



Speedy Hire Plc

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

Results for the year ended 31 March 2020

Resilient performance in uncertain markets, well placed for future

Speedy, the UK's leading tools, equipment and plant hire services company, operating across the construction, infrastructure and industrial markets, announces results for the year ended 31 March 2020.

Underlying results

	Year ended 31 March 2020 (£m)	Year ended 31 March 2019 (£m)	Change %	Change % (excluding IFRS 16)
Revenue (excluding disposals)	402.5	389.2	3.4	3.4
Adjusted operating profit ^{1,*}	39.1	36.7	6.5	3.4
Adjusted profit before tax ^{1,*}	34.9	31.4	11.1	6.1
Adjusted earnings per share ^{2,*}	5.54	4.96	11.7	6.3

Statutory results

	Year ended 31 March 2020 (£m)	Year ended 31 March 2019 (£m)	Change %	Change % (excluding IFRS 16)
Revenue	406.7	394.7	3.0	3.0
Operating profit*	14.0	34.8	(59.8)	(69.5)
Profit before tax*	20.7	28.7	(27.9)	(30.1)
Basic earnings per share*	3.23	4.47	(27.7)	(30.0)

Other measures

	Year ended 31 March 2020 (£m)	Year ended 31 March 2019 (£m)	Change %	Change % (excluding IFRS 16)
Net debt ³	79.3	89.1	(11.0)	(11.2)
Return on Capital Employed ^{4,*}	12.0%	11.7%	2.6	-
Dividend (pence per share)	0.70	2.00	-	-

* Comparatives restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies). Non-statutory percentage change under previous lease accounting policies also shown for illustrative purposes.

Strategic and Operational highlights

- Adjusted profit before tax¹ up 11.1% to £34.9m (2019: £31.4m), profit before tax £20.7m (2019: £28.7m)
- ROCE⁴ (including goodwill and intangibles) increased to 12.0% (2019: 11.7%)
- Strong balance sheet and cash generation. Net debt³ reduced to £79.3m (31 March 2019: £89.1m), with leverage⁵ of 1.0x (31 March 2019: 1.1x)
- Increasing resilience:
 - Reducing reliance on construction sector
 - UK and Ireland Services revenue up 8.9%
 - Low average age of hire fleet; 3.4 years (2019: 3.3 years) following further investment to support four-hour delivery promise
- Continuing growth in higher margin SME customer numbers, with revenues up 32.1%
- Pre COVID-19 asset utilisation in the UK and Ireland was 56.6% (2019: 57.0%)
- Artificial intelligence supporting growth through fleet optimisation and identification of revenue opportunities
- As previously announced, Geason Training performed below expectations resulting in net exceptional items of £12.2m. Management changes implemented to improve performance
- Board strengthened with appointment of Rhian Bartlett in June 2019, bringing significant experience of digital applications and marketing

Trading update for FY2021

- Decisive action to contain costs and preserve cash following COVID-19 outbreak. Well placed to take advantage of opportunities as restrictions are lifted
- Significant proportion of revenue retained. UK and Ireland Hire revenue for June is c.17% below prior year
- Continued strong cash generation, benefiting from available Government support schemes. Net debt³ at 31 May 2020 further reduced to £67.3m. Significant headroom against bank facilities
- All discretionary spend frozen, and minimal capex in April and May of c.£0.5m
- At current revenues the Group can operate throughout FY21 within existing banking facilities, without breaching any covenant tests
- Improvements to simplify and standardise operating model under way following COVID-19

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

"I am pleased to report continued positive momentum across the Group. We have a well invested fleet, diversified customer base and robust balance sheet.

Our priority remains the welfare of our colleagues, customers and the communities we serve. We continue to monitor Government guidance and take action to ensure the safety of our colleagues as we continue to operate to satisfy customer demand. Whilst COVID-19 will have some financial impact on the business, I am reassured by our performance in the last three months. We are well placed to emerge in a position of strength to pursue our strategic objectives as more normal trading levels return."

Enquiries:**Speedy Hire Plc****Tel: 01942 720 000**

Russell Down, Chief Executive
Chris Morgan, Group Finance Director

MHP Communications**Tel: 0203 128 8778**

Oliver Hughes
Andrew Jaques

Notes:**Explanatory notes:**¹ See note 8² See note 6³ See note 12⁴ Return on Capital Employed: Profit before tax, amortisation and exceptional items divided by the average capital employed (where capital employed equals shareholders' funds and net debt³), for the last 12 months.⁵ Leverage: Net debt³ covered by EBITDA¹. This metric excludes the impact of IFRS 16.**Inside Information:** This announcement contains inside information.

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

Notes to Editors: Founded in 1977, Speedy is the UK's leading provider of tools, equipment and plant hire services to a wide range of customers in the construction, infrastructure and industrial markets, as well as to local trade and industry. The Group provides complementary support services through the provision of training, asset management and compliance services. Speedy is certified nationally to ISO50001, ISO9001, ISO14001, ISO17020, ISO27001 and OHSAS18001. The Group operates from over 200 fixed sites across the UK and Ireland together with a number of on-site facilities at client locations, from an international office based in Abu Dhabi and through a joint venture in Kazakhstan.

Chairman's statement

Overview

I am pleased with these results as we have again grown revenue and underlying profitability through our strategy of delivering best in class performance and focusing on the customer experience. The business has adapted quickly to the challenges of the COVID-19 pandemic and is continuing to trade from a reduced footprint at this time. We have finished the year with excellent customer relationships and remain in a strong financial position from which to build as market conditions return to normal.

COVID-19

The Group reacted quickly to manage its cost base and cash resources following the outbreak of the COVID-19 pandemic in March 2020. Our UK and Ireland operations have remained open, and we have continued to serve our customers nationally, albeit from a reduced depot footprint. Revised health and safety processes have been put in place to protect colleagues and customers and to ensure we are able to continue to support our customers throughout this period.

Our revenues declined initially, but are recovering as we have seen customers returning to work. We have reduced our staff costs through the use of Government support schemes, minimised all other variable costs where possible and frozen all capital expenditure unless specifically needed to meet customer requirements. We continue to apply strict financial discipline to the management of working capital.

The Group is in a strong financial position with substantial unutilised bank facilities and robust plans in place to manage through the anticipated crisis period and adapt our business model as we return to a new normal. We have modelled a range of downturn scenarios and under all of these the Group continues to generate cash and would not breach any of the covenant tests under its banking facilities. The Group has operated with conservative debt levels and consequently at current revenue levels it would be able to operate throughout FY21 within existing banking facilities and without breaching any covenant tests.

Results

Group revenue and underlying profitability has increased reflecting the strategy to acquire specialist businesses and grow higher margin SME customer revenues. Towards the financial year end UK and Ireland revenues were affected by reduced customer demand due to COVID-19, although we have now started to see a return in activity levels. Our Geason Training business has not performed in line with expectations and actions are now in place to address this. Nevertheless services revenues have continued to grow and now amount to over 40% of Group revenues. In the Middle East profitability during the year reduced slightly, due to the revised commercial terms necessary to secure an extension to the contract term. More recently the business has continued to perform well in spite of a reduction in activity levels due to the recent decline in the oil price.

Dividend

As a result of the COVID-19 pandemic the Group has taken advantage of substantial Government support schemes in the UK and implemented cost reduction measures across the business that have affected colleagues and other stakeholders. Whilst the Board recognises the importance of dividend returns and financial discipline to shareholders, in the current exceptional circumstances it has decided not to recommend payment of a final dividend for the year. The Board has not fundamentally changed its dividend policy and will consider whether it is appropriate to recommend payment of an interim dividend for the current financial year at the time of the half year results in November.

Board and people

Rhian Bartlett joined the Board as a Non-Executive Director and member of the Audit & Risk, Remuneration and Nomination Committees on 1 June 2019. I am delighted to welcome her and pleased with the contribution she has already made to the Board.

Chris Morgan will leave the Board on 31 July 2020; I would like to take this opportunity to thank Chris for his efforts over the past four years.

We carried out an external board evaluation during the year and have decided to make a number of changes to roles and committee structures with the aim of enhancing our existing governance structure and spreading responsibilities more evenly across the Board. I am announcing today that Bob Contreras will step down from his role as Senior Independent Director on 1 August 2020. Bob has undertaken this role for almost five years and I would like to express my personal thanks to him for his significant contribution and wise counsel to the Board throughout that period. He remains as the Chairman of the Audit & Risk Committee while David Garman will take over from him as Senior Independent Director.

We also plan to commence a recruitment exercise to add an additional Non-Executive Director to the Board over the next few months. The objective is to add to the existing complement of skills on the Board in the area of HR and People related matters, enhance Board diversity and plan for future succession.

The past few months have proved challenging for all of my colleagues, whether they have continued to be working or on furlough. I would like to take this opportunity to record my personal appreciation to all of the Speedy family for their dedication and continuing support at this challenging time.

