3	3.0
Goodwill capitalised			0.8
Total consideration			3.8
Satisfied by:			
- cash consideration			3.8
			3.8

* Restated to show the fair value adjustments to the acquired values.

11 Post-balance sheet events

Dividends

The Directors have proposed a dividend of 1.15 pence per share as a final dividend in respect of the year ended 31 March 2018. 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:

	2018 £m	2017 £m
1.15 pence (2017: 0.67 pence) on 523.7m (2017: 523.6m) ordinary shares	6.0	3.5