



Speedy Hire Plc

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

Results for the year ended 31 March 2016

17 May 2016

Speedy, the UK's leading tools, equipment and plant hire services company, operating across the construction, infrastructure and industrial markets, announces results for the year ended 31 March 2016.

Financial Highlights

	Year ended 31 March 2016	Year ended 31 March 2015	Change
	(£m)	(£m)	%
Group revenue*	329.1	375.0	(12.2)
UK & Ireland	308.7	351.3	(12.1)
International	20.4	23.7	(13.9)
Group EBITDA*	53.1	72.7	(27.0)
Group EBITA*	10.0	26.4	(62.1)
UK & Ireland	14.5	37.4	(61.2)
International	0.6	(5.6)	N/A
Adjusted* Profit Before Tax	5.0	21.9	(77.2)
(Loss) / Profit Before Tax	(57.6)	2.1	N/A
ROCE*	3.2%	8.0%	(60.0)
Adjusted earnings per share* (pence)	0.79p	3.23p	(75.5)
Net debt	102.6	105.3	2.6
Dividend for the year (pence per share)	0.70p	0.70p	0.0

* before amortisation and exceptional items

- Business stabilised and starting to respond to management's recovery action plan
- Asset availability, customer service and IT systems all improved
- New Board with deep industry and operational experience
- Acquisition of OHP strengthens rail sector offering
- Solid platform being created for the future

Commenting on the results;

Russell Down, Chief Executive, said:

"We have restructured the business, cut overheads to more closely align them with revenues, enhanced the management information generated from our systems and improved our cash performance. We are now starting to see an improvement in our culture and greater efficiencies throughout our operations".

"The business is starting to respond positively to the actions we are undertaking. With a renewed focus on sales, tighter overhead control and better management information with which to manage return on capital we are creating a solid platform for the future".

Jan Åstrand, Executive Chairman, said:

"We are beginning to see the business responding to the actions being undertaken by the new management team with an improvement in our culture of accountability, customer service, and in driving greater efficiencies throughout our operations."

Enquiries:**Speedy Hire PLC**

Russell Down, Chief Executive
Chris Morgan, Group Finance Director

Tel: 01942 720 000

Instinctif Partners

Mark Garraway
Helen Tarbet
James Gray

Tel: 020 7457 2020

Notes:

Analyst Presentation: There will be an analysts' meeting at the offices at Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ at 09.30 today. For further details please contact Rosie Driscoll at Instinctif Partners on 020 7457 2020 or rosie.driscoll@instinctif.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 UK's leading provider of tools, equipment and plant hire services to a wide range of customers in the construction, infrastructure and industrial markets, as well as to local trade and industry. The Group provides complementary support services through the provision of training, asset management and compliance services. Speedy is accredited nationally to ISO50001, ISO9001, ISO14001 and OHSAS18001. The Group operates from 206 fixed sites across the UK and Ireland together with a number of on-site facilities at client locations throughout the UK, Ireland and from an international office based in Abu Dhabi.

Chairman's Statement

Overview

I am pleased to report that the recovery action plan, undertaken by the new management team, has stabilised the business and is creating a solid platform for the future.

As soon as it became clear that we had experienced a significantly slower than expected start to the year, we initiated a comprehensive review of the Group's operations, information systems and customer service processes to identify the factors behind this. We concluded that the results for the year would be affected by:

- A lack of available equipment following the network optimisation programme
- A focus on Strategic accounts at the expense of SME customers
- Poor customer service caused by disruption during the implementation of the new IT and MI system

We announced a disappointing trading update on 1 July 2015 and a number of Board changes. I stepped up to Executive Chairman and Russell Down, who joined the Board as Group Finance Director on 6 April 2015, was additionally appointed as Chief Executive.

Results Overview

Revenue was in line with our revised expectations at £329.1m (2015: £375.0m). Adjusted profit before tax (before amortisation and exceptional items) was £5.0m (2015: £21.9m) reflecting the lower revenues; adjusted earnings per share was 0.79 pence (2015: 3.23 pence per share).

Whilst these results are disappointing, revenue trended better over the second half when compared with the first. Net debt and cash flow performance were better than expected, due to tight operational management and the beneficial effects of the recovery action plan; our balance sheet remains strong. Overhead reductions which were required to bring the business back into shape were targeted at £13m; this target was exceeded.

Acquisition

On 8 February 2016 we announced that we had acquired the entire issued share capital of OHP Limited, a company specialising in the hire of overhead line equipment to the rail sector, for an initial cash consideration of £1.5 million and the assumption of £0.7m of debt. The addition of OHP has strengthened our rail activities and provides an indication of the way in which we intend to enhance shareholder value through carefully targeted bolt on acquisitions which can improve our offering in attractive market sectors.

Dividend

The Board has reviewed its dividend policy and its aspiration is to return as soon as practicable to a progressive policy with cover of between 2 and 3 times adjusted earnings per share.

This year, the Board is recommending a maintained final dividend of 0.40 pence a share. If approved at the forthcoming Annual General Meeting the total dividend for the year would be 0.70 pence per share (2015: 0.70 pence). The dividend will be paid on 12 August 2016 to shareholders on the register at close of business on 8 July 2016.

Board

Russell Down, who joined Speedy as Group Finance Director on 6 April 2015, was appointed Chief Executive on 1 July 2015. Chris Morgan, who joined as Interim Finance Director in December 2015 was appointed Group Finance Director and joined the Board on 1 April 2016.

I took on the role of Executive Chairman from 1 July 2015 to assist Russell Down in his new role as Chief Executive, and support the Executive team in their efforts to improve and accelerate operating performance.

I intend to revert back to Non-Executive status in the near future and will continue to work closely with the Executive team to promote the Company's success.

During the year Dr Chris Masters and James Morley stepped down as non-executive Directors. On behalf of the Board, I would like to thank them both for their contribution to the business.

We were pleased to welcome Bob Contreras to the Board, as Senior Independent Director, and Rob Barclay as non-executive Director.

We now have a strong Board which combines deep industry and operational expertise and I am confident that it is the right one to take us forward.

Outlook

We are beginning to see the business responding to the actions being undertaken by the new team with an improvement in our culture of accountability, customer service and in driving efficiencies throughout our operations.

