16 May 2012

SPEEDY HIRE Plc

("Speedy" or "the Group")

Annual Results for the year ended 31 March 2012 – Measured Progress

Financial Highlights

- *Adjusted profit before tax* of £12.4m (2011: loss of £0.7m)*
- *Profit before tax (post amortisation and exceptional items) of £3.2m (2011: loss £27.0m)*
- *Second half-year adjusted profit before tax* of £7.6m (H1: £4.8m)*
- *Underlying** revenue up 4.3% to £326.4m (2011: £313.0m) (Unadjusted revenue of £329.3m down 7.0% (2011: £354.2m))*
- *EBITA* up 136% to £19.6m (2011: £8.3m)*
- *Net debt reduced by £37.6m to £76.3m (2011: £113.9m) even after £20.9m increase in net capex*
- *Net debt/EBITDA* reduced to 1.2x (2011: 1.8x)*
- *Final dividend increased to 0.26 pence per share (2011: 0.20 pence per share)*

**before amortisation and exceptional costs*
*** excluding amortisation and exceptional costs*

Trading and Operational Highlights

- *Business moved back into profit and Speedy remains clear market leader*
- *Well positioned and growing revenue in the core regulated infrastructure markets of water, waste, energy and transport – now account for 25% of Group revenues*
- *Continued drive to control costs, strengthen the revenue base and maximise cash generation instrumental in the return to profitability*
- *Consolidation of the UK's property network continues with seven superstores opened in the year*
- *Management action has returned operational efficiencies to pre-downturn levels*
- *International Asset Services traded profitably in the second half of the year, demonstrating continued progress*

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

"We are pleased to report that the business has returned to profit in the year. Our strategy continues to be one of aligning ourselves to the key market sectors and the majors that are demonstrating growth, along with a disciplined approach to cash and managing costs. This has resulted in continued progress for the Group and we have created a solid platform from which to build for the future."

For further information:

Speedy Hire Plc
Steve Corcoran, Chief Executive
Lynn Krige, Group Finance Director
Tel: 020 7796 4133 on Wednesday 16 May
(thereafter Tel: 01942 720000)

Hudson Sandler
Nick Lyon/ Andrew Leach
Tel: 020 7796 4133

Website: www.speedyhire.plc.uk

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

Note – Forward looking statements

The information in this release is based on management information.

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

Notes to Editors:

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

Operating from 283 fixed sites - together with a number of on-site facilities at client locations throughout the UK, Ireland and an international hub based in the Middle East - the Group supplies a range of services including:

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

The Group also provides associated services through the provision of training, asset management and testing, repair, inspection and maintenance (TRIM).

Chairman's statement

Overview

I am pleased to report that we achieved a profit before tax (before amortisation and exceptional costs) of £12.4m for our full financial year, with £7.6m in the second half-year building on the £4.8m for the first half-year.

We have continued our drive of recent years to keep tight control over costs, to strengthen our revenue base and to manage the business so as to maximise cash generation. We are convinced that these actions have been instrumental in this year's return of the business to profitability and have laid the foundations for future growth.

Underlying Group revenue (excluding revenue from the disposed accommodation hire operation and the expired Network Rail contract) for the year was £326.4m (2011: £313.0m), an increase of 4.3% (whilst unadjusted revenue of £329.3m was down 7.0% (2011: £354.2m)). Our gross margin improved to 67.1% (2011: 61.3%). EBITA (before exceptional costs) increased to £19.6m (2011: £8.3m) with net cash flow generated from operating activities amounting to £17.7m in the year (2011: £12.3m). Net debt has fallen from £113.9m at the beginning of the year to £76.3m at 31 March 2012, a 33% decrease. These results are a welcome vindication of our disciplined approach to stabilising the business, setting it on the path to recovery and positioning it for the future.

The sale of our accommodation hire operation was completed in April 2011, removing a significant loss-maker from the Group.

Strategic progress

Since 2009 we have taken decisive action in response to the global financial crisis and in FY2012 our focus was on continuing self-help measures to strengthen both the balance sheet and our returns in what is still a difficult economy, whilst positioning the business for growth when the economy recovers.

Our results are also a reflection of the Group's strategy of developing close, long-term strategic partnerships with major customers and industrial groups. This has allowed us to gain access to their supply chains at low cost, and offer broader complementary activities in testing, repair, inspection, maintenance, asset management and training services, both in the UK and internationally.

Throughout the year we maintained our focus on strengthening and differentiating our business. We continued to diversify into a wider range of customer segments and to target those market sectors where there is, and will continue to be, significant public and private investment to meet critical infrastructure needs. We broadened our customer offerings by developing our support services to complement our hire of assets. To facilitate our strategy and to provide a platform for the long term we steadily refreshed our fleet, invested in targeted capex, improved our IT infrastructure and evolved our property portfolio.

We remain committed to our strategy of maintaining our focus on cash, costs and customers, in order to build profitability. Our priority remains to restore our UK business to full health, whilst investing judiciously to improve efficiencies. We will also develop our fledgling operations and product offerings, principally International and in testing, repair, inspection, maintenance, asset management and training services. It is particularly pleasing that the International division has hit the important milestone of achieving an operating profit in the second half of the year and we are targeting further progress in the current year.

Funding

In June 2011 we concluded an extensive refinancing exercise and signed a £220m asset-based revolving credit agreement with a syndicate of six banks. It matures in January 2015 and has no scheduled repayment requirements. This replaced a £210m cash-flow-based loan facility. We have been pleased to have received this vote of confidence from our lead banks and the additional support of new syndicate members.

Dividend

The Company paid an interim dividend of 0.2 pence per ordinary share on 27 January 2012, consistent with the interim dividend paid in FY2011.

We remain committed to a progressive dividend policy as markets recover, but remain careful in our approach to cash. The Board is recommending an increased final dividend of 0.26 pence per share, reflecting our confidence in our continuing recovery. This represents a cash cost of circa £1.3m. If approved by shareholders at the forthcoming AGM, this will bring the total for the year to 0.46 pence per share.

Governance and board changes

We strongly support the importance of upholding the principles of good corporate governance, not only for compliance purposes, but because we recognise that good governance reduces risk and adds value to the business. We strive continuously to improve our Board, executive governance structures, policies and procedures. During the year we developed an umbrella Code of Conduct and updated existing and constructed new policies on areas such as anti-bribery, hospitality, gifts and sponsorship, whistle-blowing, data protection and competition. We have also complied with the UK Corporate Governance Code.

Membership of the Board has undergone a number of changes in the past year. Following the last AGM Chris Masters was appointed as a Non-Executive Director, after the retirement of Peter Atkinson from the Board, and in September Lynn Krige was appointed as Group Finance Director after Justin Read stepped down. We have been delighted with the direct industry and international knowledge, the skills and the commitment that Chris and Lynn have added to our Board.

The Board would like to reiterate its gratitude to Peter and Justin for their valuable contributions and wish them well for the future. I would also like to thank our General Counsel and Company Secretary, Suzana Koncarevic, for her drive, professionalism and support to the Board over the last three years and wish her well. We welcome her replacement, James Blair, who has been with us since February and has over two decades of experience.

During the year we engaged the services of specialist performance consultants to carry out a detailed and independent review of the Board's effectiveness. Most areas examined attracted high ratings with no areas of significant concern, whilst also making constructive recommendations to improve and enhance the Board's effectiveness further. It was also found that the Board has a good mix of skills and capabilities and in recent times has been both streamlined and strengthened with new appointments.

Employees

The achievements of this year would not have been possible, nor would we be confident about the future, without the people we have in the Group. Their quality and commitment continues to be a fundamental strength of our business. On behalf of the Board, I would like to thank Steve Corcoran, his team and all the employees for their loyalty and hard work over recent years of considerable difficulty. Their dedication and skill has enabled us to report positive results for the Company, despite the continued demanding economic conditions. To incentivise our people and in recognition of the pressures on household budgets, we awarded our employees modest performance-related pay increases throughout last year. We have determined to continue this policy for the current year and to channel the limited funds available for pay increases towards our lower paid employees.

Outlook

Although our business has been through a very testing and unrewarding period for shareholders, we are pleased that our actions and strategy have set us on the path of recovery. Given the continuing uncertainty in the economy we will continue our disciplined approach to cash, costs and customers to ensure that we are well placed for the future.

Our market-leading position and strong cash flow have positioned the Group to take full advantage of the market upturn when economic conditions allow. Whilst we anticipate that our trading will be affected by some disruption from the Queen's Jubilee and the Olympics, the new financial year has begun satisfactorily. Although there is still uncertainty in the construction sector in particular, we are confident that the actions we have taken have increased our resilience and given us a solid platform from which to make further tangible progress in the year ahead.

Annual General Meeting
The AGM will be held at 11.00 am on Wednesday 18 July 2012 at Etrop Grange Hotel, Thorley Lane, Manchester Airport M90 4EG.

Chief Executive's review

Overview

Following last year's interim result, when I stated that I was confident that the business had turned a corner, it is pleasing to report that we have finished the financial year ended 31 March 2012 by reporting a profit before tax, amortisation and exceptional items of £12.4m.

Despite prevailing market conditions in the UK remaining difficult and considerable cost pressures from fuel, business rates and insurance costs, we maintained positive improvement, with our £7.6m profit (before tax, amortisation and exceptional items) in the second half of the financial year continuing the progress from the £4.8m first half-year performance.

In April 2011 we completed the disposal of our loss-making accommodation hire operation for £33.4m in cash, net of costs. Post this disposal it is particularly encouraging to see underlying Group revenues (adjusting for the revenue from the disposed accommodation hire operation and the expired Network Rail 'maintenance only' contract) increasing by 4.3% year on year, accompanied by an improvement in operating margins (before amortisation and exceptional items) to 6.0%.