Future

I am pleased with the performance and resilience of the business over the past year and more recently since the advent of the COVID-19 crisis. Our operating environment has changed and we will face challenges and uncertainties in the coming year. However we have a clear plan for managing the business through this period and will react and adapt our plans quickly to respond to changes in market dynamics as we move into a post COVID-19 world. A strong balance sheet and the actions which we have already taken to enhance the resilience of the business will allow us to respond to opportunities which will arise as markets recover.

David Shearer
Chairman

Chief Executive's statement

Overview

I am pleased to report continued momentum over the last financial year in achieving our strategic objectives, notwithstanding the reduction in activity levels we experienced in late March 2020 due to the COVID-19 pandemic. I am immensely proud of all of my colleagues' efforts and support during these unprecedented times, as we have continued to provide essential services and adapted to new ways of working.

COVID-19

At the end of March 2020, in response to the outbreak of COVID-19 and related Government guidance, we took immediate and decisive action to protect the health and safety of our colleagues and stakeholders whilst maintaining the ability to support our customers, contain costs and preserve cash. We temporarily closed a number of our depots, and furloughed c.1,800 of our colleagues in the UK under the Government's Coronavirus Job Retention Scheme and in Ireland under the Irish Government's Wage Subsidy Scheme.

A recruitment freeze was put in place and the annual salary review that was due on 1 April 2020 has been deferred. All Board directors and the leadership team agreed to reduce salaries and fees by 20% for a period of three months from 1 April 2020. All non-essential spend has been suspended and variable operating costs, including IT and vehicle costs, have been reduced.

In April Group revenues were c.35% below the prior year as we continued to trade through our larger superstores servicing customers who were providing essential services. Recently, we have seen revenue increase as customers in England, Wales and Ireland return to work. In June hire revenue in the UK and Ireland is c.17% below the prior year. Whilst c.30% of colleagues remain on furlough, we have started to re-open depots and un-furlough colleagues at a rate that reflects increases in customer demand.

The young age profile of the Group's hire fleet has allowed us to significantly reduce capital expenditure. In the short term, whilst the uncertainty continues, all non-essential capital expenditure has been suspended with capital expenditure incurred in April and May amounting to c.£0.5m.

The Group has taken advantage of other Government COVID-19 support, including business rates relief, and a reduction, or deferral, in taxes payable. These support measures combined with other measures we have taken give the Board confidence in the Group's ability to continue to generate cash and operate within its existing debt facilities and covenant tests during a prolonged period of reduced activity. As a result of the measures taken the Group has generated cash for the months of April and May with net debt³ at 31 May 2020 amounting to £67.3m.

As our operations return to normal we will learn from the experiences of the past few months in order to simplify and standardise our operating model. This will allow us to be better placed to address growth opportunities and be more efficient in our day to day operations.

Financing and liquidity

The Group has a committed asset based facility of £175m and an overdraft facility of £5m, available until October 2022. Net debt³, excluding lease liabilities, as at 31 March 2020 was £79.3m, after continued hire fleet investment of c.£55m in the year to support asset availability and our four-hour nationwide service promise. As a result, the Group has significant headroom against its committed banking facilities totalling £180m and, in addition, has an uncommitted accordion facility of £220m. Leverage⁵ at 31 March 2020 was 1.0 times, below the Board's target range through the cycle, which we believe is appropriate in current times.

Results

Group revenue increased by 3.0% to £406.7m (2019: £394.7m). Group revenues, excluding disposals, increased by 3.4% to £402.5m (2019: £389.2m), reflecting prior year acquisitions and growth in SME customer revenues, offset by the impact of reduced activity levels due to COVID-19 towards the year end.

UK and Ireland Services revenue grew by 8.9%, primarily due to the prior year acquisition of Geason Training and growth in our Lloyds British testing business. In the Middle East revenues fell slightly reflecting revised commercial terms negotiated as part of an extension to the term of the main contracts.

Gross margin increased to 55.1% (2019: 54.3%), as a result of increased revenues from higher margin SME customers and an increase in Services revenues. Overheads increased as a result of the acquisitions, however remain tightly controlled and consequently EBITA¹ increased by 6.5% to £39.1m (2019: £36.7m). EBITDA¹ increased by 2.5% to £107.4m (2019: £104.8m).

There were £12.9m of net exceptional expenses incurred during the year (2019: £2.0m) principally in relation to Geason Training. As previously announced Geason Training has not performed in line with expectations

and consequently exceptional items include a charge for the impairment of assets, partially offset by a write back of contingent consideration. Further details are included in the Financial review.

Adjusted profit before tax increased to £34.9m (2019: £31.4m). Adjusted earnings per share² increased to 5.54 pence (2019: 4.96 pence).

The net book value of the Group's hire fleet increased to £227.1m (2019: £ 216.9m). Capital expenditure supported the expansion of our four-hour delivery service in London to a nationwide promise across the UK, and grew the international fleet in order to diversify our customer base. The investment has enabled us to maintain a low average fleet age of 3.4 years (2019: 3.3 years) which will allow capital expenditure to reduce during FY2021. Asset utilisation in the UK and Ireland pre COVID-19 was 56.6% (2019: 57.0%), reflecting investment to support our four-hour delivery promise.

Dividend

The Group remains in a strong financial position, with substantial headroom, despite the reduction in activity levels as a result of the COVID-19 pandemic. The Group has modelled a range of outcomes from COVID-19 and under all scenarios is projecting to generate cash over the coming financial year as a result of the cost saving measures it has implemented, reductions to planned capital expenditure and the utilisation of Government support. Under the current circumstances the Board has decided it would not be appropriate to recommend payment of a final dividend. The Board will consider whether it is appropriate to recommend payment of an interim dividend at the time of the half year results in November.

Strategy and operational review

Our vision is to be the best company in our sector to do business with and the best to work for. This entails being uniquely customer focused in everything that we do and actively listening and communicating with our people.

UK and Ireland

We serve c.54,000 customers in the UK and Ireland, ranging from large national contractors to local SMEs. We are pleased to have extended our contract with Babcock, and won and renewed a number of significant contracts including with Morgan Sindall, Welsh Water, Sellafield, Persimmon, Crest Nicholson and AmcoGiffen. We have also further grown our SME revenues by over 30% and customer numbers to c.50,000. This has been achieved by proactively managing these customers through our Customer Relationship Centre (CRC) in South Wales, enhancing service levels to this customer base whilst reducing our cost to serve. During the year we expanded the CRC and re-profiled our sales force to enable targeted new customer acquisition and development of existing accounts. In addition we created new specialist teams with technical knowledge to better service our customers' needs.

We have grown our Services businesses faster than our hire business. Services revenues are less capital intensive, have greater visibility and are more recurring in nature than hire revenues. As a result they are ROCE⁴ enhancing for the Group. Our Services categories consist of: re-hire; training; testing, inspection and certification; product and consumable sales; and fuel management services. We target our sales force to sell the full range of our Services to customers. 40% of our revenue now comes from Services compared to c.30% three years ago, primarily due to growth in testing and training revenues from the acquisitions of Lloyds British and Geason Training respectively. Geason Training has performed below expectations during the year due to lower than expected learner enrolments, the setup of a number of regional training centres which have yet to reach critical mass and a poor control environment. More recently the business has been further affected by an assurance visit from a funding agency and market conditions due to COVID-19. All goodwill and contingent consideration payable in relation to the acquisition has been written off and we have provided for amounts which may become repayable as a result of the assurance visit. The strategy remains to grow a profitable training business, and consequently the Group has implemented a number of management changes and is reviewing further initiatives to improve its financial position.

Our customers' key priority is the prompt availability of products for hire. We offer a unique four-hour delivery service on our most popular products. This four-hour promise was originally launched within the M25 in November 2018, and in January 2020 was extended nationally. The success of this service reflects our customer service culture, and the investment we have made in equipment, systems and processes. We will continue to evolve our service offering to ensure that we are able to offer our customers the service that they have come to expect.

We have made further progress in the use of artificial intelligence to optimise our data and identify areas for improving efficiency. We are using machine learning to set depot stocking levels, target sales activity and optimise logistics. During FY2020 we re-launched our online account management service 'MySpeedy' with an improved customer interface and new features. The enhanced service enables both large and small customers instant secure access to their hire information, together with a range of features including: flexible

user access levels for our larger account customers; the ability to view transactions and history including deliveries, collection and off-hires; the ability to download and print documents including invoices, proof of delivery and collection notices, and compliance certificates; and enables customers to on-hire and off-hire directly from their mobile device. All of this makes it easier for our customers to do business with us whether by telephone, in-depot or digitally through our website or mobile app. We have made further progress during the year with our mobile app and are in active discussions with a number of our major customers to fully integrate the app into their ordering process.

International

In the Middle East we provide equipment and manpower to the oil and gas market, principally in Abu Dhabi. We have operated in the region for many years and have worked on our main contracts for in excess of seven years; during the year the contracts were renewed for a further year to 31 May 2020 and have subsequently been extended to 31 August 2020. We are in active discussions with our main customer in relation to longer term opportunities. As a result of regional market conditions, and more recently the declining oil price, the commercial terms of the extensions were less favourable. International revenue decreased by 2.5% due to lower rehire and consumable sales, although hire revenue grew 11.4%. EBITA¹ fell by 3.4% reflecting lower margins negotiated to secure the contract extensions. EBITA¹ margins remained broadly consistent year on year at 16.2% (2019: 16.3%) reflecting continued strong returns from the asset base.