Jan Åstrand
Executive Chairman

Chief Executive's Statement

Overview

On becoming Chief Executive I immediately launched our recovery action plan to address the issues which were uncovered by the Board review. I am pleased to report the early signs are that the business is starting to respond to these actions.

- Action: We reviewed our processes for testing and repairing equipment and increased engineering resources across the depot network to address equipment availability.

Result: A significant improvement in available equipment and customer response times.

- Action: The sales function was restructured to ensure that we were meeting customer requirements at all levels from strategic to SME.

Result: Ownership and accountability for SME customers is now held at regional level, improving our relationships with these customers.

- Action: We invested in upgrades to our IT and management information systems and in embedding these fully across the business.

Result: A significant reduction in invoice queries, improvement in cash collections, better system response times and better management information with which to manage the business.

Financial Performance

As previously reported the significant fall in Group revenues early in the year necessitated a fundamental review of our operations and structure. A priority has been the need to create a leaner, more effective structure, and competitive overhead base. At the half year our stated aim was to achieve overhead cost savings of at least £13m, of which £10m were expected to be realised in the UK and Ireland. We have exceeded this target and have reported overhead costs which are £16.5m lower than the prior year; £12.2m of these savings were achieved in the UK and Ireland. The savings have resulted in a cost base much more closely aligned with our revenues and have been achieved through a combination of actions including the removal of roles, better fleet management and an overall tighter control on costs throughout the Group.

Exceptional items totalled £59.9m (2015: £17.1m). These comprise the previously announced impairment of £45.9m of goodwill, £7.7m of restructuring costs, £5.5m of bad debt provisions in relation to a Middle East debtor and £0.8m relating to losses on disposals of assets in the Middle East.

Our net debt position has been improved to £102.6m (2015: £105.3m) after the acquisition of OHP Limited for an upfront consideration of £2.2m. This improvement in performance has been achieved following major upgrades to our IT system which stabilised invoicing routines, improved collections and led to a significant reduction in debtor days.

Operational Review

UK and Ireland

Our UK and Ireland business contributes 94% of Group revenues. Total UK and Ireland revenue declined to £308.7m (2015: £351.3m) as a result of the factors identified by the Board review. The recovery action plan subsequently resulted in much needed internal change across the business. Core Hire revenue reduced to £198.5m (2015: £223.7m). Partnered Services revenue was £45.4m (2015: £48.4m). During the period our actions drove an improving revenue trend from the first to the second half, particularly in the final quarter.

EBITA was £14.5m (2015: £37.4m) before central costs of £5.1m (2015: £5.4m). The reduction in profitability reflects the lower revenues achieved and the high level of operational gearing in the business.

We improved product availability and utilisation during the second half, making it our priority to ensure that the right equipment was available by increasing engineering resources and redistributing assets throughout the depot network. We also made significant improvements to our IT and management information systems, stabilised and enhanced the platforms, and embedded them into all areas of the business.

There has consequently been an improvement in the substance and timeliness of management information which is now also enabling us to better monitor performance against KPIs in relation to asset utilisation, engineering and logistics, and return on asset classes. This has already led to a reduction in invoice queries, improved cash collections and an enhanced customer experience. Over time, this will significantly enhance the management of the Group and consequently return on capital employed.

Our asset fleet is the largest of its type in the UK and Ireland at £211.3m and consists of over 320,000 SKUs. During the year we invested £54.8m in hire assets in the UK and Ireland, and will continue to invest in the equipment that our customers need and which provides us with an appropriate return on capital.

We have rationalised our property network during the year reducing the number of Speedy branded depots from 220 to 206 by closing and combining locations to enhance efficiency. We are improving and standardising the Express Depot network to ensure that our customers experience the highest standard of facility and service wherever they do business with us. We invested £0.4m during the year and we have budgeted an increased level of investment over the coming years to ensure that all Speedy branded depots attain a uniform standard.

The acquisition of rail overhead line equipment specialist, OHP, has now been fully integrated and significantly enhances our offering in the rail sector. The UK rail market is in a period of growth with the continuation of Network Rail's Enhancement and Renewal Projects, investment in London Underground and various light-rail projects such as the Manchester Metrolink Extension and Birmingham's Centro Expansion. Speedy is well positioned in this important and growing market.

Over the medium and longer term we will continue to complement our organic growth initiatives with carefully targeted bolt on acquisitions of specialist businesses which enhance the services we can offer to customers.

International

Our International business contributes 6% of Group revenues. During the year, we refocused on the Oil and Gas market for national government clients in Abu Dhabi, and reported a profit of £0.6m (2015: loss £5.6m). Revenue was £20.4m (2015: £23.7m) following the closure of our businesses in Qatar, Egypt and Oman. The business operates at lower margins than the UK and Ireland due to the broad range of equipment supplied and the consequent mix of core hire and partnered services revenue.

The operations have been restructured further during the year and overhead costs reduced. Consequently we anticipate that in spite of the recent weakness in oil prices the business will continue to trade profitably. During the year we provided £5.5m within exceptional costs in relation to the non-recovery of amounts invoiced for asset disposals in the prior year. Following negotiations undertaken during the second half year we are now receiving payments against an agreed payment plan for the majority of the amount outstanding. Future payments will be recognised as exceptional credits as the requirement for provision is re-assessed.

People

As a result of the revenue decline we experienced early in the year, we reduced our headcount by 6.5% in the UK and Ireland this year. Whilst I do not underestimate the effect that this has had on all our people, it was a necessary action and Speedy is now operating as a stronger, more efficient and effective organisation.

I would like to thank everybody at Speedy for their perseverance and professionalism during a challenging time. I am confident that with our renewed focus on customer service, empowerment and accountability, we are now in a position to prosper once again.

Safety

Safety is at the core of everything we do and I am delighted to report that we lead our industry in this area. We have recently been awarded our second RoSPA gold medal, have been re-certified under OHSAS18001 and RiSQS during the year, and have once again seen an increase in our near miss reporting which, following the learnings from these, has led to a significant fall in our major accident rate.

We are proud to have recently launched our 'intelligent safety' campaign which promotes safety related topics to the industry. The campaign is promoted through briefings on-site, with associated handouts for customers to use and updated through a dedicated online microsite. Training information is provided on safer products, and raises awareness of health and safety hazards in our industry including dust control, working at height and hand arm vibration.