The disposal of the accommodation hire operation allowed us to consolidate our One Speedy approach. This initiative has made it easier for our customers to trade with us, giving them access to all of the Group's activities via a single trading account. The success of this approach is evidenced by our record, and we believe industry-leading, customer recommendation score of 93.8% at the end of FY2012.

The majority of the Group's revenues continue to be derived from our UK hire activities. This division is now focused on the hire of four distinct asset classes - lifting, power, survey and general tools and equipment. In each class we are the UK market leader. These rental activities are complemented by value-added services in training, TRIM (test, repair, inspect and maintain) and engineering (specialist on-site and rail market support). All UK operations are trading profitably and provide a positive contribution to the Group performance. For the full financial year the UK & Ireland business recorded an operating profit (before amortisation and exceptional items) of £27.8m, with an operating margin of 8.7% together with an operating profit return on hire fleet of 15.6% (pre-central costs).

In February 2010 we established our first overseas operation in the Middle East. This decision was taken to diversify our business and reduce our exposure to a weakened UK market. Our entry was established using the simple strategy of 'following your customer'. Whilst still posting a loss before tax, amortisation and exceptional items of £0.7m for the full year period, the business was profitable at an operating level in the second half of the financial year. The dilutive impact of the International operation upon Group operating margin and operating profit return on hire fleet for the period has been 0.4% and 1.4%, respectively. However, we are pleased with the progress made in 25 months and expect the second half-year performance to be the catalyst for continued growth as we build critical mass. Over time our expectation is for the International operations to provide operating margins, returns and cash contribution above historic UK levels.

A determined focus on yield management, together with the restructuring of our workshop services and the extraction of tangible benefits from our continued investment in IT has delivered a 6.6% improvement in unit hire rate and enhanced fleet availability (hire fleet not on hire; ready for hire) which is now at 77%. The collective benefit of these ongoing initiatives has delivered a 161% increase in ROCE to 6.0% (2011: 2.3%), with the Group's return on hire fleet of 9.9% (2011: 3.8%) at the operating profit level. However, whilst these are positive improvements they remain below our cost of capital and our emphasis on improving return continues; we remain committed to applying further self-help measures.

The Group will maintain its focus on delivering a safe, efficient service at an acceptable level of return. We will continue to avoid the pursuit of unprofitable, low-margin work, which does not recognise our contribution and risks, and attempts to commoditise our service offering. To assist this we introduced a performance scorecard, which is issued to every depot, every week - measuring each operation's performance against a number of metrics including fleet availability, on-time deliveries and collections and invoice accuracy. It is encouraging to see that as well as our own internal rating assessment being at record levels of satisfaction, an independent assessment survey scored Speedy's Net Promoter Score at 29.5%, compared to our peer group rating of 11%. To enforce awareness and customer service standards, any depot failing to achieve a 90%+ satisfaction level fails to qualify for performance bonus, irrespective of its profitability status.

Strategy and key priorities for FY2013

Our strategy remains one of re-orienting Speedy as a services company as opposed to an asset supply company. This strategy is driven by the simple premiss that service is more highly valued than commoditised supply and will therefore attract higher margins. We have called this evolutionary strategy Project Darwin.

To test the credibility of our objective we asked ourselves and our customers the fundamental question: why do customers hire? The simple answer was to avoid risk, and particularly three types of risks:

- capital risk, involving the desire to avoid the cost of capital from purchasing assets and the balance sheet and cash flow effects therefrom;
- operating risk, associated with fixed operating costs, especially in respect to property, people and logistics; and
- legislative or compliance risk, especially in respect of health and safety and environmental matters and possible consequences such as fines, increased insurance premiums, being precluded from tenders and damage to reputation.

On further analysis we concluded that hire alone does not fully eliminate or solve these risks for our customers. To seek to do this and to enhance our offering we established the supplementary services of training and TRIM (test, repair, inspect and maintain). Training can lessen mis-use of hired equipment and help avoid loss of production, damage to property and personal injuries. TRIM recognises that it may sometimes be more economic for a customer to buy, rather than hire, an asset and addresses the need (whether for owned or hired equipment) for any asset to be properly tested, repaired, inspected and maintained so that it remains safe and productive. There follows a further requirement for hire to maintain productivity whilst an asset is out of commission when undergoing testing, servicing, repair or maintenance. This cycle of service capability - hire, training, TRIM and back to hire - is what we believe will differentiate our business from a standard hire offering and see us recognised as a services company.

Speedy has the industry's widest fleet range (528,000 assets for hire), largest national coverage (283 sites) and most comprehensive delivery capability (1,219 delivery vehicles) which, when augmented by our value-added proposition, increasingly makes Speedy the supplier of choice - as evidenced by our securing a three-year contract extension with Carillion Plc, winning a five-year partnering contract with Morgan Sindall Plc and being accorded a two-year preferred supplier status by Renew Plc. We are now recognised as either the nominated or preferred supplier of 72% of the CN Top 25 contractors as listed in the (2012) CN Top 100 survey.

Our strategy also recognises that different types of customers have different service requirements. Major contractors place more reliance upon delivery and distribution than SME contractors - with the majority of their equipment being delivered to and collected from their sites. Service and maintenance engineers often need to call and collect equipment, en route to reactive response works, and they place emphasis on availability. Fit-out contractors and clean trades need machinery that is closer to city centres and in a condition fit for use in live environments. These differing needs have determined our plan to evolve our network into a three-tier fulfilment model. We plan to establish a number of strategically located MSCs (Multi Service Centres), each providing the full range of Speedy equipment and services, whilst also facilitating regional RDC (Regional Distribution Centre) capability. The MSCs will be augmented by approximately 50 superstores, offering a lifting, survey and tools capability and serving the city centres and major towns, together with some 200 express/local stores which will be principally drawn from our existing estate and focused on a fast-track tool hire requirement. Collectively this network will enable fast and efficient national coverage to meet the total needs of our various customers throughout the UK.

At year-end we had two MSCs, with a further two in planning, and 16 superstores, with a further four already identified for opening in FY2013. Sites that have been open for more than 12 months have delivered EBITA ahead of their pre-reconfiguration performance and with benefits in line with management expectations.

Our key priority for FY2013 is therefore to continue with the progressive roll-out of Project Darwin, to drive an improving UK trading performance and also to:

- continue to diversify our client base in support of markets in infrastructure and industry;
- extend our geographic spread through continued growth from our International operation;
- establish stronger links with key clients; and
- deliver better margins and returns, thus enhancing our ongoing recovery.

Outlook

Whilst the UK economy remains fragile, our markets are now much more diverse than general construction. The business has an increasing exposure to the regulated and privately funded infrastructure investment markets and in particular those customers and end users active in social infrastructure and the water, waste, energy and transport sectors. We have also established a solid foundation in our International operation which we are confident will provide a good platform going forward. We believe that our focus on well-funded sectors and our more diversified approach will continue to make our business more robust, profitable and sustainable.

Our clear market leadership, leaner business model and strong balance sheet, together with the ongoing benefits from our IT investment which enables us increasingly to measure the performance of our operations, our assets and our customers, provides confidence that we will continue to maintain our recovery despite the economic difficulties which prevail.

Whilst we expect to see some short term disruption from the additional public holiday associated with the Queen's Jubilee and from the restrictions imposed upon logistics in London during the Olympic and Paralympic Games, I am confident that our business will deliver another year of continued progress.

Group financial review

Group financial performance

Revenue for the year to 31 March 2012 was £329.3m (2011: £354.2m). Underlying revenue for the year to 31 March 2012 of £326.4m (excluding revenue from the disposed accommodation operation and expired Network Rail contract) was 4.3% above the prior year period (2011: £313.0m). Included in turnover are planned fleet equipment sales totalling £5.1m (2011: £5.7m); excluding these disposals, underlying revenue was up 4.6%.

Gross margin improved to 67.1% (2011: 61.3%) and the Group reported EBITA (before exceptional costs) of £19.6m (2011: £8.3m).

The Group's profit before taxation, amortisation and exceptional items was £12.4m (2011: loss £0.7m). The profit after taxation, amortisation and exceptional items was £1.7m (2011: loss £19.3m).

Underlying revenue for the UK & Ireland Asset Services segment totalled £315.3m (of which £5.8m relates to the Irish operations), which was 3.5% up on the prior year (2011: £304.6m). Profits increased at the operating level, with underlying EBITA (before exceptional costs) of £27.9m (2011: £21.7m) reflecting an improvement in margin from 7.1% in 2011 to 8.8%. UK & Ireland Asset Services revenue, including the accommodation hire operation and the Network Rail contract, was £318.2m (2011: £345.8m), while EBITA (before exceptional costs) was £27.8m (2011: £17.7m). Revenue in the International division was £11.1m (2011: £8.4m), while EBITA was £(0.7)m (2011: £(1.9)m) with an operating profit of £0.1m in the second half-year.

The figures for the segments reported above are stated before corporate costs. These costs amounted to £7.5m (before exceptional costs) in the year (2011: £7.5m), equivalent to 2.3% of gross revenue (2011: 2.1%).

First half/second half-year financial performance

In the six months to 30 September 2011, the Group's profit before taxation, amortisation and exceptional items was £4.8m (2011: loss £9.9m). The equivalent figure for the second half-year was a profit of £7.6m (2011: £9.2m).

The overall Group EBITA margin (before exceptional items) in the second half-year rose to 6.7% from 5.2% in the first half-year and was comparable to 7.3% in the prior year period.

Interest and hedging

Net interest expense (before exceptional items) totalled £7.2m (2011: £9.0m), of which £3.6m was incurred in the second half of the year.