The Group has a 45% share in a joint venture in Kazakhstan serving the oil and gas market. Share of profits increased to £2.8m (2019: £1.9m) reflecting strong asset utilisation due to increased cyclical shutdown activity in the period.

Energise

We launched a new Environmental, Social and Governance (ESG) initiative, Energise, in October 2019. This encompasses a strategy to improve our own environmental and sustainability performance, but also a commitment to continue to invest in the latest innovative technology for the hire fleet. Increasingly alternative options such as hybrid, solar and hydrogen are becoming viable power sources and we are committed to investing in this cleaner technology for our customers. The Energise programme also encompasses our community engagement and I am delighted to see so many of my colleagues participating in volunteering activities during the year.

People

The Group's headcount at 31 March 2020 was consistent with the prior year at 4,065 (2019: 4,063).

During the year we undertook a pulse survey of all colleagues to ascertain progress against the full survey results undertaken the prior year. I am pleased to report that once again our response rate and engagement scores were strong. Our intention was to perform the full survey in April 2020; however this will now be undertaken once normal working conditions resume. Feedback from prior year surveys has related to communication and during the year we launched a new web and app based communications tool, 'The Hub'. This has proved invaluable for communicating with staff, including those furloughed, at this time. We have also introduced a number of regional employee forums with the Chairpersons meeting myself and the HR Director quarterly in order to address any matters raised.

The Board is committed to maintaining the welfare of our colleagues at this challenging time. We have ensured that there is regular communication with, and support for colleagues who are participating in the long-term success of the business, whether working or on furlough leave. This has included calls with all furloughed staff from the senior management team. I would like to take this opportunity to thank all my colleagues for their ongoing support and dedication during the year, and as we continue to navigate this challenging time.

Guidance

As stated in our announcements on 9 April 2020 and 8 June 2020, the COVID-19 situation is likely to remain uncertain for some time and the Group therefore confirms all guidance remains suspended until the position stabilises.

Summary and outlook

I am pleased to report continued positive momentum across the Group. We have a well invested fleet, diversified customer base and robust balance sheet.

Our priority remains the welfare of our colleagues, customers and the communities we serve. We continue to monitor Government guidance and take action to ensure the safety of our colleagues as we continue to operate to satisfy customer demand. Whilst COVID-19 will have some financial impact on the business, I am reassured by our performance in the last three months. We are well placed to emerge in a position of strength to pursue our strategic objectives as more normal trading levels return.

Russell Down
Chief Executive

Financial review

COVID-19

The UK and Ireland businesses experienced a slowdown as result of COVID-19 from the middle of March 2020. This reduced profitability for the year by c.£2.5m, mainly due to lower core hire revenue and the postponement of profitable planned disposals. As at the end of March 2020, the International businesses were largely unaffected.

Decisive action was swiftly taken to contain costs and preserve cash, and the Board remains confident that the business can operate within its existing debt facilities and covenant tests during a period of reduced trading activity.

Impact of reporting under IFRS 16 Leases

From 1 April 2019 the Group has reported under IFRS 16 Leases for the first time. This has resulted in a material grossing up of the Balance Sheet with the recognition of a right of use asset and corresponding lease liability for all qualifying leased equipment, vehicles and property. The Income Statement now reflects depreciation on the right of use asset, and interest charged on the lease liability, largely offset by rental charges no longer recognised. With respect to the Cash Flow Statement, there have been no changes in the overall reported net cash flows although operating cash flows and financing cash flows have been adjusted.

The financial impact of IFRS 16 in the period has been to increase EBITA¹ by £5.3m, to increase profit before tax by £1.7m and to increase profit before tax, amortisation and exceptional items by £2.1m. In the Balance Sheet, the right of use asset recognised at 31 March 2020 is £64.7m and the corresponding lease liability recognised is £72.9m. In the Income Statement, an additional £23.8m of depreciation has been charged and an incremental interest charge of £3.2m has been recognised, offset by £29.1m of rental charges no longer recognised.

A reduction in retained earnings of £10.5m was recognised upon transition to IFRS 16 on 1 April 2018.

Group financial performance

Revenue (excluding disposals) for the year to 31 March 2020 increased by 3.4% to £402.5m (2019: £389.2m). Revenue from disposals was £4.2m (2019: £5.5m); total revenue for the period increased by 3.0% to £406.7m (2019: £394.7m).

Gross profit was £224.2m (2019: £214.4m), an increase of 4.6%. The gross margin increased to 55.1% (2019: 54.3%), reflecting the mix impact of training at higher margin, and increased revenue from SME customers at better rates.

EBITA¹ increased by 6.5% to £39.1m (2019: £36.7m) and profit before taxation, amortisation and exceptional costs increased to £34.9m (2019: £31.4m).

The Group incurred net exceptional expenses before taxation of £12.9m (2019: £2.0m). Further details are included below.

After taxation, amortisation and exceptional items, the Group made a profit of £16.8m, compared to a profit of £23.2m in 2019.

Segmental analysis

The Group's segmental reporting is split into UK and Ireland, and International. The figures in the tables below are presented before corporate costs of £3.9m (2019: £5.4m), which have reduced 27.8% reflecting continued cost control and lower IT depreciation.

UK and Ireland	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Movement %
Revenue (excluding disposals)	367.3	353.1	4.0
EBITDA ^{1,*}	102.7	100.5	2.2
EBITA ^{1,*}	37.3	36.2	3.0

* Restated as a result of the adoption of IFRS 16 – see Note 1 (Basis of preparation)

Excluding disposals, revenue increased by 4.0% to £367.3m (2019: £353.1m) with an increase across both Hire and Services. Revenue for the period benefited from the full year effect of the acquisitions of Geason Training and Lifterz.

Hire revenues increased by 1.4%. Increased telemarketing activity at our Customer Relationship Centre in Newport, South Wales continued to result in significant revenue uplift from SME customers, which grew 32.1%. This growth helped offset less favourable trading conditions, Carillion comparatives and the impact of COVID-19 in March 2020. The addition of Lifterz in March 2019 has complemented Speedy's previous powered access acquisitions, creating a comprehensive national presence. We now have the second largest fleet in the UK.

Services revenues grew by 8.9%. This has been achieved following the acquisition of Geason Training, and testing and rehire growth. Despite this, Geason Training has performed below expectations during the year due to lower than expected learner enrolments and the setup of a number of regional training centres which have yet to reach critical mass. More recently the business has been further impacted by market conditions due to COVID-19 and an assurance visit from a funding agency as described in Note 14. As a consequence the fair value of the contingent consideration has been reduced to £nil (2019: £10.9m), and an impairment charge recognised of £20.1m. The net impact of the impairment and the contingent consideration adjustment is £9.2m.

Gross margins improved from 57.1% to 57.7%. Hire margin increased to 77.0% (2019: 76.7%), and was supported by the growth in the higher margin SME market, which more than offset price deflation. Services margin strengthened to 26.0% (2019: 23.2%) due to the mix benefit of the training growth. Overheads remain under tight control and, excluding acquisitions, were 3.1% lower than the comparative period. Headcount has increased slightly to 3,464, compared to 3,458 at 31 March 2019.

Asset utilisation pre COVID-19 was 56.6% (2019: 57.0%), and reflected investment to support our four-hour delivery promise.

The business continues to perform well in a competitive market despite uncertainty during the year associated with the UK's departure from the European Union, and more recently, COVID-19. A number of decisive actions have been swiftly taken to contain costs and preserve cash, whilst maintaining the capability to support customers, and protect the health and safety of colleagues and stakeholders.

International	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Movement %
Revenue	35.2	36.1	(2.5)
EBITDA ^{1,*}	8.2	8.5	(3.5)
EBITA ^{1,*}	5.7	5.9	(3.4)

* Restated as a result of the adoption of IFRS 16 – see Note 1 (Basis of preparation)

International revenue in the United Arab Emirates decreased by 2.5%. This slowdown in growth from previous periods was anticipated due to lower rehire and consumable sales, although hire revenue grew 11.4%. The renegotiation during 2019 to secure the extensions with our principal customer, Abu Dhabi National Oil

Corporation (ADNOC), has impacted commercial terms, contributing to a decrease in EBITA¹, which fell by 3.4%. Despite the fall, EBITA¹ margin was 16.2% (2019: 16.3%) reflecting continued strong returns from the asset base.

Our share of profit from the joint venture in Kazakhstan increased to £2.8m (2019: £1.9m) having benefited from further increased cyclical shutdown activity in the period.

Exceptional items

There were £12.9m net exceptional expenses incurred during the year (2019: £2.0m).