Summary and Outlook

We have restructured the business, cut overheads to more closely align them with revenues, enhanced the management information generated from our systems and improved our cash performance. We are now starting to see an improvement in our culture and greater efficiencies throughout our operations.

The business is starting to respond positively to the actions we are undertaking. With a renewed focus on sales, tighter overhead control and better management information with which to manage return on capital we are creating a solid platform for the future.

Russell Down
Chief Executive

Financial review

Group financial performance

Revenue¹ for the year to 31 March 2016 was £329.1m (2015: £375.0m) which included fleet disposals of £5.6m (2015: £13.7m); excluding these disposals, revenue declined 10.5% (2015: increased 6.2%). In the prior year exceptional revenue of £11.0m related to the disposal of Middle East assets.

The gross profit percentage¹ declined to 56.0% (2015: 57.9%) primarily due to the mix of partnered services revenue streams which have a lower margin than core hire and a £3.5m profit on disposal last year on two large deals which generated higher margins than the £0.7m profit on disposal in the current year.

The Group reported EBITA¹ of £10.0m before exceptional items (2015: £26.4m). Gross profit¹ declined by £32.9m, offset by a £16.5m saving in administrative expenses and distribution costs. The main cost savings arise from people (£12.2m) and vehicles (£2.1m). The International division generated EBITA¹ of £0.6m (2015: EBITA¹ loss £5.6m) following the exit from the non-oil and gas market in 2015. Profit before taxation, exceptional items and amortisation was £5.0m (2015: £21.9m). Loss after taxation was £52.7m (2015: £0.2m profit).

	Revenue ¹ (£m)		EBITA ¹ (£m)	
	2016	2015	2016	2015
UK & Ireland	308.7	351.3	14.5	37.4
International	20.4	23.7	0.6	(5.6)
Corporate costs	–	–	(5.1)	(5.4)
Total	329.1	375.0	10.0	26.4

UK & Ireland performance

Revenue¹ fell by 12.1% to £308.7m (2015: £351.3m). Partial recovery was seen in the final quarter and a number of new contract wins and renewals were secured in the year. These include Morgan Sindall, Lorne Stewart, Whitbread and Siemens. The Rail division continued to grow and we acquired Rail Hire UK ('OHP Limited') to enhance our offering in the rail sector. Fuel revenue was down £3.0m compared to last year, driven by falling prices, but volume increased 7% year on year. The gross margin impact of the overall revenue fall was in part mitigated by £12.2m of savings in administration expenses and distribution costs.

International performance

The International division was restructured in the previous year with the closure of operations in Egypt and Qatar and the sale of the business in Oman in the current financial year. The Group withdrew from the UAE spot hire business in the previous year and the remaining Oil & Gas activities in the region are currently operating profitably. EBITA¹ was £0.6m (2015: EBITA¹ loss £5.6m). Revenue performance was encouraging, with strong underlying growth in the final quarter.

Exceptional costs

Exceptional items totalled £59.9m before taxation (2015: £17.1m) due to the impairment of goodwill (£45.9m) and business restructuring costs. A summary of costs treated as exceptional is provided below; full details are provided in note 3 to the Financial Statements:

- £45.9m goodwill impairment, of which £34.9m relates to three acquisitions undertaken in 2006 and 2007;
- £5.5m bad debt provision in relation to an International debtor;
- £7.7m on the business restructure, consisting of £4.2m on management restructuring and £3.5m on the network optimisation programme; and
- £0.8m relating to losses on non-oil and gas asset disposals in the Middle East.

Interest and hedging

Net financial expense totalled £5.7m (2015: £5.4m). Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a variable margin, while any unutilised commitment is charged at 40% of the applicable margin. During the year, the margin payable on the outstanding debt fluctuated between 2.00% and 2.75% dependent on the Group's performance in relation to leverage and the weighting of lending between receivables and plant and machinery. The effective average margin in the year was 2.49%. The current applicable margins are 2.25% on receivables and 2.75% on plant and machinery.

The Group utilises interest rate hedges to manage fluctuations in LIBOR. The fair value of these hedges was a liability of £0.7m at year end and they have varying maturity dates to February 2019. The incremental interest cost arising from these hedges amounted to £0.3m during the year (2015: £0.3m).

Taxation

The Group's income statement shows a tax credit for the year of £4.9m (2015: charge £1.9m), an effective tax rate of 8.5% (2015: 90.5%). The low effective tax rate is principally due to £28.8m of the goodwill impairment not being tax deductible. The effective rate of tax on adjusted profit amounts to 16.8% (2015: 24.7%). The adjusted effective tax rate is lower than the prevailing UK tax rate due to the impact of changes in future tax rates on deferred tax balances.

The Group has benefitted from a deferred tax credit of £0.6m which arises from restating the net deferred tax liability at an enacted future tax rate of 18%, down from 20%.

Tax paid in the year ending 31 March 2016 amounted to £0.6m (2015: £5.2m).

Shares, earnings per share and dividends

At 31 March 2016, 523,320,947 shares were outstanding, of which 4,160,483 were held in the Employee Benefits Trust.

Adjusted earnings per share before amortisation and exceptional items was 0.79 pence (2015: 3.23 pence). After amortisation and exceptional items, basic loss per share was 10.19 pence (2015: earnings per share 0.04 pence).

The Board remains committed to the payment of dividends when prudent to do so, and its aspiration is to return as soon as practicable to a policy with cover of between 2x and 3x adjusted earnings per share. Subsequent to the year-end, it has recommended a final dividend of 0.40 pence per share (2015: 0.40 pence), which represents a cash cost of approximately £2.1m. If approved by shareholders, this gives a total dividend for the year of 0.70 pence per share (2015: 0.70 pence). It is proposed that the dividend will be paid on 12 August 2016 to shareholders on the register at 8 July 2016.

Capital expenditure and disposals

Total capital expenditure during the year amounted to £69.0m (2015: £87.7m), of which £57.8m (2015: £68.6m) related to equipment for hire. The Group's property network was redeveloped and optimised during the previous year and consequently capital expenditure related to land and buildings decreased to £3.4m (2015: £13.7m).