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a variable margin, while the unutilised commitment is charged at 50% of the applicable margin. During the year, the margin payable on the majority of outstanding debt fluctuated between 2.25% and 3.5% depending on the Group's performance with respect to thresholds contained within the facility agreement's leverage covenant and the weighting of lending between receivables and plant and machinery loans. The effective average margin in the period since the initial utilisation under the facility was 2.97%. The current applicable margins are 2.25% on receivables and 3.0% on plant and machinery. This is the bottom of the margin ratchet.

The Group utilises interest rate hedges to manage fluctuations in LIBOR. At the year-end, hedges with a notional value of £65.0m (2011: £60.0m) were in place, equivalent to approximately 85% of net debt outstanding. The fair value of these hedges was a liability of £0.7m at year-end and they have varying maturity dates to September 2014. The incremental interest cost arising from these hedges amounted to £0.7m during the year (2011: £2.7m).

Exceptional items

Exceptional items totalled £5.1m before taxation (2011: £20.8m). For 2012, these costs fall into two areas. Firstly, there are certain items relating to the April 2011 disposal of the Group's accommodation hire operation: at 31 March 2011 these assets were shown in the balance sheet as being held for sale and were written down to their fair value net of costs to sell. This treatment created an exceptional item totalling £13.8m in 2011 with a further

£2.9m in 2012. Secondly, there is an exceptional financial expense of £2.2m (2011: £1.5m), which related to the amortisation of bank and adviser fees for the cash-flow-based bank facility that was replaced by an asset-based facility in July 2011. Additionally, 2011 included £5.5m of exceptional cost relating to restructuring and cost-saving initiatives.

The cash cost before taxation of these exceptional items was £0.8m (which was all spent in 2012). The total tax benefit arising from these exceptional items is anticipated to be £1.1m (2011: £5.6m).

Taxation

The Group's income statement shows a tax charge for the year of £1.5m (2011 credit: £7.7m). Of this amount, £2.6m relates to a pre-exceptional tax charge based on an effective tax rate of 31.3% (2011: credit of 33.3%). The balance represents a credit of £1.1m in respect of the exceptional items referred to above.

Tax paid in the year ending 31 March 2012 amounted to £nil (2011: net payment of £1.3m which related to tax liabilities of prior accounting periods).

Shares, earnings per share and dividends

At 31 March 2012, 517.2m shares were outstanding, of which 10.3m were held in the employee benefits trust (including 6.4m jointly owned shares).

The basic earnings per share before amortisation and exceptional items was 1.72 pence (2011: loss 0.02 pence). After amortisation and exceptional costs, it was 0.33 pence (2011: loss 3.81 pence).

The Board remains committed to the payment of dividends when prudent to do so. Subsequent to the year-end, it has recommended a final dividend of 0.26 pence per share (2011: 0.20 pence) which represents a total cash cost of approximately £1.3m. This gives a total dividend for the year of 0.46 pence per share (2011: 0.40 pence). If approved by shareholders, the final dividend will be paid on 15 August 2012 to all shareholders on the register on 15 June 2012.

Capital expenditure and disposals

Total capital expenditure during the year amounted to £70.8m, of which £64.2m (2011: £41.8m) related to equipment for hire (including £10.0m in the International Asset Services division) and the balance principally to investments in the Group's depot network (seven new superstores were opened in the year) and IT. This compares to £46.7m in 2011, an increase of 52%. With disposal proceeds of £19.4m (2011: £16.2m), overall net capital expenditure totalled £51.4m (2011: £30.5m) and net capex investment in hire fleet rose 69%. The disposal of damaged, older or surplus hire fleet during the year generated a profit of £4.8m (2011: £5.0m), underlining the appropriateness of the carrying value of the Group's fixed assets. At 31 March 2012, the average age of the fleet was estimated at 4.2 years (2011: 4.7 years).

Cash flow and net debt

Cash generation has remained positive, with net cash flow generated from operating activities amounting to £17.7m in the year (2011: £12.3m). This increase in cash generation is after increasing the net investment in the hire fleet by £19.2m, funded through increased profitability and reduced working capital. Free cash flow (i.e. before dividends and financing activities) increased to £39.3m (2011: £7.4m), benefiting from the £33.4m net proceeds from the disposal of the accommodation hire operation. During the year, the trade and assets of Morgan Sindall's internal plant business were acquired for £5.2m as a consequence of a new strategic supply agreement. Dividend payments in the year amounted to £2.1m (2011: £2.1m).

Accordingly, even after the increase in capex, net debt has fallen from £113.9m at the beginning of the year to £76.3m at 31 March 2012, a £37.6m decrease.

Gearing (net debt divided by shareholders' funds) has improved as the business continues to reduce net debt and at 31 March 2012 had fallen to 33.2% (49.7% at 31 March 2011). Similarly, net debt to EBITDA (before exceptional items) has also reduced to 1.21x (2011: 1.79x).

Balance sheet

Net assets at 31 March 2012 totalled £229.5m, a £0.1m increase on the £229.4m reported at 31 March 2011.

Net assets per share amount to 44.4p (33.2p based on tangible assets). Net property, plant and equipment was £241.0m at 31 March 2012, of which equipment for hire represents approximately 87%. Net debt/net property, plant and equipment of 0.32x at 31 March 2012 (2011: 0.52x) underlines the strong asset backing within the business.

Gross trade debtors totalled £86.0m at 31 March 2012 (2011: £97.8m). Bad debt and credit note provisions totalled £5.4m at 31 March 2012 (2011: £7.2m), equivalent to 6.3% of the debtor book (2011: 7.4%). The reduction reflects the improvement in debtor weeks (calculated on a count-back basis) to 9.0 weeks at year-end compared to 9.8 weeks at 31 March 2011.

Capital structure and treasury

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

On 30 June 2011, the Group secured a new £220m asset-based revolving credit agreement which matures in January 2015, with six banks. At 31 March 2012 the gross amount utilised under the facility was £83.4m and available headroom under the facility amounted to £69.3m. The facility includes quarterly fixed charge cover, leverage and cash flow cover covenant tests. The Group was compliant with these tests throughout the year.

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

Return on capital

Return on capital (based on EBITA before exceptional items) totalled 6.0% in the year ended 31 March 2012. This compares to 2.3% in the prior year period. Return on capital has benefited from increases in EBITA (before exceptional items) and a reduction in average gross capital employed which was £30.0m lower at £324.6m (2011: £354.6m).

Summary

With the Group's focus on strategic markets, targeted capital investment and rigorous control of our cost base, which is supported by the asset-based bank facility, we have a strong and stable platform to build on in FY2013.

Statement of Directors' Responsibilities Pursuant to Disclosure and Transparency Rules 4.1.12

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

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

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

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

Name	**Function**
Ishbel Macpherson	Non-Executive Chairman
Steve Corcoran	Chief Executive
Lynn Krige	Group Finance Director
Mike McGrath	Managing Director, International Asset Services
Michael Averill	Senior Independent Director
Chris Masters	Non-Executive Director
James Morley	Non-Executive Director

Principal Risks and Uncertainties

The effective management of risks within the Group is essential to underpin the delivery of the Group's objectives. The Board is responsible for ensuring that risks are identified and appropriately managed across the Group and 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.

The principal internal controls which operated throughout the year and continue to this date include:

- an organisational structure which provides adequate segregation of responsibilities, clearly defined lines of accountability, delegated authority and extensive reporting;

- clear business objectives aligned with the Group's risk appetite; and

- an independent internal audit function, which reports to the Audit Committee. The external auditors also report to the Audit Committee on the efficiency of controls.

These procedures are underpinned by a control environment which is supported by a culture of openness of communication between operational management and the executive management on all matters, including risk and control and procedures for the bringing of such matters to the attention of the Board.

The section below sets out the Directors' opinion of the principal risks related to the business of the Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider not to be material, may also have an adverse effect on the Group.

Risk description	Potential impact	Strategy for mitigation
Economic conditions	A downturn in construction/industrial activity, or a decline in the desirability of hiring tools and equipment to fulfil such activity, could reduce the prices that the Group can charge for its services and could reduce activity levels. Government expenditure is important across the wider construction industry in the UK. Any reduction in Government expenditure which is not offset by an increase in private sector expenditure could adversely affect the Group.	The Group continually monitors and assesses market capacity by reference to a number of external sources, together with internal data which reports customer, sector, product and geographical demand. It operates a flexible model that can react to prevailing market conditions. 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 sector reduction in expenditure is assessed as part of the ongoing financial and operational budgeting and forecasting process. Our strategy is to develop a broader spectrum of products and services across different markets and to ensure that we are well positioned with clients, contractors and SME/local businesses, who are likely to benefit from those areas in which increased activity is forecast or who find hiring assets during a downturn more desirable than buying them. The Group has established a fledgling International business, which enables us to diversify into markets away from the UK.
Competition	The equipment rental industry is extremely competitive and highly fragmented. Many of the markets in which the Group operates are served by numerous competitors, ranging from national equipment rental companies to local independents. Some of the Group's principal competitors may have greater financial resources, be more geographically diversified in particular regions, have greater brand recognition in certain market sectors and may be better able to withstand adverse market conditions within the industry.	The Group monitors its competitive position closely, with a view to ensuring that it is able to offer its customers the best solution for their requirements. This is underpinned by our longstanding and ongoing commitment to service, safety and innovation across all of our product categories. Capital expenditure requirements are assessed as part of the budgeting process, and throughout the year via regular forecasts, to ensure strategic product and service initiatives can be delivered. Day-to-day capital expenditure requirements are assessed on a needs basis, with limited long term future ordering commitments. The Group monitors the performance of its major accounts against market forecasts, 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 regularly measured and competitors' activities are reported on and reacted to where appropriate.
Failure/insolvency of a major customer	No single customer currently accounts for more than 5% of revenue or receivables. However, in the event of the loss of a major customer the revenue generated by the Group could be reduced with a corresponding impact on the Group's market position and the Group could experience bad debts in respect of business already transacted.	Credit control processes are in place to monitor the potential for credit defaults and exposures. This is reported on a regular basis to the executive management team and, where necessary, issues are escalated to resolve payment issues as soon as practicable. Visibility of exposure to individual customer groups has improved significantly through the implementation of common business information and credit management systems. The management of the risk of debt default is controlled as part of the day-to-day operations of the business.