	Recognised in distribution and admin expenses	Recognised in net financial expenses	Total
	£m	£m	£m
Changes to fair value of contingent consideration	-	10.9	10.9
Impairment of Training CGU	(20.1)	-	(20.1)
Training provision	(3.0)	-	(3.0)
Exceptional items relating to Training CGU	(23.1)	10.9	(12.2)
Sale of surplus land	3.9	-	3.9
Integration costs	(1.7)	-	(1.7)
Property related costs	(2.0)	-	(2.0)
COVID-19 related costs	(0.6)	-	(0.6)
International contract costs	(0.3)	-	(0.3)
	(23.8)	10.9	(12.9)

A £20.1m impairment charge for the Training cash-generating unit (CGU) was recognised in operating profit in the year, offset by an exceptional financial credit of £10.9m (2019: expense £0.8m) in relation to changes in the fair value of contingent consideration payable for the Geason Training acquisition.

Other exceptional items comprised a £3.0m training provision relating to potential funding repayments and associated costs, £1.7m acquisition and integration costs, £2.0m property related costs, £0.6m COVID-19 related expenses and £0.3m in relation to the UAE contract renewal. These were in part offset by a profit on the sale of a plot of surplus land of £3.9m.

Interest

The Group's net financial expense before exceptional items decreased slightly to £7.0m (2019: £7.2m).

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a variable margin, while any unutilised commitment is charged at 35% of the applicable margin. During the period, the margin payable over LIBOR on the outstanding debt fluctuated between 1.50% and 2.00% dependent on the Group's performance in relation to leverage and the weighting of borrowings between receivables and plant and machinery. The effective average margin in the period was 1.84% (2019: 1.80%).

The Group utilises interest rate hedges to manage fluctuations in LIBOR. The fair value of these hedges was not material at 31 March 2020 and they have varying maturity dates to October 2022.

Interest on lease liabilities of £3.2m (2019: £3.5m) was incurred during the period, following the implementation of IFRS 16 (see Note 1 Basis of Preparation).

Taxation

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

The tax charge for the period was £3.9m (2019: £5.5m), with an effective tax rate of 18.8% (2019: 19.2%); the decrease in the effective rate includes the impact of exceptional items in the period. The underlying effective tax rate amounts to 17.2% (2019: 17.5%).

Shares, earnings per share and dividends

At 31 March 2020, 526,773,177 Speedy Hire Plc ordinary shares were outstanding, of which 5,472,206 were held in the Employee Benefits Trust.

Adjusted earnings per share² was 5.54 pence (2019: 4.96 pence), an increase of 11.7%. Basic earnings per share was 3.23 pence (2019: 4.47 pence).

An interim dividend of 0.70 pence per share (2019: 0.60 pence per share) was paid on 10 January 2020. In view of the current exceptional circumstances, the Board has not recommended payment of a final dividend (2019: 1.40 pence per share).

Capital expenditure and disposals

Total capital expenditure during the year amounted to £63.2m (2019: £61.8m), of which £55.3m (2019: £55.1m) related to equipment for hire, and £7.9m to other property, plant and equipment (2019: £6.7m), which included investment in IT in order to deliver our digital strategy.

Expenditure in the period reflects further investment in tools, access, generators and lighting to improve availability in these categories, ensuring that the UK and Ireland businesses can continue to execute our four-hour delivery promise. Investment also increased in the UAE, to support hire growth with non ADNOC customers. Since November 2017 the Group has invested over £55m in the powered access market in line with its strategy to build a national presence through in-fill acquisitions and organic capital expenditure, and now has the second largest fleet in the UK.

Capital expenditure has maintained the young average age of the fleet; 3.4 years (2019: 3.3 years). Total disposal proceeds were £11.7m (2019: £17.8m). During the period we further optimised our stockholdings across the network, applying machine learning to inform decisions on returns and asset utilisation, which highlighted those areas requiring investment. The number of product lines has further reduced, and this has enabled us to continually improve the efficiency of our supply chain.

Balance sheet

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

Net assets at 31 March 2020 were £209.9m (2019: £202.0m), equivalent to 39.8 pence per share.

Net property, plant and equipment (excluding IFRS 16 right of use assets) was £257.6m at 31 March 2020 (2019: £249.1m), of which equipment for hire represents 88.2% (2019: 87.1%). Of the equipment for hire, £11.4m related to the International business (2019: £7.1m).

Intangibles decreased to £23.1m (2019: £41.7m), which included the impairment of goodwill and other intangibles associated with the Training CGU (£18.5m), and also acquisition fair value adjustments.

Right of use assets of £64.7m (2019: £72.2m) and corresponding lease liabilities of £72.9m (2019: £82.4m) were recognised at 31 March 2020 following the implementation of IFRS 16.

Gross trade receivables totaled £100.7m at 31 March 2020 (2019: £100.2m). Bad debt provisions were £3.9m at 31 March 2020 (2019: £3.7m), equivalent to 3.9% of gross trade receivables (2019: 3.7%), with an improved trend despite the increased bad debt risk associated with COVID-19. Debtor days were 69.6 (2019: 65.8), of which UK and Ireland were 66.0 (2019: 64.1).

Trade payables were £52.3m (2019: £45.9m). Creditor days were 103.7 (2019: 99.3).

Cash flow and net debt³

Cash generated from operations for the year was £64.5m (2019: £61.2m). Free cash flow (before dividends and financing activities) increased to £45.2m (2019: £13.6m), reflecting the acquisitions made in the prior year.

Net debt³ decreased by £9.8m from £89.1m at the beginning of the period to £79.3m at 31 March 2020. Excluding the impact of IFRS 16, leverage⁵ improved to 1.0x (2019: 1.1x).

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

Capital allocation policy

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

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

- Organic growth: the Board will invest in capital equipment to support demand in our chosen markets. This investment will be in hire fleet and IT systems to better enable us to serve our customers;
- Regular returns to shareholders: the Board intends to pay a regular dividend to shareholders, with a policy of growing dividends through the business cycle, and a payment in the range of between 33% and 50% adjusted earnings per share²;
- Acquisitions: the Board will continue to explore value enhancing acquisition opportunities in markets adjacent to, and consistent with its existing operations;
- Gearing and treatment of excess capital: the Board is committed to maintaining an efficient balance sheet. The Board has adopted a target gearing in the region of 1.5x net debt³ to EBITDA¹ through the business cycle, although it is prepared to move outside this if circumstances warrant. The Board will continue to review the Group's balance sheet in light of the policy, and medium term investment requirements, and will return excess capital to shareholders if and when appropriate.

Capital structure and treasury

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

The Group's £180m asset based finance facility, which was amended and extended in October 2017, runs through to October 2022. The additional uncommitted accordion of £220m remains in place through to October 2022, should further funding requirements be needed.

The average gross borrowings under the facility during the year ended 31 March 2020 increased to £110.2m (2019: £92.9m) reflecting the full year effect of the acquisitions of Geason Training and Lifterz. The facility includes quarterly leverage⁵ and fixed charge cover covenant tests which are only applied if headroom in the facility falls below £18m. The Group had significant headroom against these tests throughout the period.

Return on capital

ROCE⁴ is a key performance measure for the Group and increased to 12.0% (2019: 11.7%). This remains significantly ahead of the Group's weighted average cost of capital of 9.2%, and continues to reflect the improved profitability and balance sheet discipline.

Chris Morgan
Group Finance Director

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ended 31 March 2020. Certain parts of that report are not included within this announcement.

Directors' Responsibilities Statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

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

Principal Risks and Uncertainties

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

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

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

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

Risk	Description and potential impact	Strategy for mitigation
COVID-19 pandemic	<p>Trading performance The UK and Ireland imposed lockdown has reduced economic activity and this slowdown has affected Group revenues. The uncertainty of the length of the downturn in revenue leads to difficulty in forecasting.</p> <p>People The COVID-19 pandemic may lead to shortages in the workforce as a direct result of illness, social shielding or isolation measures, along with depot closures. This may result in an inability to effectively service our customers' requirements.</p> <p>Supply chain The supply of goods, services and assets (including the availability of spares) may be disrupted. This may also result in an inability to effectively service our customers' requirements.</p> <p>Middle East With a mainly expat workforce, travel restrictions may result in an inability to operate our offshore activities. The global decline in demand for oil may result in a reduction of the market in which the Group predominantly operates its overseas division.</p>	<p>As a supplier to industries that have continued to operate, the Group has also continued to trade. Entering the new financial year a significant proportion of revenues have been retained, with trading through the Group's digital platform and by telephone. During the lockdown we suspended hire charges for equipment not in use in order that the impact was minimised.</p> <p>We acted quickly to contain costs and preserve cash, including halting all discretionary spend and consolidating our depot network, temporarily closing sites and servicing our clients from alternative locations, thus ensuring we maintain a national coverage.</p> <p>We continue to monitor Government guidance and take action to ensure the safety of our colleagues, as we support customers continuing to operate.</p> <p>We have utilised the Government's coronavirus job retention scheme, furloughing up to 50% of our workforce. This increases the opportunity for our people to remain healthy pending a return to work, whilst also reducing costs. We have followed Government advice, with all employees who can perform duties from home doing so. This involves the utilisation of our secure and robust infrastructure and technology platforms. Despite many colleagues working from home, we have not experienced a noticeable drop in productivity.</p> <p>Speedy operates one of the youngest hire fleets in the industry and is well placed to provide asset availability as a result of better reliability. The age profile also allows us to optimise capital expenditure management during this period, whilst maintaining customer service. Our planning for Brexit included increasing our stocks of critical spares, and these remain in place to allow us to maintain our fleet effectively if there are short term disruptions to the supply chain.</p> <p>Based on various revenue downturn scenarios, and the measures outlined above, the Board remains confident that the Group can operate within its existing debt facilities and covenant tests during a prolonged period of reduced trading activity, including in the event of a second lockdown.</p>