The hire fleet is continually reviewed to optimise asset holdings for the target market. As a result of better management information informing decisions on asset utilisation, capital expenditure requirements reduced in the year. Disposal proceeds of £17.6m (2015: £39.8m) decreased during the year as a result of the sale of equipment held in the Middle East during 2015. At 31 March 2016, the average age of the fleet was estimated at 3.9 years (2015: 4.0 years).

Cash flow and net debt

Net cash flow generated from operating activities increased to £20.4m in the year (2015: £3.0m). Free cash flow (before dividends and financing activities) was an inflow of £8.6m (2015: outflow £16.2m), primarily as a result of better working capital management, especially within trade and other receivables. Trade receivables

have decreased by 28.0% to £74.9m, following system improvements and reflecting lower revenue. In addition, capital expenditure reduced by £18.7m. Disposal proceeds reduced from £39.8m to £17.6m, primarily as a result of the International asset sales in 2015. Dividend payments in the year amounted to £3.6m (2015: £3.4m).

Accordingly, net debt has decreased from £105.3m at the beginning of the year to £102.6m at 31 March 2016, a £2.7m decrease, despite the £2.2m acquisition of OHP Limited, a company specialising in the hire of overhead line equipment to the rail sector. Net debt to EBITDA has increased to 1.93x (2015: 1.45x). Net debt as a percentage of hire fleet NBV has decreased to 46.6% from 49.6% as at 31 March 2015.

Balance sheet

Net assets at 31 March 2016 totaled £178.4m (2015: £234.0m).

Net assets per share amount to 34.1 pence, and tangible fixed assets per share, 50.6 pence. Net property, plant and equipment was £264.6m at 31 March 2016, of which equipment for hire represents approximately 83.3%. Net debt / property, plant and equipment of 0.39x at 31 March 2016 (2015: 0.42x) underlines the strong asset backing within the business.

Gross trade receivables totaled £85.8m at 31 March 2016 (2015: £110.4m). Bad debt and credit note provisions totaled £10.9m at 31 March 2016 (2015: £6.3m), equivalent to 12.7% of the debtor book (2015: 5.7%). The increase in total provisions reflects the specific exceptional provision discussed in note 3.

Capital structure and treasury

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

The Group's £180m asset-based revolving credit facility expires in September 2019.

At 31 March 2016 the gross amount utilised under the facility was £114.3m. The undrawn available amount, based on eligible receivables and plant and machinery, amounted to £54.8m (2015: £55.0m). The average gross borrowings under the facility during the year ended 31 March 2016 was £132.9m. The current facility includes quarterly leverage and fixed charge cover covenant tests which are only tested if headroom in the facility falls below £18m. The Group had significant headroom against these tests throughout the year.

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

The return on capital (based on EBITA before exceptional items) generated by the Group was 3.2%, down from 8.0% in FY2015. This is a key measure, and in addition to driving improved profitability and cash generation, the Group will closely monitor the impact on returns of future hire fleet changes.

Chris Morgan
Group Finance Director

¹ before exceptional items

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 and loss of the Company and the undertakings in the consolidation taken as a whole; and
- (ii) The Management 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 they face.

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

Name	Function
Jan Åstrand	Executive Chairman
Russell Down	Chief Executive
Chris Morgan	Group Finance Director
Bob Contreras	Senior Independent Director
Rob Barclay	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 is used by the Board to carry out a robust assessment of the principal risks.

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

Risk	Potential impact	Strategy for mitigation
Safety, health and environment	<p><u>Serious injury or death</u> 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><u>Environmental hazard</u> 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>	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 systems, health and safety, and environment 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.
Service	<p><u>Provision of equipment</u> Speedy is required to provide well maintained equipment to its customers on a consistent and dependable basis.</p> <p><u>Back office services</u> 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>The Group has invested substantially in its operational and back office processes, to continue to improve its service offering. New personal digital assistants (PDAs) are in the process of being rolled out to improve the on-site customer experience whilst the Group continues to invest heavily in its IT infrastructure to support its head office function.</p> <p>Speedy also 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.</p>
Revenue and trading performance	<p><u>Competitive pressure</u> The Hire market is fragmented and highly competitive. Whilst we continue to develop strategic relationships with strategic and major customers, it is important that we continue to develop our local and regional accounts.</p>	The Group monitors its competitive position closely, to ensure that it is able to offer its customers the best solution for their requirements. The Group provides a wide breadth of offerings, supplemented by its partnered services division for specialist equipment. The Group monitors

	<p>Reliance on high value customers As revenue from strategic customers grows there is a higher risk to future revenues should preferred supplier status be lost when such agreements may individually represent a material element of our revenues.</p>	<p>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> <p>No single customer currently accounts for more than 10% of revenue or receivables.</p>
People	<p>Employee excellence In order to achieve our strategic objectives, it is imperative that we are able to sufficiently 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 term 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 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 A significant amount of our revenues come from our partnered services offering, where the contact point with the customer is 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><u>Fixed cost base</u> 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- 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>
Information technology and data integrity	<p><u>IT system availability</u> 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><u>Data accuracy</u> 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><u>Data security</u> 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>Annual and more medium-term planning processes are in place; these create future visibility as to the level and type of IT support required for the business strategy. Business units create business cases and projects for a formal Investment Committee to agree spend where necessary and then implement any new/upgraded systems.</p> <p>The introduction of improved data reporting with dedicated analysts within the business provides improved business information and better data quality and consistency.</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><u>Sufficient Capital</u> 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 in unavailability issues. This could disadvantage the Group relative to its</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>In line with the treasury policy, the Group's capital requirements, forecast and actual financial performance and</p>

	competitors and might adversely impact on its ability to command acceptable levels of pricing.	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. Close relationships are maintained with the Group's bankers with a view to ensuring that the Group enjoys a broad degree of support. The Group's current £180m asset based revolving credit facility is not due to expire until September 2019.
Economic vulnerability	<u>Economy</u> Any changes in construction/industrial market conditions could affect activity levels and consequently the prices that the Group can 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.	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 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.
Corporate culture	<u>Operational empowerment and culture</u> We operate an internal structure that is aligned around separate specialisms to better serve our customer base. Each division is challenged with managing their business and delivering results with a degree of empowerment within overriding Group policies.	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. All of the above are supported by a well-publicised and robust whistleblowing policy with rigorous follow up of all concerns raised.