Risk description	Potential impact	Strategy for mitigation
People	Failure to recruit and retain appropriately skilled people could adversely impact on the Group's ability to win, mobilise and deliver our business.	Skill and resource requirements for meeting the Group's objectives are actively monitored and action is taken to address identified gaps. Programmes for employee retention and career development are tailored to the needs of the Group. Talent is nurtured through specific programmes and is aligned with succession planning, which is reviewed annually by the Board. The Group regularly reviews remuneration packages and aims to offer competitive reward and benefit packages including appropriate short and long-term incentive schemes.
Financial resources	Should the Group be unable 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 capital expenditure, resulting in the ageing of the fleet and/or availability issues. This could disadvantage the Group relative to its competitors and might adversely impact on its ability to command acceptable levels of pricing.	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. 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. Close relationships are maintained with the Group's bankers with a view to ensuring that the Group enjoys a broad degree of support.
Business continuity	Any interruption to the Group's IT systems or infrastructure could have a material adverse effect on the Group's business, communication, capabilities, management of projects and overall financial performance and reporting.	Preventative controls and back-up and recovery procedures are in place for key systems and all buildings. Changes to Group systems are considered as part of wider change management programmes and implemented in phases wherever possible. The Group has critical incident plans for all its UK and international operations. Insurance cover is reviewed at regular intervals to ensure coverage in the event of a business continuity issue.
Compliance with laws and regulations	The Group is subject to various legal and regulatory regimes. Future legal or regulatory developments, in the UK and abroad, concerning the activities carried out by the Group could affect the Group's ability to operate and operate profitably in the affected jurisdictions. Should the Group's businesses fail to comply with applicable legal and regulatory requirements, this could result in a financial loss or restriction on the Group's ability to operate its business.	The Group maintains a legal function to oversee the management of these risks and to achieve compliance with relevant laws. Reputable external advisers are selected and engaged where prudent to do so, both in the UK and in relevant jurisdictions. Internal policies and practices evolve to take account of the changes in legal obligations. Training and induction programmes ensure employees receive appropriate training and briefings on the relevant policies and laws. This year there has been a focus on the development and roll-out within the Group of an umbrella Code of Conduct, which links into various existing and new policies on areas such as anti-bribery, hospitality, gifts and sponsorship, whistle-blowing, data protection and competition.

Risk description	Potential impact	Strategy for mitigation
Tax	The Group's international activities are subject to different tax rates and tax legislation and to interpretation by local tax authorities. Changes to tax legislation as well as the interpretation and enforcement of such tax legislation is a risk to the Group.	The Group seeks to build open and real-time relationships with tax authorities and advisers to bring about timely agreements on its tax affairs and to reduce uncertainty on business transactions. The Group seeks to minimise its tax burden in a manner which is consistent with commercial objectives whilst maintaining its tax obligations in accordance with the tax legislation. The Group's in-house tax function oversees the management of tax risks, engages with appropriate tax specialists and reviews tax policies and practices within the Group, in order to ensure that they evolve in line with legislative changes.
Safety	The Group operates in an industry where safety is a critical consideration. Failure to meet customers' safety expectations or regulatory requirements increases the risk of legal, financial and brand damage. This requires an uncompromising attitude to safety.	The Group is recognised for its industry-leading position on promoting enhanced health and safety compliance, together with a commitment to product innovation. The Group's systems and health and safety and environment teams measure and promote employee understanding of, and compliance with, procedures that affect safety. Also, customer account managers address any service and safety issues arising in respect of those customers.
Environment	Failure to comply with legislation covering oil storage, wastewater, air quality and general and hazardous wastes could leave the Group vulnerable to fines and penalties for non-compliance. Costs associated with remediation works, investigations, loss of brand reputation and potentially some of our customers would have a negative effect on the Group's balance sheet, financial performance and insurance premiums.	The Group is recognised for its industry-leading position on promoting environmental issues, with its 'Greener from the Ground Up' campaign, GO initiatives and One Plan all pushing environmental awareness and compliance both internally and externally. The Group's SHEQ team proactively monitors the effectiveness and implementation of Speedy's environmental policy across the business. The Group voluntarily publishes its carbon footprint and participates in the Carbon Disclosure Project. More recently the Group has been awarded the BITC Gold award for corporate responsibility, recognising the work that the Group is doing to reduce its impact on the environment, setting targets, reducing waste and promoting best practice.

Consolidated Income Statement

For the year ended 31 March 2012

	Note	Year ended 31 March 2012 Before exceptional items £m	Year ended 31 March 2012 Exceptional items £m	Year ended 31 March 2012 Total £m	Year ended 31 March 2011 Before exceptional items £m	Year ended 31 March 2011 Exceptional items £m	Year ended 31 March 2011 Total £m
Revenue	*2*	**329.3**	**-**	**329.3**	354.2	-	354.2
Cost of sales		**(108.4)**	**-**	**(108.4)**	(136.9)	-	(136.9)
Gross profit		**220.9**	**-**	**220.9**	217.3	-	217.3
Distribution costs		**(36.3)**	**-**	**(36.3)**	(35.2)	-	(35.2)
Administrative expenses		**(169.1)**	**(2.9)**	**(172.0)**	(179.3)	(19.3)	(198.6)
Analysis of operating profit/(loss)							
Operating profit before amortisation and exceptional items		**19.6**	**-**	**19.6**	8.3	-	8.3
Amortisation		**(4.1)**	**-**	**(4.1)**	(5.5)	-	(5.5)
Exceptional restructuring costs	*3*	**-**	**(2.9)**	**(2.9)**	-	(5.5)	(5.5)
Exceptional writedown of accommodation assets	*3*	**-**	**-**	**-**	-	(13.8)	(13.8)
Operating profit/(loss)		**15.5**	**(2.9)**	**12.6**	2.8	(19.3)	(16.5)
Financial expense	*3,4*	**(7.2)**	**(2.2)**	**(9.4)**	(9.0)	(1.5)	(10.5)
Profit/(loss) before taxation		**8.3**	**(5.1)**	**3.2**	(6.2)	(20.8)	(27.0)
Taxation	*3,5*	**(2.6)**	**1.1**	**(1.5)**	2.1	5.6	7.7
Profit/(loss) for the financial year		**5.7**	**(4.0)**	**1.7**	(4.1)	(15.2)	(19.3)
Attributable to:							
Equity holders of the Company				**1.7**			(19.3)
				Pence			Pence
Earnings/(loss) per share							
- Basic	*6*			**0.33**			(3.81)
- Diluted	*6*			**0.33**			(3.81)
Non-GAAP performance measures							
EBITDA before exceptional costs	*8*	**63.2**			63.4		
Profit/(loss) before tax, amortisation and exceptional costs	*8*	**12.4**			(0.7)		

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	2012	2011
	£m	£m
Profit/(loss) for the financial year	**1.7**	(19.3)
Other comprehensive (loss)/income:		
- Effective portion of change in fair value of cash flow hedges	**(0.1)**	2.5
- Tax on items taken directly to equity	**0.1**	0.2
- Exchange difference on translation of foreign operations	**(0.4)**	0.6
Other comprehensive (loss)/income, net of tax	**(0.4)**	3.3
Total comprehensive income/(loss) for the financial year	**1.3**	(16.0)
Attributable to equity holders of the Company	**1.3**	(16.0)

Consolidated Balance Sheet

At 31 March 2012

	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Intangible assets	*9*	**58.0**	60.2
Property, plant and equipment			
Hire equipment	*10*	**210.3**	185.7
Non–hire equipment	*10*	**30.7**	34.2
		299.0	280.1
Current assets			
Inventories	*11*	**12.8**	10.2
Trade and other receivables	*12*	**87.7**	97.7
Assets classified as held for sale	*13*	**-**	33.4
Cash		**0.2**	0.2
		100.7	141.5
Total assets		**399.7**	421.6
LIABILITIES			
Current liabilities			
Borrowings	*16*	**(0.2)**	(1.1)
Other financial liabilities	*15*	**(0.7)**	(0.6)
Trade and other payables	*14*	**(77.6)**	(63.3)
Provisions	*17*	**(2.3)**	(3.5)
Current tax liabilities		**(0.3)**	(0.3)
		(81.1)	(68.8)
Non-current liabilities			
Borrowings	*16*	**(76.3)**	(113.0)
Provisions	*17*	**(2.2)**	(1.2)
Deferred tax liabilities	*18*	**(10.6)**	(9.2)
		(89.1)	(123.4)
Total liabilities		**(170.2)**	(192.2)
Net assets		**229.5**	229.4
EQUITY			
Share capital	*19*	**25.9**	25.9
Share premium		**190.2**	190.2
Merger reserve		**1.0**	1.0
Hedging reserve		**(1.0)**	(0.9)
Translation reserve		**(0.3)**	0.1
Retained earnings		**13.7**	13.1
Total equity attributable to equity holders of the Company		**229.5**	229.4