Risk	Description and potential impact	Strategy for mitigation
		<p>In the Middle East we implemented similar measures to those in the UK with remote working where possible from the outset of the pandemic. Employees based offshore have remained in situ and continue to provide service where required by our customers, operating a two-shift rotation pattern for safety where appropriate. Incentives have been used to maintain morale for those not permitted to return home. Should a reduction in the Middle East market become apparent as a result of COVID-19, the cost base will be managed appropriately.</p>
Safety, health and environment	<p>Serious injury or death Speedy operates, transports and provides for rental a wide range of machinery. Without rigorous safety regimes in place there is a risk of injury or death to employees, customers or members of the public.</p> <p>Environmental hazard The provision of such machinery includes handling, transport and dispensing of substances, including fuel, that are hazardous to the environment in the event of spillage. The delivery locations for many of our customers require Speedy to operate in designated low emission zones.</p>	<p>The Group is recognised for its industry-leading position in promoting enhanced health and safety compliance, together with a commitment to product innovation. The Group's health, safety, and environmental teams measure and promote employee understanding of, and compliance with, procedures that affect safety and protection of the environment. Customer account managers are responsible for addressing service and safety issues.</p> <p>We maintain systems that enable us to hold appropriate industry recognised accreditations.</p> <p>Speedy has incorporated hybrid and fully electric vehicles into the commercial fleet to ensure we meet and in some cases exceed emission requirements.</p> <p>All operatives who handle hazardous substances are trained and provided with appropriate equipment to manage small scale spills. In the case of more serious accidents, we have a contract with a third party specialist who would undertake any clean-up operation as necessary.</p>
Service	<p>Provision of equipment Speedy is required to provide well maintained equipment to its customers on a consistent and dependable basis.</p> <p>Back office services It is important that Speedy is able to provide timely and accurate management information to its customers, along with accurate invoices and supporting documentation.</p> <p>In both cases, a failure to provide such service could lead to a failure to attract or retain customers, or to diminish the level of business such customers undertake with Speedy.</p>	<p>During the year we have successfully launched our nationwide four hour service promise under "Trust Speedy to Deliver". Our use of personal digital assistants (PDAs) and online based customer feedback system are fully embedded into our business and these are used to improve the on-site customer experience.</p> <p>Speedy liaises with its customer base and takes into account feedback where particular issues are noted, to ensure that work on resolving those issues is prioritised accordingly.</p>
Revenue and trading performance	<p>Competitive pressure The hire market is fragmented and highly competitive. We are continuing to develop strategic relationships with larger customers and also working hard to grow our local and regional accounts.</p> <p>Reliance on high value customers There is a risk to future revenues should preferred supplier status with larger customers be lost when such agreements may individually represent a material element of our revenues. The International</p>	<p>The Group monitors its competitive position closely, to ensure that it is able to offer customers the best solution. The Group provides a wide breadth of offerings, supplemented by its rehire division for specialist equipment. The Group monitors the performance of its major accounts against forecasts, strength of client future order books and individual expectations with a view to ensuring that the opportunities for the Group are maximised. Market share is measured and competitors' activities are reported on and reacted to where appropriate. The Group's integrated services offering further mitigates against this risk</p>

Risk	Description and potential impact	Strategy for mitigation
	business in the Middle East is dependent on major contracts which are due for renewal in August 2020.	<p>as it demonstrates value to our customers, setting us apart from purely asset hire companies.</p> <p>No single customer currently accounts for more than 10% of revenue or receivables. We have been successful in growing our SME customer base, which also helps to mitigate this risk. Investment has been made to diversify our International business in the Middle East.</p>
Project and change management	<p>Acquisitions</p> <p>Our strategy includes selective acquisitions that complement or extend our existing business in specialised markets. There is a risk that suitable targets are not identified, or that acquired businesses do not perform to expectations.</p>	<p>All potential business combinations are presented to the Board, with an associated business case, for approval.</p> <p>Once a decision in principle is made, a detailed due diligence process covering a range of criteria is undertaken. The results of due diligence are presented to the Board prior to formal approval being granted.</p> <p>The use of a cross functional project team ensures effective integration into the Group. These teams work with a blueprint plan, modified as needed to specifically address any risks identified during the due diligence phase.</p> <p>A Programme Management Office function is established with clearly defined governance in place to oversee all change initiatives.</p>
People	<p>Employee excellence</p> <p>In order to achieve our strategic objectives, it is imperative that we are able to recruit, retain and motivate employees who possess the right skills for the Group.</p>	<p>Skill and resource requirements for meeting the Group's objectives are actively monitored and action is taken to address identified gaps. Succession planning aims to identify talent within the Group and is formally reviewed on an annual basis by the Nomination Committee, focusing on both short and long-term successors for the key roles within the Group.</p> <p>Programmes are in place for employee induction, retention and career development, which are tailored to the requirements of the various business units within the Group.</p> <p>The Group regularly reviews remuneration packages and aims to offer competitive reward and benefit packages, including appropriate short and long-term incentive schemes.</p>
Partner and supplier service levels	<p>Supply chain</p> <p>Speedy procures assets and services from a wide range of sources, both UK and internationally based. Within the supply chain there are risks of non-fulfilment.</p> <p>Partner reputation</p> <p>A significant amount of our revenues come from our rehire offering, where the delivery or performance is effected through a third party partner.</p> <p>Speedy's ability to supply assets with the expected customer service is therefore reliant on the performance of others with the risk that if this is not effectively managed, the reputation of Speedy and hence future revenues may be adversely impacted.</p>	<p>A dedicated and experienced supply chain function is in place to negotiate all contracts and maximise the Group's commercial position. Supplier accreditations are recorded and tracked centrally through a supplier portal where relevant and set service related KPIs are included within standard contract terms. Regular reviews take place with all supply chain partners.</p>
Operating costs	Fixed cost base	<p>The Group has a purchasing policy in place to negotiate supply contracts that, wherever possible,</p>

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

Risk	Description and potential impact	Strategy for mitigation
	<p>expenditure which is not offset by an increase in private sector expenditure could adversely affect the Group.</p> <p>Although the COVID-19 pandemic has recently overshadowed Brexit, in common with many UK businesses, Speedy faces uncertainty as to the possible impact of leaving the European Union.</p>	<p>forecasting process. Our strategy is to develop a differentiated proposition in our chosen markets and to ensure that we are well positioned with clients and contractors who are likely to benefit from those areas in which increased activity is forecast.</p> <p>The main risk in relation to the UK's departure from the European Union is the impact on the overall market in which Speedy operates. In addition, there are limited risks associated with availability of assets and spares, cost price inflation, labour availability and consequences of potential border arrangements in Ireland (the Irish business poses only a limited risk, since turnover is less than 3% of the overall Group's). Risks have been assessed in detail by the Board as part of the overall risk assessment process, and contingency plans established. These plans include the consideration of alternative sources for equipment supply and forward buying of spares stock. Sensitivity analysis has been prepared and reviewed by the Board. Combined with strong progress against strategic goals, the Board believes that these plans will allow Speedy to continue to maximise growth opportunities in whatever scenario transpires. Notwithstanding the impact on the wider economy, no significant impact on the Group is therefore expected at this stage.</p>
Corporate culture	<p>Operational empowerment and culture</p> <p>We operate an internal structure that is aligned around separate specialisms to better serve our customer base. Each division is challenged to operate with a degree of empowerment within overriding Group policies.</p> <p>Achievement of corporate objectives is dependent on individuals' behaviours and these are influenced by the corporate culture.</p>	<p>All Speedy employees are expected to abide by our Code of Conduct, which forms a condition of employment. Training is provided, via a combination of online and face-to-face means, to all management grades in areas such as compliance with the Bribery Act 2010 and relevant competition laws. Group policies are in place that both support and oversee key aspects of our operation in particular the areas of treasury, purchasing, asset management, accounting and debt management. Review and exception reporting activities are in place, which are designed to reduce the risk of individuals overriding controls put in place by the Group.</p> <p>All of the above are supported by a well-publicised and robust whistleblowing policy with rigorous follow up of all concerns raised.</p> <p>We have transformed our corporate culture in recent years, however there will be a need for continuous evolution as the Group develops and makes further acquisitions.</p>
Business continuity	<p>Business interruption</p> <p>Any significant interruption to Speedy's operational capability, whether IT systems, physical restrictions or personnel based, could adversely impact current and future trading as customers could readily migrate to competitors.</p> <p>This could range from short-term impact in processing of invoices that would affect cash flows to the loss of a major site.</p>	<p>As described in the paragraph above, the Group has continued to operate effectively during the COVID-19 pandemic. Management acted promptly in line with our documented plan to establish a crisis management team which co-ordinated the activities required in a rapidly changing environment.</p> <p>Preventative controls, back-up and recovery procedures are in place for key IT systems. Changes to Group systems are considered as part of wider change management programmes and implemented in phases wherever possible. The Group has critical incident plans in place for all its central UK and International sites. Insurance cover</p>