Business continuity	<p><u>Business interruption</u> 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 such as our National Distribution Centre.</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.
Asset holding and integrity	<p><u>Asset range and availability</u> 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 constantly review our range of assets and introduce progressive solutions to our customers as new products come to market, under our innovative and Green Option programmes.</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 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 2019.

Consolidated Income Statement

For the year ended 31 March 2016

	Note	Year ended 31 March 2016			Year ended 31 March 2015		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Total revenue		333.4	-	333.4	378.5	11.0	389.5
Less: share of jointly controlled entity's revenue		(4.3)	-	(4.3)	(3.5)	-	(3.5)
Revenue	2	329.1	-	329.1	375.0	11.0	386.0
Cost of sales		(144.9)	-	(144.9)	(157.9)	(17.2)	(175.1)
Gross profit		184.2	-	184.2	217.1	(6.2)	210.9
Distribution costs		(31.8)	-	(31.8)	(35.1)	-	(35.1)
Administrative expenses		(145.1)	(59.9)	(205.0)	(158.3)	(10.6)	(168.9)
Analysis of operating profit/ (loss)							
Operating profit before amortisation and exceptional items		10.0	-	10.0	26.4	-	26.4
Amortisation		(2.7)	-	(2.7)	(2.7)	-	(2.7)
Exceptional costs	3	-	(59.9)	(59.9)	-	(16.8)	(16.8)
Operating profit/ (loss)		7.3	(59.9)	(52.6)	23.7	(16.8)	6.9
Share of results of jointly controlled entity		0.7	-	0.7	0.6	-	0.6
Profit/ (loss) from operations		8.0	(59.9)	(51.9)	24.3	(16.8)	7.5
Financial expense		(5.7)	-	(5.7)	(5.1)	(0.3)	(5.4)
Profit/ (loss) before taxation		2.3	(59.9)	(57.6)	19.2	(17.1)	2.1
Taxation	4	(0.6)	5.5	4.9	(5.2)	3.3	(1.9)
Profit/ (loss) for the financial year		1.7	(54.4)	(52.7)	14.0	(13.8)	0.2
(Loss)/ earnings per share							
- Basic (pence)	5			(10.19)			0.04
- Diluted (pence)	5			(10.19)			0.04
Non-GAAP performance measures							
EBITDA before exceptional items	7	53.1			72.7		
Profit before tax, amortisation and exceptional items	7	5.0			21.9		
Adjusted earnings per share (pence)	5	0.79			3.23		

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	2016 £m	2015 £m
(Loss)/ profit for the financial year	<u>(52.7)</u>	<u>0.2</u>
Other comprehensive loss that may be reclassified subsequently to the Income Statement:		
- Effective portion of change in fair value of cash flow hedges	(0.3)	(0.3)
- Exchange difference on translation of foreign operations	<u>-</u>	<u>(2.7)</u>
Other comprehensive loss, net of tax	<u>(0.3)</u>	<u>(3.0)</u>
Total comprehensive loss for the financial year	<u>(53.0)</u>	<u>(2.8)</u>

Consolidated Balance Sheet

At 31 March 2016

	Note	31 March 2016 £m	31 March 2015 £m
ASSETS			
Non-current assets			
Intangible assets		1.6	48.6
Investment in jointly controlled entity		4.9	5.2
Property, plant and equipment			
Hire equipment	8	220.4	212.3
Non-hire equipment	8	44.2	41.0
Deferred tax assets		1.5	1.1
		<u>272.6</u>	<u>308.2</u>
Current assets			
Inventories		6.0	9.5
Trade and other receivables		85.2	114.5
Assets held for sale		-	1.9
Current tax asset		3.1	-
Cash	9	4.4	0.2
		<u>98.7</u>	<u>126.1</u>
Total assets		<u>371.3</u>	<u>434.3</u>
LIABILITIES			
Current liabilities			
Borrowings	9	(0.1)	(1.6)
Other financial liabilities		(0.7)	(0.4)
Trade and other payables		(73.9)	(80.2)
Provisions		(2.5)	(2.9)
Liabilities held for sale		-	(0.1)
Current tax liabilities		-	(0.8)
		<u>(77.2)</u>	<u>(86.0)</u>
Non-current liabilities			
Borrowings	9	(106.9)	(103.9)
Trade and other payables		(0.8)	(0.7)
Provisions		(0.9)	(1.3)
Deferred tax liabilities		(7.1)	(8.4)
		<u>(115.7)</u>	<u>(114.3)</u>
Total liabilities		<u>(192.9)</u>	<u>(200.3)</u>
Net assets		<u>178.4</u>	<u>234.0</u>
EQUITY			
Share capital		26.1	26.1
Share premium		191.4	191.0
Merger reserve		1.0	1.0
Hedging reserve		(0.9)	(0.6)
Translation reserve		(1.7)	(1.9)
Retained earnings		(37.5)	18.4
Total equity		<u>178.4</u>	<u>234.0</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2014	26.0	190.9	1.0	(0.4)	0.8	21.0	239.3
Total comprehensive loss	-	-	-	(0.3)	(2.7)	0.2	(2.8)
Dividends	-	-	-	-	-	(3.4)	(3.4)
Tax on items taken directly to equity	-	-	-	0.1	-	(0.1)	-
Equity-settled share-based payments	-	-	-	-	-	0.7	0.7
Issue of shares under the Sharesave Scheme	0.1	0.1	-	-	-	-	0.2
At 31 March 2015	26.1	191.0	1.0	(0.6)	(1.9)	18.4	234.0
Total comprehensive loss	-	-	-	(0.3)	-	(52.7)	(53.0)
Dividends	-	-	-	-	-	(3.6)	(3.6)
Tax on items taken directly to equity	-	-	-	-	0.2	(0.1)	0.1
Equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Issue of shares under the Sharesave Scheme	-	0.4	-	-	-	-	0.4
At 31 March 2016	26.1	191.4	1.0	(0.9)	(1.7)	(37.5)	178.4