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	**Total equity £m**
At 1 April 2010	25.9	190.2	3.7	(3.4)	(0.5)	30.7	**246.6**
Total comprehensive income/(loss)**	-	-	-	2.5	0.6	(19.1)	**(16.0)**
Dividends	-	-	-	-	-	(2.1)	**(2.1)**
Equity settled share-based payments	-	-	-	-	-	0.9	**0.9**
Transfer to retained earnings*	-	-	(2.7)	-	-	2.7	**-**
At 31 March 2011	25.9	190.2	1.0	(0.9)	0.1	13.1	**229.4**
Total comprehensive (loss)/income**	-	-	-	(0.1)	(0.4)	1.8	**1.3**
Dividends	-	-	-	-	-	(2.1)	**(2.1)**
Equity-settled share-based payments	-	-	-	-	-	0.9	**0.9**
At 31 March 2012	25.9	190.2	1.0	(1.0)	(0.3)	13.7	**229.5**

*transfer to retained earnings during the year ended 31 March 2011 related to the realised element of the merger reserve. The transfer was made retrospectively in relation to the disposal of a business which occurred a number of years ago
**from consolidated statement of comprehensive income

Consolidated Cash Flow Statement

For the year ended 31 March 2012

	Note	**2012 £m**	2011 £m
Cash generated from operations before changes in hire fleet	*21*	**69.7**	49.7
Purchase of hire equipment		**(64.2)**	(41.8)
Proceeds from sale of hire equipment		**19.4**	16.2
Cash generated from operations		**24.9**	24.1
Interest paid		**(7.2)**	(10.5)
Tax paid		**-**	(1.3)
Net cash flow from operating activities		**17.7**	12.3
Cash flow from investing activities			
Proceeds from disposal of accommodation hire assets, net		**33.4**	-
Purchase of non-hire property, plant and equipment		**(6.6)**	(4.9)
Acquisition of business	*22*	**(5.2)**	-
Net cash flow from/(to) investing activities		**21.6**	(4.9)
Net cash flow before financing activities		**39.3**	7.4
Cash flow for financing activities			
Finance lease payments		**-**	(0.1)
Repayment of bank loans		**(33.9)**	(18.4)
Repayment of previous cash-flow-based loan facility		**(89.8)**	-
Proceeds from asset-based revolving credit facility		**91.2**	-
Repayment of asset-based revolving credit facility		**(4.0)**	-
Dividends paid		**(2.1)**	(2.1)
Net cash flow to financing activities		**(38.6)**	(20.6)
Increase/(decrease) in cash		**0.7**	(13.2)
(Overdraft)/cash at the start of the financial year		**(0.7)**	12.5
Cash/(overdraft) at the end of the financial year		**-**	(0.7)
Analysis of cash			
Cash		**0.2**	0.2
Bank overdraft		**(0.2)**	(0.9)
		-	(0.7)

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 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated and Parent Company financial statements were approved by the Board of Directors on 15 May 2012.

Statement of compliance

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

Basis of preparation

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

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chief Executive's Review above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Financial Review above. In addition, note 15 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group signed a £220m asset-based revolving credit facility ("the Facility") on 30 June 2011, which matures in January 2015 and has no prior scheduled repayment requirements. This replaces the £210m cash-flow-based facility, which was due to mature in June 2012.

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented as necessary by borrowings. The Directors have prepared cash flow projections for the period to September 2014 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.

Basis of consolidation

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

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

1 Accounting policies *(continued)*

New accounting standards and accounting standards not yet effective

The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board became effective during the year, but have no material effect on the Group's financial statements:

- IAS 24 'Related Party Disclosures (revised)';
- IFRIC 19 'Extinguishing Financial liabilities with Equity Instruments'; and
- Improvements to IFRSs 2010.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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

UK & Ireland Asset Services are managed separately at below CODM level but have been aggregated into one operating segment as they have similar economic characteristics including the nature of the products and services, the type or class of customer for their products and services and the methods used to distribute their products or provide their services. The Group previously reported on the International and Training & Advisory Services segment. However, as part of a reorganisation of the business in the second half of the year and the closure of Advisory Services, Training Services is now fully integrated into UK Asset Services. Consequently, the two reportable segments identified by the Group are UK & Ireland Asset Services and International Asset Services.

For the year ended 31 March 2012

	UK & Ireland Asset Services £m	International Asset Services £m	Corporate items £m	Total £m
Segmental revenue	**320.0**	**18.0**	**-**	**338.0**
Intra-Group revenue	**(1.8)**	**(6.9)**	**-**	**(8.7)**
Revenue	**318.2**	**11.1**	**-**	**329.3**
Segment result:				
EBITDA before exceptional costs	**66.3**	**2.5**	**(5.6)**	**63.2**
Amortisation	**(4.1)**	**-**	**-**	**(4.1)**
Depreciation	**(38.5)**	**(3.2)**	**(1.9)**	**(43.6)**
Exceptional restructuring costs	**(2.9)**	**-**	**-**	**(2.9)**
Operating profit/(loss)	**20.8**	**(0.7)**	**(7.5)**	**12.6**
Financial expense				**(7.2)**
Exceptional financial expense				**(2.2)**
Profit before tax				**3.2**
Taxation				**(1.5)**
Profit for the financial year				**1.7**
Intangible assets	**58.0**	**-**	**-**	**58.0**
Hire equipment	**185.8**	**24.5**	**-**	**210.3**
Non-hire equipment	**30.5**	**0.2**	**-**	**30.7**
Current assets	**90.4**	**5.5**	**4.6**	**100.5**
Cash	**-**	**-**	**0.2**	**0.2**
Total assets	**364.7**	**30.2**	**4.8**	**399.7**
Liabilities	**(66.1)**	**(8.7)**	**(8.1)**	**(82.9)**
Bank overdraft	**-**	**-**	**(0.2)**	**(0.2)**
Borrowings	**-**	**-**	**(76.3)**	**(76.3)**
Taxation liabilities	**-**	**-**	**(10.8)**	**(10.8)**
Total liabilities	**(66.1)**	**(8.7)**	**(95.4)**	**(170.2)**
Capital expenditure	**60.8**	**10.0**	**-**	**70.8**

Notes to the financial statements *(continued)*

2 Segmental analysis *(continued)*

For the year ended 31 March 2011

	UK & Ireland Asset Services £m	International Asset Services £m	Corporate items £m	Total £m
Segmental revenue	351.4	8.7	-	360.1
Intra-Group revenue	(5.6)	(0.3)	-	(5.9)
Revenue	345.8	8.4	-	354.2
Segment result:				
EBITDA before exceptional items	68.6	0.4	(5.6)	63.4
Amortisation	(5.5)	-	-	(5.5)
Depreciation	(50.9)	(2.3)	(1.9)	(55.1)
Exceptional restructuring costs	(4.8)	-	(0.7)	(5.5)
Exceptional writedown of accommodation assets	(13.8)	-	-	(13.8)
Operating loss	(6.4)	(1.9)	(8.2)	(16.5)
Financial expense				(10.5)
Loss before tax				(27.0)
Taxation				7.7
Loss for the financial year				(19.3)
Intangible assets	60.2	-	-	60.2
Hire equipment	171.7	14.0	-	185.7
Non-hire equipment	34.0	0.2	-	34.2
Current assets	100.8	2.8	4.3	107.9
Assets held for sale	33.4	-	-	33.4
Cash	-	-	0.2	0.2
Total assets	400.1	17.0	4.5	421.6
Liabilities	(60.2)	(1.8)	(7.1)	(69.1)
Bank overdraft	-	-	(0.9)	(0.9)
Borrowings	-	-	(112.7)	(112.7)
Taxation liabilities	-	-	(9.5)	(9.5)
Total liabilities	(60.2)	(1.8)	(130.2)	(192.2)
Capital expenditure	38.2	5.2	4.5	47.9

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

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

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

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 2012		Year ended 31 March 2011	
	Revenues £m	**Non-current assets £m**	Revenues £m	Non-current assets £m
UK	**312.4**	**268.6**	339.9	261.1
Ireland	**5.8**	**5.7**	5.9	4.8
Other countries	**11.1**	**24.7**	8.4	14.2
	329.3	**299.0**	354.2	280.1

Major customer

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

3 Exceptional items

For the year ended 31 March 2012

On 30 April 2011, the Group completed its disposal of the accommodation hire operation by UK Asset Services and incurred a number of non-recurring items of expense (£2.9m) including additional asset write downs and other charges relating to the disposal.

In June 2011, the Group entered into a new asset-based revolving credit facility, replacing the previous cash-flow-based loan facility. Management assessed the impact of this change in line with the guidance contained within IAS39 and concluded that it did represent a significant modification due to changes in the counter-parties. As a result, unamortised fees and transaction costs in relation to the previous cash-flow-based loan facility have been written off and treated as exceptional finance costs in the year (£2.2m).

The resulting tax credit in relation to exceptional items amounted to £1.1m, all of which related to current tax.

For the year ended 31 March 2011

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

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

In June 2010 the Group successfully completed amendments to enhance its banking facility in order to provide greater flexibility for future capital investment, particularly with regard to the International operations. Management have assessed the impact of this modification in line with the guidance contained within IAS39 and have concluded that it does not represent a significant modification. As part of this process, the Group incurred fees and transaction costs of £3.5m. These costs were capitalised and amortised using the effective interest rate method. Costs incurred as a result of the increase in the effective interest rate, amounting to £1.5m, were treated as exceptional finance costs.