Risk	Description and potential impact	Strategy for mitigation
		is reviewed at regular intervals to ensure appropriate coverage in the event of a business continuity issue.
Asset holding and integrity	Asset range and availability Speedy's business model relies on providing assets for hire to customers, when they want to hire them. In order to maximise profitability and ROCE ⁴ , demand is balanced with the requirement to hold a range of assets that is optimally utilised.	<p>Our understanding of customer expectation of the relative timescales for delivery across our range of assets allows us to reduce holdings of less time critical assets by centralising the storage locations, whilst at the same time increasing the breadth of holding across our customer trading locations of those assets most likely to be required on a short notice basis.</p> <p>We regularly monitor our asset status information and use this to optimise our asset holdings.</p> <p>We constantly review our range of assets and introduce innovative solutions to our customers as new products come to market, under our Green Option programme.</p>

Viability Statement

The Group operates an annual planning process which includes a five year strategic plan and a one year financial budget. These plans, and risks to their achievement, are reviewed by the Board as part of its strategy review and budget approval processes. The Board has considered the impact of the principal risks, including COVID-19, to the Group's business model, performance, solvency and liquidity as set out above.

The FY2021 budget was completed prior to the recent increased economic uncertainty resulting from COVID-19. The Group responded quickly to assess the potential impact on revenues, costs and cash; actions implemented immediately included restricting discretionary spend, consolidating the depot network, temporarily closing sites and servicing customers from alternative locations. The Board has considered various downturn scenarios during a prolonged period of reduced activity and believes that trading conditions are likely to recover during FY2021.

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

In making this statement, the Directors have considered the resilience of the Group, its current position, the principal risks facing the business in distressed but reasonable scenarios, including various risks associated with COVID-19 as set out above, and the effectiveness of any mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023.

Consolidated Income Statement

for the year ended 31 March 2020

	Note	Year ended March 2020			Year ended March 2019 <i>Restated¹</i>		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2	406.7	-	406.7	394.7	-	394.7
Cost of sales		(182.5)	-	(182.5)	(180.3)	-	(180.3)
Gross profit		224.2	-	224.2	214.4	-	214.4
Distribution and administrative costs ¹		(186.4)	(23.8)	(210.2)	(178.4)	(1.2)	(179.6)
Analysis of operating profit							
Operating profit before amortisation and exceptional items		39.1	-	39.1	36.7	-	36.7
Amortisation	9	(1.3)	-	(1.3)	(0.7)	-	(0.7)
Exceptional items	3	-	(23.8)	(23.8)	-	(1.2)	(1.2)
Operating profit		37.8	(23.8)	14.0	36.0	(1.2)	34.8
Share of results of joint venture		2.8	-	2.8	1.9	-	1.9
Profit from operations		40.6	(23.8)	16.8	37.9	(1.2)	36.7
Net financial expense ¹	4	(7.0)	10.9	3.9	(7.2)	(0.8)	(8.0)
Profit before taxation		33.6	(12.9)	20.7	30.7	(2.0)	28.7
Taxation ¹	5	(5.9)	2.0	(3.9)	(5.5)	-	(5.5)
Profit for the financial year		27.7	(10.9)	16.8	25.2	(2.0)	23.2
Earnings per share							
- Basic (pence) ¹	6			3.23			4.47
- Diluted (pence) ¹	6			3.19			4.43
Non-GAAP performance measures							
EBITDA before exceptional items ¹	8	107.4			104.8		
Profit before tax, amortisation and exceptional items ¹	8	34.9			31.4		
Adjusted earnings per share (pence) ¹	6	5.54			4.96		

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	Year ended 31 March 2020 £m	Year ended 31 March 2019 <i>Restated</i> ¹ £m
Profit for the financial year ¹	<u>16.8</u>	<u>23.2</u>
Other comprehensive income that may be reclassified subsequently to the Income Statement:		
- Effective portion of change in fair value of cash flow hedges	(0.2)	(0.6)
- Exchange difference on translation of foreign operations ¹	0.9	0.4
- Tax on items	<u>0.1</u>	<u>0.1</u>
Other comprehensive income, net of tax	<u>0.8</u>	<u>(0.1)</u>
Total comprehensive income for the financial year	<u>17.6</u>	<u>23.1</u>

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Consolidated Balance Sheet

at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 Restated ^{1,2} £m	1 April 2018 Restated ¹ £m
ASSETS				
Non-current assets				
Intangible assets ²	9	23.1	41.7	10.5
Investment in joint venture		7.3	5.8	5.1
Property, plant and equipment				
Hire equipment ²	10	227.1	216.9	203.7
Non-hire equipment ¹	10	30.5	32.2	34.2
Right of use assets ¹	11	64.7	72.2	68.4
Deferred tax asset ¹		2.8	3.0	3.7
		<u>355.5</u>	<u>371.8</u>	<u>325.6</u>
Current assets				
Inventories ²		8.7	9.1	7.9
Trade and other receivables ²		102.3	101.7	97.0
Cash	12	22.8	11.5	9.8
Current tax asset		1.5	-	-
		<u>135.3</u>	<u>122.3</u>	<u>114.7</u>
Total assets		<u>490.8</u>	<u>494.1</u>	<u>440.3</u>
LIABILITIES				
Current liabilities				
Borrowings ¹	12	-	(1.1)	(5.4)
Lease liabilities ¹	13	(20.2)	(22.3)	(18.6)
Other financial liabilities		(0.5)	(0.3)	-
Trade and other payables ²		(90.9)	(83.6)	(81.6)
Provisions ^{1,2}	14	(5.9)	(6.9)	(1.6)
Current tax liability		-	(4.7)	(1.4)
		<u>(117.5)</u>	<u>(118.9)</u>	<u>(108.6)</u>
Non-current liabilities				
Borrowings ¹	12	(102.1)	(99.5)	(73.5)
Lease liabilities ¹	13	(52.7)	(60.1)	(62.3)
Provisions ^{1,2}	14	(1.2)	(6.5)	(0.4)
Deferred tax liability ¹		(7.4)	(7.1)	(8.2)
		<u>(163.4)</u>	<u>(173.2)</u>	<u>(144.4)</u>
Total liabilities		<u>(280.9)</u>	<u>(292.1)</u>	<u>(253.0)</u>
Net assets		<u>209.9</u>	<u>202.0</u>	<u>187.3</u>
EQUITY				
Share capital		26.4	26.3	26.2
Share premium		0.8	0.4	-
Merger reserve		1.0	1.0	1.0
Hedging reserve		(0.9)	(0.7)	(0.1)
Translation reserve		0.4	(0.5)	(0.9)
Retained earnings ¹		182.2	175.5	161.1
Total equity		<u>209.9</u>	<u>202.0</u>	<u>187.3</u>

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

² Restated for fair value adjustments relating to acquisitions made in the prior year, see Note 15.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings <i>Restated</i> ¹ £m	Total equity <i>Restated</i> ¹ £m
At 1 April 2018	26.2	-	1.0	(0.1)	(0.9)	171.6	197.8
IFRS 16 transition impact ¹	-	-	-	-	-	(10.5)	(10.5)
At 1 April 2018 ¹	26.2	-	1.0	(0.1)	(0.9)	161.1	187.3
Total comprehensive income ¹	-	-	-	(0.6)	0.4	23.3	23.1
Dividends	-	-	-	-	-	(9.1)	(9.1)
Tax on items taken directly to equity	-	-	-	-	-	0.4	0.4
Equity-settled share-based payments	-	-	-	-	-	0.9	0.9
Issue of shares under the Sharesave Scheme	0.1	0.4	-	-	-	-	0.5
Purchase of own shares to satisfy share schemes	-	-	-	-	-	(1.1)	(1.1)
At 31 March 2019 ¹	26.3	0.4	1.0	(0.7)	(0.5)	175.5	202.0
Total comprehensive income	-	-	-	(0.2)	0.9	16.9	17.6
Dividends	-	-	-	-	-	(10.9)	(10.9)
Tax on items taken directly to equity	-	-	-	-	-	0.2	0.2
Equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Issue of shares under the Sharesave Scheme	0.1	0.4	-	-	-	-	0.5
Purchase of own shares to satisfy share schemes	-	-	-	-	-	-	-
At 31 March 2020	26.4	0.8	1.0	(0.9)	0.4	182.2	209.9