Consolidated Cash Flow Statement

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Cash generated from operating activities			
(Loss)/ profit before tax		(57.6)	2.1
Financial expense		5.7	5.4
Amortisation		2.7	2.7
Depreciation		43.1	46.3
Share of profit of equity accounted investments		(0.7)	(0.6)
(Profit)/ loss on disposal of hire equipment		(0.7)	1.8
Impairment of goodwill		45.9	-
Decrease in inventories		3.6	2.3
Decrease/ (increase) in net assets held for sale		1.8	(1.8)
Decrease/ (increase) in trade and other receivables		30.0	(21.1)
(Decrease)/ increase in trade and other payables		(6.8)	3.4
Movement in provisions		(0.8)	1.8
Equity-settled share-based payments		0.5	0.7
Cash generated from operations before changes in hire fleet		66.7	43.0
Purchase of hire equipment		(57.8)	(68.6)
Proceeds from sale of hire equipment		17.0	38.9
Cash generated from operations		25.9	13.3
Interest paid		(4.9)	(5.1)
Tax paid		(0.6)	(5.2)
Net cash flow from operating activities		20.4	3.0
Cash flow from investing activities			
Purchase of non-hire property, plant and equipment		(11.2)	(19.1)
Proceeds from sale of other property, plant and equipment		0.6	0.9
Acquisition of subsidiary, net of cash acquired		(1.5)	-
Investment in jointly controlled entity		0.3	(1.0)
Net cash flow from investing activities		(11.8)	(19.2)
Net cash flow before financing activities		8.6	(16.2)
Cash flow from financing activities			
Drawdown of loans		393.9	596.3
Payment of loans		(393.5)	(580.8)
Proceeds from the issue of Sharesave Scheme shares		0.4	0.1
Dividends paid		(3.6)	(3.4)
Net cash flow from financing activities		(2.8)	12.2
Increase/ (decrease) in cash and cash equivalents		5.8	(4.0)
(Overdraft)/ cash at the start of the financial year		(1.4)	2.6
Net cash/ (overdraft) at the end of the financial year		4.4	(1.4)
Analysis of cash and cash equivalents			
Cash	9	4.4	0.2
Bank overdraft	9	-	(1.6)
		4.4	(1.4)

Reconciliation of Net Debt

	<i>Note</i>	2016 £m	2015 £m
Net increase/ (decrease) in cash and cash equivalents		5.8	(4.0)
Increase in borrowings	9	(1.1)	(15.5)
Finance lease liabilities	9	(1.2)	-
Amortisation of loan costs	9	(0.8)	(1.4)
Change in net debt during the year		2.7	(20.9)
Net debt at 1 April		(105.3)	(84.4)
Net debt at 31 March		(102.6)	(105.3)

Notes to the Financial Statements

1 Basis of preparation

The consolidated and parent company Financial Statements were approved by the Board of Directors on 16 May 2016.

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 signed a £180m asset-based revolving credit facility ('the Facility') in September 2014, which matures in September 2019 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 prepared cash flow projections 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 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 2016 or 31 March 2015 but is derived from those accounts. Statutory accounts for Speedy Hire Plc for the year ended 31 March 2015 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2016 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, Chase House, 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 & Ireland Asset Services delivers asset management, with tailored services and a continued commitment to relationship management. International Asset Services delivers major overseas projects and facilities management contracts by providing a managed site support service.

For the year ended 31 March 2016

	UK & Ireland Asset Services £m	International Asset Services £m	Corporate items £m	Total £m
Revenue	308.7	20.4	-	329.1
Segment result:				
EBITDA before exceptional costs	54.2	3.2	(4.3)	53.1
Depreciation	(39.7)	(2.6)	(0.8)	(43.1)
Operating profit/ (loss) before amortisation and exceptional items	14.5	0.6	(5.1)	10.0
Amortisation	(2.7)	-	-	(2.7)
Exceptional costs	(52.2)	(6.1)	(1.6)	(59.9)
Operating loss	(40.4)	(5.5)	(6.7)	(52.6)
Share of results of jointly controlled entity	-	0.7	-	0.7
Trading loss	(40.4)	(4.8)	(6.7)	(51.9)
Financial expense				(5.7)
Loss before tax				(57.6)
Taxation				4.9
Loss for the financial year				(52.7)
Intangible assets	1.6	-	-	1.6
Investment in jointly controlled entity	-	4.9	-	4.9
Hire equipment	211.3	9.1	-	220.4
Non-hire equipment	40.9	3.3	-	44.2
Taxation assets	-	-	4.6	4.6
Current assets	81.5	9.3	0.4	91.2
Cash	-	-	4.4	4.4
Total assets	335.3	26.6	9.4	371.3
Liabilities	(66.5)	(6.8)	(5.5)	(78.8)
Borrowings	-	-	(107.0)	(107.0)
Taxation liabilities	-	-	(7.1)	(7.1)
Total liabilities	(66.5)	(6.8)	(119.6)	(192.9)
Capital expenditure	66.0	3.0	-	69.0

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 2015

	UK & Ireland Asset Services £m	International Asset Services £m	Corporate items £m	Total £m
Revenue before exceptional items	351.3	23.7	-	375.0
Exceptional revenue (note 3)	-	11.0	-	11.0
Total Revenue	351.3	34.7	-	386.0
Segment result:				
EBITDA before exceptional costs	78.0	(0.5)	(4.8)	72.7
Depreciation	(40.6)	(5.1)	(0.6)	(46.3)
Operating profit/ (loss) before amortisation and exceptional items	37.4	(5.6)	(5.4)	26.4
Amortisation	(2.7)	-	-	(2.7)
Exceptional restructuring costs	(7.2)	(8.4)	(1.2)	(16.8)
Operating profit/ (loss)	27.5	(14.0)	(6.6)	6.9
Share of results of jointly controlled entity	-	0.6	-	0.6
Trading profit/ (loss)	27.5	(13.4)	(6.6)	7.5
Financial expense				(5.1)
Exceptional financial expense				(0.3)
Profit before tax				2.1
Taxation				(1.9)
Profit for the financial year				0.2
Intangible assets	48.6	-	-	48.6
Investment in jointly controlled entity	-	5.2	-	5.2
Hire equipment	203.7	8.6	-	212.3
Non-hire equipment	37.8	3.2	-	41.0
Taxation assets	-	-	1.1	1.1
Current assets	102.7	22.4	0.8	125.9
Cash	-	-	0.2	0.2
Total assets	392.8	39.4	2.1	434.3
Liabilities	(71.3)	(8.3)	(6.0)	(85.6)
Bank overdraft	-	-	(1.6)	(1.6)
Borrowings	-	-	(103.9)	(103.9)
Taxation liabilities	-	-	(9.2)	(9.2)
Total liabilities	(71.3)	(8.3)	(120.7)	(200.3)
Capital expenditure	83.1	4.6	-	87.7

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 2016		Year ended 31 March 2015	
	Revenues £m	Total assets £m	Revenues £m	Total assets £m
UK	303.1	334.9	345.5	385.3
Ireland	5.6	9.8	5.8	9.6
Other countries	20.4	26.6	34.7	39.4
	<u>329.1</u>	<u>371.3</u>	<u>386.0</u>	<u>434.3</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 2016

During the period, exceptional administrative costs of £59.9m have been incurred. The business has made an impairment provision against the carrying value of goodwill, finalised the roll out of its new network structure and fundamentally restructured its operations. In addition, a provision has been recorded in relation to proceeds recognised in the year to 31 March 2015 on the disposal of International assets which have not yet been received.