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

4 Financial expense

	2012 £m	2011 £m
Financial expense		
Interest on bank loans and overdrafts	**(5.2)**	(4.8)
Hedge interest payable	**(0.7)**	(2.7)
Amortisation of issue costs	**(1.0)**	(0.6)
Other finance costs	**(0.3)**	(0.9)
Exceptional amortisation of bank fees following the refinancing in June 2011 (note 3)	**(1.7)**	-
Exceptional amortisation of bank fees in connection with the amendments in July 2010 to the cash-flow-based loan facility (note 3)	**(0.5)**	(1.5)
	(9.4)	(10.5)

5 Taxation

	2012 £m	2011 £m
Tax charged/(credited) in the income statement		
Current tax		
UK corporation tax on profits for the period at 26% (2011: 28%)	**-**	-
Adjustment in respect of prior years	-	(0.1)
Total current tax	**-**	(0.1)
Deferred tax		
UK deferred tax at 24% (2011: 26%) (note 18)	**3.2**	(5.4)
Adjustment in respect of prior years	**(0.8)**	(1.5)
Impact of rate change	**(0.9)**	(0.7)
Total deferred tax	**1.5**	(7.6)
Total tax charge/(credit)	**1.5**	(7.7)
Tax charged/(credited) in equity		
Deferred tax		
Net loss on revaluation of cash flow hedges	**(0.1)**	(0.2)

5 Taxation *(continued)*

The tax credit in the income statement for the year is higher than the standard rate of corporation tax in the UK of 26% (2011: 28%) and is explained as follows:

	2012 £m	2011 £m
Profit/(loss) before tax	**3.2**	(27.0)
Accounting profit/(loss) multiplied by the standard rate of corporation tax at 26% (2011: 28%)	**0.8**	(7.6)
Expenses not deductible for tax purposes	**1.7**	1.4
Non-taxable income	**(0.4)**	(0.5)
Share-based payments	**0.1**	0.2
Unrecognised tax losses	**0.5**	0.3
Overseas tax losses arising not subject to tax	**0.5**	0.7
Adjustment to deferred taxation relating to future changes in corporation tax rates	**(0.9)**	(0.7)
Adjustment to tax in respect of prior years	**(0.8)**	(1.5)
Tax charge/(credit) for the year reported in the income statement	**1.5**	(7.7)
Tax charged/(credited) in equity (note 18)		
Deferred tax charge	**(0.1)**	(0.2)

On 21 March 2012 the Chancellor announced a reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. The chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014.

The reduction to 24% was substantively enacted on 29 March 2012. The substantively enacted rate at the balance sheet date of 24% has been applied to create a reduction in the deferred tax liability, which has been included in the figures above.

Notes to the financial statements *(continued)*

6 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company of £1.7m (2011: loss £19.3m) and the weighted average number of 5 pence ordinary shares in issue is calculated as follows:

	2012	2011
Profit/(loss) (£m)		
Profit/(loss) for the year after tax – basic earnings/(loss)	**1.7**	(19.3)
Intangible amortisation charge (after tax)	**3.1**	4.0
Exceptional items (after tax)	**4.0**	15.2
Adjusted earnings/(loss) (after tax)	**8.8**	(0.1)
Weighted average number of shares in issue (million)		
At the beginning of the year	**506.9**	419.1
Change in weighted average number of ordinary shares	**-**	87.8
At the end of the year – basic number of shares	**506.9**	506.9
Share options	**0.3**	-
Employee share scheme	**4.5**	-
At the end of the year – diluted number of shares	**511.7**	506.9
Earnings/(loss) per share (pence)		
Basic earnings/(loss) per share	**0.33**	(3.81)
Amortisation	**0.60**	0.79
Exceptional costs	**0.79**	3.00
Adjusted earnings/(loss) per share	**1.72**	(0.02)
Basic earnings/(loss) per share	**0.33**	(3.81)
Share options	**-**	-
Employee share scheme	**-**	-
Diluted profit/(loss) per share	**0.33**	(3.81)
Adjusted earnings/(loss) per share	**1.72**	(0.02)
Share options	**-**	-
Employee share schemes	**(0.01)**	-
Adjusted diluted earnings/(loss) per share	**1.71**	(0.02)

Total number of shares outstanding at 31 March 2012 amounted to 517,234,202, including 10,260,251 shares held in the employee benefit trust, which are excluded in calculating earnings per share.

7 Dividends

The aggregate amount of dividend comprises:

	2012	2011
	£m	£m
2010 final dividend (0.2 pence on 517.2m shares)	**-**	1.1
2011 interim dividend (0.2 pence on 517.2m shares)	**-**	1.0
2011 final dividend (0.2 pence on 517.2m shares)	**1.0**	-
2012 interim dividend (0.2 pence on 517.2m shares)	**1.1**	-
	2.1	2.1

Subsequent to the end of the year and not included in the results for the year, the Directors recommended a final dividend of 0.26 pence (2011: 0.2 pence) per share, bringing the total amount payable in respect of the 2012 year to 0.46 pence (2011: 0.4 pence), to be paid on 15 August 2012 to shareholders on the register on 15 June 2012.

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 2012, the Trust held 10,260,251 ordinary shares (2011: 10,294,626), including 6,405,980 jointly owned shares (2011: 7,594,666).

8 Non-GAAP performance measures

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

	2012	2011
	£m	£m
Operating profit/(loss)	**12.6**	(16.5)
Add back: amortisation	**4.1**	5.5
Add back: exceptional costs	**2.9**	19.3
Operating profit before amortisation and exceptional costs	**19.6**	8.3
Add back: depreciation	**43.6**	55.1
EBITDA before exceptional costs	**63.2**	63.4
Profit/(loss) before tax	**3.2**	(27.0)
Add back: amortisation	**4.1**	5.5
Add back: exceptional costs	**2.9**	19.3
Add back: exceptional finance costs	**2.2**	1.5
Profit/(loss) before tax, amortisation and exceptional costs	**12.4**	(0.7)

Notes to the financial statements *(continued)*

9 Intangible fixed assets

	Goodwill £m	Customer lists £m	Non-compete agreements £m	Brand £m	Supply agreements £m	Total £m
Cost						
At 1 April 2010 and 31 March 2011	93.5	36.2	4.9	4.1	17.9	156.6
Additions	-	-	-	-	1.9	1.9
At 31 March 2012	93.5	36.2	4.9	4.1	19.8	158.5
Amortisation						
At 1 April 2010	49.2	18.4	3.8	4.1	15.4	90.9
Charged in year	-	3.4	1.1	-	1.0	5.5
At 31 March 2011	49.2	21.8	4.9	4.1	16.4	96.4
Charged in year	-	3.0	-	-	1.1	4.1
At 31 March 2012	49.2	24.8	4.9	4.1	17.5	100.5
Net book value						
At 31 March 2012	**44.3**	**11.4**	**-**	**-**	**2.3**	**58.0**
At 31 March 2011	44.3	14.4	-	-	1.5	60.2
At 31 March 2010	44.3	17.8	1.1	-	2.5	65.7

The amount of goodwill that is tax-deductible is £19.2m (2011: £19.2m).

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

Goodwill arising on business combinations after 1 April 2004 has been allocated to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the goodwill and intangible assets allocated to CGUs are determined by value-in-use calculations. The value-in-use calculations use cash flow projections based on five-year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin and the level of capital expenditure required to support trading, which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. To prepare value-in-use calculations, the Group uses cash flow projections for a 15-year period, which incorporates a ten-year terminal value. The projections are made up of the 2012–2013 budget, a subsequent four year period using the Group's business plan, and a further ten years' income. The final ten years' income is extrapolated at an estimated average long-term nominal growth rate, being an estimate of inflation. The resulting forecast cash flows are discounted back to present value, using an estimate of the Group's weighted average cost of capital, adjusted for risk factors associated with the individual CGU and market-specific risks.

9 Intangible fixed assets *(continued)*

The pre-tax discount rates and terminal growth rates applied for each of the CGUs are as follows:

	31 March 2012		31 March 2011	
	Pre-tax discount rate	**Terminal value growth rate**	Pre-tax discount rate	Terminal value growth rate
UK Asset Services	**11.7%**	**2.5%**	12.3%	2.5%
Ireland Asset Services	**11.7%**	**1.5%**	n/a	n/a
International Asset Services	**11.7%**	**2.5%**	n/a	n/a

For UK Asset Services, the recoverable amount at 31 March 2012, calculated using the discounted forecast cash flows, results in a surplus over carrying value of £41.7m (2011: £78.0m). Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. An increase of 1% in the pre-tax discount rate, with all other assumptions held constant, would reduce discounted cash flows by £22.6m, leaving headroom against carrying value at £19.1m (2011: £61.8m). A decrease of 1% in the forecast revenue growth, with all the other assumptions held constant, would reduce discounted cash flows by £7.7m, leaving headroom against carrying value of £34.0m (2011: £67.6m).

For Ireland Asset Services, the carrying value of the property, plant and equipment and other net assets at 31 March 2012 is greater than the recoverable value calculated on a value-in-use basis. However, the carrying value of the assets is estimated to be equal to the fair value less costs to sell. No goodwill or intangible assets have been allocated to Ireland Asset Services.

No goodwill or intangible assets have been allocated to International Asset Services. Value-in-use calculations result in a recoverable amount that is greater than the carrying value of the property, plant and equipment and other net assets at 31 March 2012. A decrease of 1% in either the pre-tax discount rate or the forecast revenue growth does not materially reduce the surplus of recoverable amount over carrying value of the property, plant and equipment and other net assets.