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Consolidated Cash Flow Statement

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £m	Year ended 31 March 2019 Restated ¹ £m
Cash generated from operating activities			
Profit before tax ¹		20.7	28.7
Financial expense ¹		7.0	7.2
Exceptional intangible asset impairment		18.5	-
Exceptional financial (income)/expense		(10.9)	0.8
Amortisation		1.3	0.7
Depreciation ¹		68.3	68.1
Share of profit from joint venture		(2.8)	(1.9)
Termination of lease contracts		(1.3)	(1.0)
Profit on disposal of hire equipment		(0.8)	(1.2)
Profit on disposal of non-hire equipment		(3.9)	-
Decrease/(increase) in inventories		0.4	(0.9)
Increase in trade and other receivables ¹		(0.6)	(0.7)
Increase/(decrease) in trade and other payables ¹		5.4	(2.7)
Movement in provisions ¹		4.6	(0.3)
Equity-settled share-based payments		0.5	0.9
Cash generated from operations before changes in hire fleet		106.4	97.7
Purchase of hire equipment		(53.6)	(54.3)
Proceeds from sale of hire equipment		11.7	17.8
Cash generated from operations		64.5	61.2
Interest paid ¹		(6.5)	(6.7)
Tax paid		(9.3)	(4.7)
Net cash flow from operating activities		48.7	49.8
Cash flow from investing activities			
Purchase of non-hire property, plant and equipment		(9.0)	(6.5)
Proceeds from sale of non-hire property, plant and equipment		4.2	-
Acquisitions, net of cash acquired		-	(30.9)
Investment in joint venture		1.3	1.2
Net cash flow from investing activities		(3.5)	(36.2)
Net cash flow before financing activities		45.2	13.6
Cash flow from financing activities			
Payments for the principle element of leases ¹		(24.5)	(23.7)
Drawdown of loans		398.5	468.7
Repayment of loans		(396.4)	(442.9)
Proceeds from the issue of Sharesave Scheme shares		0.5	0.5
Purchase of own shares to satisfy share schemes		-	(1.1)
Dividends paid		(10.9)	(9.1)
Net cash flow from financing activities		(32.8)	(7.6)
Increase in cash and cash equivalents		12.4	6.0
Net cash at the start of the financial year		10.4	4.4
Net cash at the end of the financial year		22.8	10.4
Analysis of cash and cash equivalents			
Cash	12	22.8	11.5
Bank overdraft	12	-	(1.1)
		22.8	10.4

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

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 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group and Parent Company Financial Statements were approved by the Board of Directors on 22 June 2020.

Basis of preparation

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

The Group has a £180m asset based finance facility ('the facility') which matures in October 2022 and has no prior scheduled repayment requirements. The undrawn availability on this facility as at 31 March 2020 was £70.2m (2019: £68.4m) based on the Group's eligible hire equipment and trade receivables. Net debt had reduced from £79.3m at 31 March to £67.3m at 31 May 2020.

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented as necessary by borrowings. The Directors have prepared a going concern assessment up to 30 June 2021 (and have presented a Viability Statement above), which confirms that the Group is capable of continuing to operate within its existing loan facility and can meet the covenant requirements 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, including the impact of the recent increased economic uncertainty resulting from COVID-19. The Group responded quickly to assess the potential impact on revenues, costs and cash; actions implemented immediately included restricting discretionary spend, consolidating the depot network, temporarily closing sites and servicing customers from alternative locations. The Group's base case for the 12 months to 30 June 2021 assumed an initial reduction in revenue of 40% on the prior year, recovering towards prior year levels by the end of March 2021. The Board has considered various severe but possible downturn scenarios including a prolonged period of reduced activity, with revenues for June 2020 reduced by 50% from the prior year, a further three month period of lockdown from November 2020 and a slower recovery than in the base case. Mitigations applied in these downturn scenarios include the use of the Government Coronavirus Job Retention Scheme, delays to certain tax payments, and a reduction in planned capital expenditure. Despite the severity of the assumptions applied in these scenarios, the Group maintains significant headroom against its available facility and covenant requirements.

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 a period of at least 12 months from the date of approval of these Financial Statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

The financial information set out in this final results announcement does not constitute the Group's statutory accounts for the year ended 31 March 2020 or 31 March 2019 but is derived from those accounts. Statutory accounts for Speedy Hire Plc for the year ended 31 March 2019 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2020 will be delivered in due course. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Transition to IFRS 16 'Leases'

In January 2016, the IASB issued IFRS 16 which applies to an entity's first annual statements beginning on or after 1 January 2019, and is therefore applicable to the Group for the year ending 31 March 2020. The main principle of the standard is to eliminate the dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and to provide a single model for lessee accounting. IFRS 16 requires lessees to recognise right of use assets and lease liabilities for leases. Accounting requirements for lessors are substantially unchanged from IAS 17.

The standard represents a significant change in the accounting and reporting of leases for lessees and impacts the Income Statement and Balance Sheet as well as statutory and alternative performance measures used by the Group.

The Group has applied the fully retrospective transition approach to these financial statements, and therefore has restated comparative amounts as at 1 April 2018 and for the year ended 31 March 2019. Under IFRS 16, the Group will experience a different pattern of expense within the Income Statement, with the IAS 17 operating lease expense replaced by depreciation and interest expense. The interest expense is weighted towards the earlier years of the leases and as a result a reduction in Retained Earnings of £10.5m has been recognised upon transition. There is no impact on the Group's underlying cash flows.

The financial impact of the transition on the Group's reported results is set out below:

Income statement impact	Year ended 31 March 2020			Year ended 31 March 2019		
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m
Operating profit	9.1	4.9	14.0	29.8	5.0	34.8
EBITDA	78.3	29.1	107.4	78.7	26.1	104.8
EBITA	33.8	5.3	39.1	32.7	4.0	36.7
Financial expense (before exceptional items)	(3.8)	(3.2)	(7.0)	(3.7)	(3.5)	(7.2)
Profit before tax, amortisation and exceptional items	32.8	2.1	34.9	30.9	0.5	31.4
Profit before tax	19.0	1.7	20.7	27.2	1.5	28.7
Taxation	(3.5)	(0.4)	(3.9)	(5.1)	(0.4)	(5.5)
Basic EPS	2.98	0.25	3.23	4.26	0.21	4.47
Diluted EPS	2.94	0.25	3.19	4.22	0.21	4.43
Adjusted EPS	5.21	0.33	5.54	4.90	0.06	4.96

Balance sheet impact	31 March 2020			31 March 2019		1 April 2018
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m	Excluding IFRS 16 £m	IFRS 16 impact £m	Restated for IFRS 16 £m
Right of use assets	-	64.7	64.7	-	72.2	68.4
Non-hire equipment	30.9	(0.4)	30.5	32.8	(0.6)	34.2
Deferred tax assets	1.3	1.5	2.8	1.1	1.9	3.7
Lease liabilities	-	(72.9)	(72.9)	(0.3)	(82.1)	(80.9)
Trade and other receivables	105.1	(2.8)	102.3	104.4	(2.7)	97.0
Trade and other payables	(92.6)	1.7	(90.9)	(84.8)	1.2	(81.6)
Provisions	(7.4)	0.3	(7.1)	(14.3)	0.9	(2.0)

1 Accounting policies (continued)

Accounting for leasing activities under IFRS 16

The Group holds leases for a number of properties and vehicles. Rental contracts are typically entered into for fixed periods of one to ten years but may have break options or extension options as set out below. Such leases can contain a wide range of different terms and conditions. On transition to IFRS 16 the Group also reassessed its other contracts to identify whether they contained a lease.

Until 31 March 2018, leases of property, plant and equipment were classified as either operating leases or finance leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Income Statement on a straight-line basis over the lease term.

From 1 April 2018, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period. The right of use asset is depreciated over the lease term on a straight-line basis.

Lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) and variable lease payments that are based on a specified index or rate. A separate provision for onerous leases is therefore no longer required. The lease payments are discounted using the Group's incremental borrowing rate (if the interest rate implicit in the lease is not readily determinable). This rate is the interest rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment.

Right of use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any initial direct costs, any restoration costs, and any lease payments made at or before the commencement date. Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Income Statement. Short term leases are certain leases with a lease term of 12 months or less. Low value assets comprise certain small items of IT equipment and office furniture where the cash value when new is considered immaterial.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term applicable for accounting purposes, management considers all facts and circumstances that create economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

Notes to the Financial Statements (continued)

2 Segmental analysis

The segmental disclosure presented in the Financial Statements reflects the format of reports reviewed by the 'chief operating decision-maker' ('CODM'). UK and Ireland delivers asset management, with tailored services and a continued commitment to relationship management. International principally delivers projects and facilities management contracts by providing a managed site support service.