A provision of £45.9 million has been made against the Group's goodwill following a review of the carrying value as part of the annual impairment testing process. Trading performance during the year has resulted in the Group revising its assumptions regarding future activity levels. This has resulted in revised forecasts of cash flows arising in cash-generating units. An impairment loss has been calculated on a value-in-use basis.

Exceptional costs of £3.5m were incurred in the period as the programme to reconfigure the depot network was finalised. These costs include provisions for onerous leases which remain as a result of the changes and costs relating to implementing the change programme.

Costs relating to changing the management structure totalled £4.2m including redundancy costs and related expenditure.

Further costs have been incurred in exiting the International general and spot hire markets relating to disposals and professional fees, amounting to £0.8m.

The Group has made a provision of £5.5m against outstanding debts relating to international assets disposals following default by the purchaser on outstanding payments.

For the year ended 31 March 2015

During the prior year, exceptional administrative costs were incurred as the business rolled out a new network structure, changed management and restructured the International operations.

Exceptional costs of £6.4m were incurred as the programme to reconfigure the depot network continued. These costs included provisions for onerous leases which remained as a result of the changes and costs related to implementing the change programme.

Notes to the Financial Statements (continued)

3 Exceptional items (continued)

For the year ended 31 March 2015 (continued)

Costs relating to changing management totalled £2.2m, including redundancy costs and related expenditure incurred in the International division. A further £2.0m was incurred in respect of professional and legal costs associated with disposal activity.

In addition, a further £6.2m was incurred in respect of losses on the disposal of assets in the International division, related to the withdrawal from the General and Spot Hire markets.

Exceptional financial expenses of £0.3m related to costs incurred in cancelling debt facilities.

4 Taxation

	2016 £m	2015 £m
Tax (credited)/ charged in the income statement		
Current tax		
UK corporation tax on (losses)/ profits for the period at 20% (2015: 21%)	(3.2)	4.2
Adjustment in respect of prior years	-	(0.7)
	<u>(3.2)</u>	<u>3.5</u>
Deferred tax		
UK deferred tax at 18% (2015: 20%)	(0.6)	(1.2)
Adjustment in respect of prior years	(0.5)	-
Impact of rate change	(0.6)	(0.4)
	<u>(1.7)</u>	<u>(1.6)</u>
Total current tax	<u>(3.2)</u>	<u>3.5</u>
Total tax (credit)/ charge	<u>(4.9)</u>	<u>1.9</u>
Tax credited in equity		
Current tax		
Current tax on equity-settled share-based payments	(0.1)	(0.2)
	<u>(0.1)</u>	<u>(0.2)</u>
Total current tax	<u>(0.1)</u>	<u>(0.2)</u>
Deferred tax		
Net loss on revaluation of cash flow hedges	-	0.1
Deferred tax on foreign exchange reserve	(0.2)	-
Deferred tax on equity-settled share-based payments	0.2	0.1
	<u>-</u>	<u>0.2</u>
Total deferred tax credited in equity	<u>-</u>	<u>0.2</u>
Total tax credited to equity	<u>(0.1)</u>	<u>-</u>

The adjusted tax rate of 16.8% (2015: 24.7%) is lower than the standard rate of UK corporation tax in the UK of 20% (2015: 21%) primarily due to the change in the deferred tax rate.

Notes to the Financial Statements (continued)

4 Taxation (continued)

The tax credit in the income statement for the year is lower (2015: charge is higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%) and is explained as follows:

	2016 £m	2015 £m
(Loss)/ profit before tax	(57.6)	2.1
Accounting (loss)/ profit multiplied by the standard rate of corporation tax at 20% (2015: 21%)	(11.5)	0.4
Expenses not deductible for tax purposes	7.7	1.3
Non-taxable income	(0.4)	(0.8)
Share-based payments	0.1	0.2
Unrecognised tax losses	-	0.3
Overseas tax losses arising not subject to tax	0.5	1.8
Share of joint venture income already taxed	(0.2)	(0.2)
Adjustment to deferred taxation relating to future changes in corporation tax rates	(0.6)	(0.4)
Adjustment to tax in respect of prior years	(0.5)	(0.7)
Tax (credit)/ charge for the year reported in the income statement	(4.9)	1.9
Tax credited in equity		
Current tax credit	(0.1)	(0.2)
Deferred tax charge	-	0.2
Tax credited to equity	(0.1)	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Following a review of the expected maturity profile of the deferred tax liability a rate of 18% has been applied at 31 March 2016.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the net deferred tax liability at 31 March 2016 by £0.3m.