Notes to the financial statements *(continued)*

10 Property, plant and equipment

	Land and buildings £m	Hire equipment £m	Other £m	Total £m
Cost				
At 1 April 2010	26.7	471.2	56.4	554.3
Additions	2.0	43.0	2.9	47.9
Disposals	-	(31.5)	-	(31.5)
Transfers to inventory	-	(12.1)	-	(12.1)
Transfer to assets held for sale	(0.7)	(107.3)	(1.5)	(109.5)
At 31 March 2011	28.0	363.3	57.8	449.1
Foreign exchange	-	0.5	-	0.5
Additions	3.3	69.9	3.3	76.5
Acquisitions	-	8.8	-	8.8
Disposals	(1.5)	(45.4)	(0.1)	(47.0)
Transfers to inventory	-	(13.5)	-	(13.5)
At 31 March 2012	29.8	383.6	61.0	474.4
Depreciation				
At 1 April 2010	14.6	224.3	29.8	268.7
Charged in year	2.5	46.0	6.6	55.1
Disposals	-	(23.9)	-	(23.9)
Impairment (note 3)	0.1	-	-	0.1
Transfers to inventory	-	(8.5)	-	(8.5)
Transfer to assets held for sale	(0.6)	(60.3)	(1.4)	(62.3)
At 31 March 2011	16.6	177.6	35.0	229.2
Foreign exchange	-	0.3	-	0.3
Charged in year	2.6	34.2	6.8	43.6
Acquisitions	-	5.5	-	5.5
Disposals	(0.8)	(34.6)	(0.1)	(35.5)
Transfers to inventory	-	(9.7)	-	(9.7)
At 31 March 2012	18.4	173.3	41.7	233.4
Net book value				
At 31 March 2012	**11.4**	**210.3**	**19.3**	**241.0**
At 31 March 2011	11.4	185.7	22.8	219.9
At 31 March 2010	12.1	246.9	26.6	285.6

The net book value of land and buildings comprises freehold properties of £0.1m (2011: £0.3m), long leasehold properties of £nil (2011: £0.5m), and short leasehold properties of £11.3m (2011: £10.6m).

At 31 March 2012, the net carrying amount of leased hire equipment was £nil (2011: £0.2m).

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

11 Inventories

	2012 £m	2011 £m
Finished goods and goods for resale	**12.8**	10.2

The amount of inventory expensed in the year amounted to £43.0m (2011: £46.5m), included within cost of sales. No provision in respect of writedown in inventory is held at the year-end or prior year-end.

12 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**80.6**	90.6
Other receivables	**5.1**	4.7
Prepayments and accrued income	**2.0**	2.4
	87.7	97.7

There are £31.6m (2011: £40m) of trade receivables that are past due at the balance sheet date that have not been provided against. There is no indication as at 31 March 2012 that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are past due and unprovided. The ageing of trade receivables (net of impairment provision) at the year-end was as follows:

	2012 £m	2011 £m
Not past due	**49.0**	50.6
Past due 0–30 days	**21.0**	23.9
Past due 31–120 days	**9.8**	12.9
More than 120 days past due	**0.8**	3.2
	80.6	90.6

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

	2012 £m	2011 £m
At 1 April	**4.1**	6.7
Impairment provision charged to the income statement	**5.5**	7.6
Written off in the year	**(7.2)**	(10.2)
At 31 March	**2.4**	4.1

13 Assets held for sale

On 30 April 2011, the Group completed the sale of its accommodation hire operation to Elliott Group Ltd, a subsidiary of Algeco Scotsman, for a total cash consideration of £34.9m. These assets are included within the 'assets held for sale' category as at the 31 March 2011 at £33.4m, at fair value less costs to sell. A £13.8m exceptional charge was recognised in the income statement for the year ended 31 March 2011 (note 3). A further exceptional charge of £2.9m has been reflected for the year ended 31 March 2012 (note 3).

14 Trade and other payables

	2012	2011
	£m	£m
Trade payables	**37.5**	23.2
Other payables	**7.0**	6.8
Accruals	**33.1**	33.3
	77.6	63.3

15 Financial instruments

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, retained profits and borrowings. The main risks arising from the Group's financial instruments are credit, interest rate, foreign currency and liquidity risk. The Board reviews and agrees the policies for managing each of these risks on an annual basis. A full description of the Group's approach to managing these risks is set out below.

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

Fair value of financial assets and liabilities

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

	31 March 2012		31 March 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£m	**£m**	£m	£m
Trade and other receivables	**85.7**	**85.7**	95.3	95.3
Cash	**0.2**	**0.2**	0.2	0.2
Bank overdraft	**(0.2)**	**(0.2)**	(1.1)	(1.1)
Secured bank borrowings	**(76.3)**	**(76.3)**	(112.7)	(112.7)
Finance lease liabilities	-	-	(0.5)	(0.5)
Interest rate swaps and caps, used for hedging	**(0.7)**	**(0.7)**	(0.6)	(0.6)
Trade and other payables	**(44.5)**	**(44.5)**	(30.0)	(30.0)
	(35.8)	**(35.8)**	(49.4)	(49.4)
Unrecognised gain/(loss)		**-**		-

15 Financial instruments *(continued)*

Basis for determining fair values

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

(a) Derivatives

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

(b) Interest-bearing loans and borrowings

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

(c) Trade and other receivables/payables

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

Interest rates used for determining fair value

The interest rate used to discount estimated cash flows, where applicable, has been estimated at 11.7% (2011: 12.3%).

Fair value hierarchy

The Group and Company's financial instruments relate to cash flow hedges which are carried at fair value in both the current and prior year. The valuation is based on inputs other than quoted prices but which are directly observable (i.e. as prices) (classified as Level 2 in accordance with IFRS7).

Credit risk

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

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

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

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

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

15 Financial instruments *(continued)*

Liquidity risk

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

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

At 31 March 2012, the Group had available loan facilities amounting to £220.0m (2011: £210m), as detailed in note 16. Of these facilities £136.6m remained unutilised at 31 March 2012 (2011: £96m). Details of the repayment profile of the drawn facilities at the year-end, is included in note 16.

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

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

At 31 March 2012

	Undiscounted cash flows – 31 March 2012			
	2013	**2014**	**2015**	**Total**
	£m	**£m**	**£m**	**£m**
Revolving credit	**-**	**-**	**76.3**	**76.3**
Interest payments	**5.8**	**5.8**	**4.4**	**16.0**
	5.8	**5.8**	**80.7**	**92.3**

At 31 March 2011

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

15 Financial instruments *(continued)*

Market risk

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

- Currency risk

The Group is exposed to currency risk on the translation of the results of its subsidiaries which are resident in the Republic of Ireland (Speedy Hire (Ireland) Limited and Waterford Hire Services Limited), United Arab Emirates (Speedy International Asset Services Equipment Rental LLC), Egypt (Speedy International Asset Services LLC Limited), and Oman (Speedy International Asset Services LLC Limited). It is the Group's policy to review the net investment in all companies on a regular basis, and to hedge against potential exposures to movements in foreign currency where considered appropriate. At 31 March 2012, Speedy Hire (Ireland) Limited had net liabilities of £7.0m (2011: £4.2m), Waterford Hire Services Limited had net assets of £1.5m (2011: £1.5m), Speedy International Asset Services Equipment Rental LLC (United Arab Emirates) had net liabilities of £4.3m (2011: assets £2.2m), Speedy International Asset Services Equipment Rental LLC (Egypt) had net liabilities of £0.2m and Speedy International Asset Services Equipment Rental LLC (Oman) had net assets of £0.3m, and no hedging instruments are in place to cover potential movements in foreign currency.

- Interest rate risk

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

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

	31 March 2012		31 March 2011	
	Fair Value	**Notional Amount**	Fair Value	Notional Amount
Group and Company	**£m**	**£m**	£m	£m
Designated as cash flow hedges				
Fixed interest rate swaps	**(0.7)**	**62.5**	(0.6)	52.5
Interest rate caps	**-**	**2.5**	-	7.5
	(0.7)	**65.0**	(0.6)	60.0

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

The weighted average interest rate of the fixed interest rate swaps is 1.690% (2011: 2.780%) and the instruments are for a weighted average period of 20 months (2011: 19 months). The maximum contractual period is 30 months.

Capped rate instruments bear a weighted average interest rate of 1.275% (2011: 5.013%) for a period of less than one month (2011: 7 months).

15 Financial instruments *(continued)*

Sensitivity analysis

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

At 31 March 2012 it is estimated that a general increase of 1% in interest rates would decrease the Group's profit before tax by approximately £0.2m. Interest rate swaps and caps have been included in this calculation.

Capital management

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

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

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

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

16 Borrowings

	2012	2011
	£m	£m
Current borrowings		
Bank overdraft	**0.2**	0.9
Finance leases	**-**	0.2
	0.2	1.1
Non-current borrowings		
Maturing between one and two years		
- Revolving credit facilities	**-**	112.7
Maturing between two and five years		
- Asset-based revolving credit facilities	**76.3**	-
- Finance leases	**-**	0.3
Total non-current borrowings	**76.3**	113.0
Total borrowings	**76.5**	114.1
Less: cash	**(0.2)**	(0.2)
Net debt	**76.3**	113.9

Notes to the financial statements *(continued)*

16 Borrowings *(continued)*

The Facility is secured by a fixed and floating charge over all the assets of the Group and the overdraft and asset-based revolving credit facility are rated pari passu.

In June 2011, the Group entered into a £220m asset-based revolving credit facility to replace the previous £210m cash-flow-based loan facility which was due to mature in June 2012. 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.

(ii) An asset-based revolving credit facility of up to £215m. The availability of this facility is dependent upon the Group's hire equipment and trade receivables and, at 31 March 2012, the undrawn availability was £69.3m.

The Facility is for £220m, but is reduced to the extent that ancillary facilities are provided and is repayable in January 2015, with no prior scheduled repayment requirements.

Interest is calculated by reference to the London Inter Bank Offer Rate applicable to the period drawn, plus a margin of 225 to 400 basis points, depending upon leverage and on the components of the borrowing base. During the period since initial utilisation in July 2011, the effective margin was 2.97%. The comparable effective interest rates (before exceptional finance costs) under the previous cash-flow-based loan facility for the year to 31 March 2011 on bank overdraft and revolving credit facilities were 2.7% and 3.4% respectively.