Notes to the Financial Statements (continued)

5 Earnings per share

The calculation of basic earnings per share is based on the loss for the financial year of £52.7m (2015: profit £0.2m) and the weighted average number of 5 pence ordinary shares in issue, and is calculated as follows:

	2016	2015
(Loss)/ profit (£m)		
(Loss)/ profit for the year after tax – basic earnings	(52.7)	0.2
Intangible amortisation charge (after tax)	2.4	2.4
Exceptional items (after tax)	54.4	13.9
	<hr/>	<hr/>
Adjusted earnings (after tax)	4.1	16.5
	<hr/>	<hr/>
Weighted average number of shares in issue (m)		
At the beginning of the year	515.6	510.2
Exercise of share options	1.7	1.0
	<hr/>	<hr/>
At the end of the year – basic number of shares	517.3	511.2
Share options	1.7	3.6
Employee share scheme	0.5	1.4
	<hr/>	<hr/>
At the end of the year – diluted number of shares	519.5	516.2
	<hr/>	<hr/>
(Loss)/ earnings per share (pence)		
Basic (loss)/ earnings per share	(10.19)	0.04
Amortisation	0.47	0.47
Exceptional costs	10.51	2.72
	<hr/>	<hr/>
Adjusted earnings per share	0.79	3.23
	<hr/>	<hr/>
Basic earnings per share	(10.19)	0.04
	<hr/>	<hr/>
Diluted (loss)/ profit per share	(10.19)	0.04
	<hr/>	<hr/>
Adjusted earnings per share	0.79	3.23
Employee share schemes	-	(0.01)
	<hr/>	<hr/>
Adjusted diluted earnings per share	0.79	3.22
	<hr/>	<hr/>

Total number of shares outstanding at 31 March 2016 amounted to 523,320,947, including 4,160,483 shares held in the Employee Benefit Trust, which are excluded in calculating earnings per share.

Notes to the Financial Statements (continued)

6 Dividends

The aggregate amount of dividend comprises:

	2016 £m	2015 £m
2014 final dividend (0.35 pence on 520.4m shares)	-	1.8
2015 interim dividend (0.30 pence on 520.5m share)	-	1.6
2015 final dividend (0.40 pence on 521.9m shares)	2.0	-
2016 interim dividend (0.30 pence on 522.1m share)	1.6	-
	3.6	3.4

Subsequent to the end of the year and not included in the results for the year, the Directors recommended a final dividend of 0.40 pence (2015: 0.40 pence) per share, bringing the total amount payable in respect of the 2016 year to 0.70 pence (2015: 0.70 pence), to be paid on 12 August 2016 to shareholders on the register on 8 July 2016.

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 2016, the Trust held 4,160,483 ordinary shares (2015: 6,252,907).

7 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.

	2016 £m	2015 £m
Operating (loss)/ profit	(52.6)	6.9
Add back: amortisation	2.7	2.7
Add back: exceptional items	59.9	16.8
Operating profit before amortisation and exceptional items	10.0	26.4
Add back: depreciation	43.1	46.3
EBITDA before exceptional items	53.1	72.7
(Loss)/ profit before tax	(57.6)	2.1
Add back: amortisation	2.7	2.7
Add back: exceptional items	59.9	16.8
Add back: exceptional finance expense	-	0.3
Profit before tax, amortisation and exceptional items	5.0	21.9

Notes to the Financial Statements (continued)

8 Property, plant and equipment

	Land and buildings £m	Hire Equipment £m	Other £m	Total £m
Cost				
At 1 April 2014	39.8	386.6	67.5	493.9
Foreign exchange	0.2	(0.6)	-	(0.4)
Additions	13.7	66.9	5.3	85.9
Disposals	(1.4)	(47.9)	(0.2)	(49.5)
Transfers to inventory	-	(40.7)	-	(40.7)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	52.3	364.3	72.6	489.2
Foreign exchange	0.3	0.3	-	0.6
Acquisition through business combinations	-	1.7	0.3	2.0
Additions	3.4	57.8	7.8	69.0
Disposals	(1.3)	(34.3)	(0.3)	(35.9)
Transfers to inventory	-	(10.8)	-	(10.8)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	54.7	379.0	80.4	514.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
At 1 April 2014	22.4	161.1	55.3	238.8
Foreign exchange	(0.1)	(0.4)	-	(0.5)
Charged in year	2.9	39.3	4.1	46.3
Disposals	(0.7)	(31.3)	-	(32.0)
Transfers to inventory	-	(16.7)	-	(16.7)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	24.5	152.0	59.4	235.9
Foreign exchange	0.1	0.2	-	0.3
Charged in year	3.2	35.2	4.7	43.1
Disposals	(0.8)	(23.3)	(0.2)	(24.3)
Transfers to inventory	-	(5.5)	-	(5.5)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	27.0	158.6	63.9	249.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 March 2016	27.7	220.4	16.5	264.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	27.8	212.3	13.2	253.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2014	17.4	225.5	12.2	255.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises freehold properties of £nil (2015: £nil), and short leasehold properties of £27.7m (2015: £27.8m).

At 31 March 2016, the net carrying amount of leased property, plant and equipment is £1.4m (2015: £nil).

Notes to the Financial Statements (continued)

9 Borrowings

	2016 £m	2015 £m
Current borrowings		
Bank overdraft	-	1.6
Finance lease liabilities	0.1	-
	<u>0.1</u>	<u>-</u>
Non-current borrowings		
Maturing between two and five years		
- ABL Facility	105.8	103.9
- Finance lease liabilities	1.1	-
	<u>106.9</u>	<u>103.9</u>
Total non-current borrowings	106.9	103.9
Total borrowings	107.0	105.5
Less: cash	(4.4)	(0.2)
	<u>102.6</u>	<u>105.3</u>
Net debt	<u>102.6</u>	<u>105.3</u>

The Group has a £180m asset based revolving credit facility which 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.
- (ii) An asset based revolving credit 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 2016 was £54.8m (2015: £55.0m) 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 September 2019, with no prior scheduled repayment requirements.

Interest on the facility is calculated by reference to the London Inter Bank Offered Rate applicable to the period drawn, plus a margin of 170 to 275 basis, depending on leverage and on the components of the borrowing base. During the period, the effective margin was 2.49% (2015: 2.60%).

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

Analysis of consolidated net debt

	31 March 2015 £m	Non-cash movement £m	Cash flow £m	31 March 2016 £m
Cash at bank and in hand	0.2	-	4.2	4.4
Bank overdrafts	(1.6)	-	1.6	-
Finance lease liabilities	-	(1.2)	-	(1.2)
Borrowings	(103.9)	(0.8)	(1.1)	(105.8)
	<u>(105.3)</u>	<u>(2.0)</u>	<u>4.7</u>	<u>(102.6)</u>

Notes to the Financial Statements (continued)

10 Post-balance sheet events

Dividends

The Directors have proposed a dividend of 0.40 pence per share as a final dividend in respect of the year ended 31 March 2016. 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:

	2016	2015
	£m	£m
0.40 pence (2015: 0.40 pence) on 523.3m (2015: 521.9m) ordinary shares	2.1	2.1