The effective interest rate applicable to cash deposits during the year was 0.7% (2011: 0.4%).

Analysis of consolidated net debt

	At 31 March 2011 £m	Non-cash movement £m	Cash flow £m	**At 31 March 2012 £m**
Cash at bank and in hand	0.2	-	-	**0.2**
Borrowings	(114.1)	-	37.6	**(76.5)**
	(113.9)	-	37.6	**(76.3)**

17 Provisions

	Onerous property contracts £m
At 1 April 2010	7.3
Created in the year	2.5
Provision utilised in the year	(5.0)
Unwinding of discount	(0.1)
At 31 March 2011	4.7
Created in the year	3.6
Provision utilised in the year	(3.9)
Unwinding of discount	0.1
At 31 March 2012	**4.5**

Of the £4.5m, £2.3m (2011: £3.5m) is due within one year and £2.2m (2011: £1.2m) is due after one year. The key assumption underlying the calculation of the provision relates to the assumed sub-let period. The provision is calculated based on a gross liability to the earlier of three years and the estimated date of sub-let, or break clause, and includes estimated dilapidations at current market rates. The total liability is discounted to current values. If leases on properties which are assumed to be sub-let were not exited/sub-let for a further 12 months beyond the estimated period, the increase required in the discounted provision would amount to £1.3m.

18 Deferred tax

	Property, plant and equipment £m	Intangible assets £m	Share-based payments £m	Other items £m	Total £m
At 1 April 2010	17.1	1.9	-	(2.0)	17.0
Recognised in income	(8.5)	(0.4)	(0.1)	1.4	(7.6)
Recognised in equity	-	-	-	(0.2)	(0.2)
At 31 March 2011	8.6	1.5	(0.1)	(0.8)	9.2
Recognised in income	3.5	-	(0.1)	(1.9)	1.5
Recognised in equity	-	-	(0.1)	-	(0.1)
At 31 March 2012	**12.1**	**1.5**	**(0.3)**	**(2.7)**	**10.6**

There are no unrecognised deferred tax liabilities (2011: £nil).

The Group has gross trading losses carried forward at 31 March 2012 amounting to approximately £16.5m (2011: £4.9m). A deferred tax asset of £2.0m (2011: £nil) has been recognised in respect of those losses which is included in other items above.

The Group also has gross capital losses carried forward at 31 March 2012 amounting to approximately £5.5m (2011: £5.8m). No deferred tax asset has been recognised in respect of these losses.

19 Share capital

	2012 £m	2011 £m
Allotted, called-up and fully paid		
517.2 million (2011: 517.2 million) ordinary shares of 5 pence each	**25.9**	25.9

During the year, 18,536 ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Scheme. During 2011, there were no changes to share capital.

An Employee Benefits Trust was established in 2004 (the 'Trust'). The Trust holds shares issued by the Company in connection with the Performance Plan and Co-investment Plan. No shares were allotted to the Trust during the year and 34,375 shares were transferred to employees during the year. At 31 March 2012, the Trust held 10,260,251 (2011: 10,294,626) shares - including 6,405,980 (2011: 7,594,666) jointly owned shares.

The movement in issued share capital was as follows:

	Number	£m
At 1 April 2010 and 31 March 2011	517,215,666	25.9
Exercise of Sharesave Scheme options	18,536	-
At 31 March 2012	**517,234,202**	**25.9**

Notes to the financial statements *(continued)*

20 Share incentives

At 31 March 2012, options and awards over 21,961,544 shares (2011: 26,883,206) were outstanding under employee share schemes. The Group operates three share incentive schemes. During the year 18,536 ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Scheme (2011: nil).

As at 31 March 2012 options to acquire 7,795,175 (2011: 8,339,678) Speedy Hire Plc shares were outstanding under the Speedy Hire Sharesave Scheme. These options are exercisable by employees of the Group at prices between 15 and 29 pence (2011: 17 and 183 pence) at dates between October 2012 and January 2015 (2011: December 2010 and June 2014). At 31 March 2012, options to acquire 7,760,389 (2011: 11,164,241), and awards over 6,405,980 (2011: 7,379,287) shares were outstanding under the Performance and Co-Investment Plans. These options were exercisable at effectively nil cost between September 2012 and June 2016 (2011: March 2011 and September 2013). Awards granted under the Performance Plan as ExSOP awards involve the acquisition of shares jointly by the participant and the trustee of the Company's employee trust on terms that, to the extent certain performance conditions are satisfied, the participant can benefit from any growth of the shares in excess of a hurdle. Initial Value Awards entitle the holder to a value (in shares or cash) equal to the number of ExSOP shares (if any) in respect of which the performance condition is met multiplied by the share value on the award date or, if lower, the share value when the ExSOP award crystallises.

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

	2012		2011	
	WAEP pence	**Number**	WAEP pence	Number
Outstanding at 1 April	**7**	**26,883,206**	10	19,036,681
Granted	**8**	**4,564,271**	8	10,606,221
Exercised	**23**	**(18,536)**	-	-
Lapsed	**9**	**(9,467,397)**	28	(2,759,696)
Outstanding at 31 March	**8**	**21,961,544**	7	26,883,206
Exercisable at 31 March	**-**	**-**	183	85,094

Options and awards outstanding at 31 March 2012 have weighted average remaining contractual lives as follows:

	2012 years	2011 years
Exercisable at nil pence	**1.0**	1.8
Exercisable at 15 pence	**2.8**	-
Exercisable at 21 pence	**1.8**	2.8
Exercisable at 29 pence	**0.5**	1.5

20 Share incentives *(continued)*

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

Speedy Hire Sharesave Scheme

	December 2011	December 2010	September 2009	December 2007	September 2007
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	15p	21p	29p	183p	255p
Share price volatility	87.0%	88.2%	85.7%	25.5%	22.9%
Option life	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years
Expected dividend yield	2.1%	1.4%	3.1%	2.1%	1.5%
Risk-free interest rate	0.5%	1.4%	2.1%	4.5%	5.3%

Co-Investment Plan

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

Performance Plan

	July 2011	July 2010	September 2009	July 2008	July 2007
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	Nil	Nil	Nil	Nil	Nil
Share price volatility	91.3%	94.0%	88.0%	29.3%	23.6%
Option life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	1.3%	1.5%	3.1%	3.7%	1.4%
Risk-free interest rate	1.0%	1.2%	2.1%	5.2%	5.8%

21 Note to the cash flow statement – cash from operating activities

	2012	2011
	£m	£m
Profit/(loss) before tax	**3.2**	(27.0)
Financial expense	**7.2**	9.0
Exceptional financial expense	**2.2**	1.5
Exceptional write down of accommodation assets	**-**	13.8
Amortisation	**4.1**	5.5
Depreciation	**43.6**	55.1
Profit on disposal of hire equipment	**(4.8)**	(5.0)
Loss on disposal of other property, plant and equipment	**0.7**	-
Exceptional writedown of non-hire property, plant and equipment	**-**	0.1
(Increase)/decrease in inventories	**(2.6)**	1.1
Decrease in trade and other receivables	**10.0**	6.4
Increase/(decrease) in trade and other payables	**5.3**	(9.1)
Movement in provisions	**(0.2)**	(2.6)
Equity-settled share-based payments	**1.0**	0.9
Cash from operating activities	**69.7**	49.7

22 Acquisitions

The Group entered into a strategic supply agreement with Morgan Sindall Group plc on 31 October 2011. As part of the agreement the Group acquired one depot together with associated hire equipment. The total consideration was £5.2m cash which was paid in the year.

	Fair value
	£m
Intangible assets	**1.9**
Hire equipment assets	**3.3**
Total consideration	**5.2**
Satisfied by:	
Cash consideration	**5.2**

The fair value adjustment to hire equipment assets relates to the adjustment of fixed asset lives and residual values to bring the basis into line with the Group's own accounting policy.

Disclosure of revenue and profit for the acquisition that is included in the income statement for the period, together with disclosure of revenue and profit for the acquisition, as if it had been completed at the beginning of the year, is impractical, due to the acquisition being fully integrated into the business.

23 Contingent liabilities

The Group has given warranties (including taxation warranties and indemnities) to the purchasers of six businesses disposed of over the last twelve years. These warranties and indemnities expire at various dates up to 12 years from the date of disposal.

In the normal course of business, the Company and certain subsidiaries have given performance bonds issued on behalf of Group companies and parental guarantees have been given in support of the contractual obligations of Group companies on both a joint and a several basis.

Notes to the financial statements *(continued)*

24 Commitments

The Group had contracted capital commitments amounting to £4.2m (2011: £2.0m) at the end of the financial year for which no provision has been made.

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

	Land and buildings		Other	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Total future minimum lease payments				
- not later than one year	**13.6**	16.4	**7.2**	9.4
- later than one year and not later than five years	**43.5**	51.7	**11.0**	10.3
- later than five years	**27.7**	35.7	**-**	-
	84.8	103.8	**18.2**	19.7

25 Post-balance sheet events

Dividends

The Directors have proposed a dividend of 0.26 pence per share as a final dividend in respect of the year ended 31 March 2012. 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:

	2012	2011
	£m	£m
0.26 pence (2011: 0.2 pence) on 517.2m (2011: 517.2m) ordinary shares	**1.3**	1.0

26 Accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 31 March 2012 or 31 March 2011 but is derived from those accounts. Statutory accounts for Speedy Hire Plc for the year ended 31 March 2011 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2012 will be delivered in due course. The auditor has reported on those accounts; their reports were (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. Additional copies will be available on request from Speedy Hire Plc, Chase House, 16 The Parks, Newton-le-Willows, Merseyside, WA12 0JQ.