For the year ended 31 March 2020

	UK and Ireland	International	Corporate items	Total
	£m	£m	£m	£m
Revenue	371.5	35.2	-	406.7
Segment result:				
EBITDA before exceptional items	102.7	8.2	(3.5)	107.4
Depreciation	(65.4)	(2.5)	(0.4)	(68.3)
Operating profit/(costs) before amortisation and exceptional items	37.3	5.7	(3.9)	39.1
Amortisation	(1.3)	-	-	(1.3)
Exceptional items	(23.5)	(0.3)	-	(23.8)
Operating profit/(costs)	12.5	5.4	(3.9)	14.0
Share of results of joint venture	-	2.8	-	2.8
Trading profit/(costs)	12.5	8.2	(3.9)	16.8
Financial expense				(7.0)
Exceptional financial credit				10.9
Profit before tax				20.7
Taxation				(3.9)
Profit for the financial year				16.8
Intangible assets	21.9	-	1.2	23.1
Investment in joint venture	-	7.3	-	7.3
Hire equipment	215.7	11.4	-	227.1
Non-hire equipment	28.4	2.1	-	30.5
Right of use assets	62.2	2.5	-	64.7
Taxation assets	-	-	4.3	4.3
Current assets	94.5	14.9	1.6	111.0
Cash	-	-	22.8	22.8
Total assets	422.7	38.2	29.9	490.8
Lease liabilities	(68.8)	(4.1)	-	(72.9)
Other liabilities	(82.4)	(12.1)	(4.0)	(98.5)
Borrowings	-	-	(102.1)	(102.1)
Taxation liabilities	-	-	(7.4)	(7.4)
Total liabilities	(151.2)	(16.2)	(113.5)	(280.9)

Notes to the Financial Statements (continued)

2 Segmental analysis (continued)

Corporate items comprise certain central activities and costs that 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 that are not directly attributable to the activities of the operating segments, together with net corporate borrowings and taxation.

For the year ended 31 March 2019

	UK and Ireland	International	Corporate items	Total
	<i>Restated^{1,2}</i> £m	<i>Restated¹</i> £m	<i>Restated¹</i> £m	<i>Restated^{1,2}</i> £m
Revenue	358.6	36.1	-	394.7
Segment result:				
EBITDA before exceptional items ¹	100.5	8.5	(4.2)	104.8
Depreciation ¹	(64.3)	(2.6)	(1.2)	(68.1)
Operating profit/(costs) before amortisation and exceptional items	36.2	5.9	(5.4)	36.7
Amortisation	(0.7)	-	-	(0.7)
Exceptional (costs)/income ¹	(1.2)	-	-	(1.2)
Operating profit/(costs)	34.3	5.9	(5.4)	34.8
Share of results of joint venture	-	1.9	-	1.9
Trading profit/(costs)	34.3	7.8	(5.4)	36.7
Financial expense ¹				(7.2)
Exceptional financial expense				(0.8)
Profit before tax				28.7
Taxation ¹				(5.5)
Profit for the financial year				23.2
Intangible assets ²	41.7	-	-	41.7
Investment in joint venture	-	5.8	-	5.8
Hire equipment ²	209.8	7.1	-	216.9
Non-hire equipment ¹	29.7	2.5	-	32.2
Right of use assets ¹	69.4	2.8	-	72.2
Taxation assets ^{1,2}	-	-	3.0	3.0
Current assets ^{1,2}	97.9	12.0	0.9	110.8
Cash	-	-	11.5	11.5
Total assets	448.5	30.2	15.4	494.1
Lease liabilities ¹	(77.9)	(4.5)	-	(82.4)
Other liabilities ^{1,2}	(81.8)	(11.4)	(4.1)	(97.3)
Borrowings ¹	-	-	(100.6)	(100.6)
Taxation liabilities ²	-	-	(11.8)	(11.8)
Total liabilities	(159.7)	(15.9)	(116.5)	(292.1)

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

²Restated for fair value adjustments relating to acquisitions made in the prior year – see Note 15

Notes to the Financial Statements (continued)

2 Segmental analysis (continued)

Geographical information

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

	Year ended 31 March 2020		Year ended 31 March 2019	
	Revenue £m	Total assets £m	Revenue £m	Total assets Restated ^{1,2} £m
UK	361.3	438.4	347.8	449.9
Ireland	10.2	14.2	10.8	14.0
United Arab Emirates	35.2	38.2	36.1	30.2
	<u>406.7</u>	<u>490.8</u>	<u>394.7</u>	<u>494.1</u>

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

²Restated for fair value adjustments relating to acquisitions made in the prior year – see Note 15

Revenue by type

Revenue is attributed to the following activities:

	Year ended 31 March 2020	Year ended 31 March 2019
	£m	£m
Hire and related activities	240.5	236.4
Services	162.0	152.8
Disposals	4.2	5.5
	<u>406.7</u>	<u>394.7</u>

Major customers

No one customer represents more than 10% of revenue, reported profit or combined assets of the Group.

Notes to the Financial Statements (continued)

3 Exceptional items

For the year ended 31 March 2020

	Recognised in distribution and admin expenses	Recognised in net financial expenses	Total
	£m	£m	£m
Changes to fair value of contingent consideration	-	10.9	10.9
Impairment of Training CGU	(20.1)	-	(20.1)
Training provision	(3.0)	-	(3.0)
Exceptional items relating to Training CGU	(23.1)	10.9	(12.2)
Sale of surplus land	3.9	-	3.9
Acquisition integration costs	(1.7)	-	(1.7)
Property related costs	(2.0)	-	(2.0)
COVID-19 related costs	(0.6)	-	(0.6)
International contract costs	(0.3)	-	(0.3)
	(23.8)	10.9	(12.9)

An exceptional financial credit of £10.9m has been recognised in relation to changes in the fair value of contingent consideration no longer expected to be paid in respect of Geason Training. An exceptional impairment charge of £20.1m for the Speedy Training CGU has been recognised, which comprises impairment of £13.7m against goodwill and £4.8m against other intangible assets (see Note 9), and a provision of £1.6m against trade and other receivables.

In April 2020 Speedy were notified that a funding agency was suspending payments, and seeking repayment of funding from Geason Training. £3.0 million has been provided as an exceptional charge including legal and verification costs. Further detail is provided in Note 14.

On 29 October 2019, the Group sold a plot of surplus land. Consideration of £4.0m was paid in cash in full at completion. The land had a book value £0.1m and the resultant profit of £3.9m has been recognised as an exceptional item.

Following the acquisitions of Geason Training and Lifterz made in the prior year, integration expenses of £1.7m have been incurred relating to property provisions, redundancy and project management costs.

An exceptional provision of £2.0m has been made for specific non-recurring identified repairs required to properties within the depot network as a result of potential landlord claims.

Exceptional costs of £0.6m related to COVID-19, including bad debt and staff related costs were provided for March 2020.

Exceptional costs of £0.3m incurred relating to the renewal of the major contract in the International division have been recognised in the year.

For the year ended 31 March 2019

Prior period – restatement for IFRS 16

Under previous accounting policies for the year ended 31 March 2019, net exceptional items of £2.2m (comprising £1.2m property related costs, £0.2m of people costs, £0.9m of transaction costs and a credit of £0.1m for released provisions) were charged to operating profit. On transition to IFRS 16, an additional exceptional credit of £1.0m was recognised for the year ended 31 March 2019 in relation to a gain on termination of a distribution centre lease.

An exceptional financial expense of £0.8m was recognised in relation to changes in the fair value of contingent consideration between the date of the Geason Training acquisition and 31 March 2019.

Notes to the Financial Statements (continued)

4 Financial expense

	2020	2019 <i>Restated¹</i>
	£m	£m
Financial expense		
Interest on bank loans and overdrafts	3.4	2.9
Amortisation of issue costs	0.4	0.4
	<u>3.8</u>	<u>3.3</u>
Total interest on borrowings	3.8	3.3
Interest on lease liabilities	3.2	3.5
Hedge interest payable	0.1	0.1
Other finance (income)/costs	(0.1)	0.3
Exceptional financial expense (see Note 3)	(10.9)	0.8
	<u>(3.9)</u>	<u>8.0</u>

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

5 Taxation

The adjusted tax rate of 17.2% (2019: 17.5%) is lower than the standard rate of UK corporation tax of 19% (2019: 19%).

The tax charge in the Income Statement for the year is equal to (2019: equal to) the standard rate of corporation tax in the UK of 19% (2019: 19%) and is explained as follows:

	2020	2019 <i>Restated¹</i>
	£m	£m
Profit before tax	20.7	28.7
Accounting profit multiplied by the standard rate of corporation tax at 19% (2019: 19%)	3.9	5.5
Expenses not deductible for tax purposes	0.9	1.3
Share-based payments	0.1	0.4
Overseas profits not subject to tax	(0.6)	(0.8)
Share of joint venture income already taxed	(0.5)	(0.4)
Change in deferred tax rates	0.5	-
Adjustment to tax in respect of prior years	(0.4)	(0.5)
	<u>3.9</u>	<u>5.5</u>
Tax charge for the year reported in the Income Statement	3.9	5.5
Tax (credited)/charged in equity		
Current tax	(0.2)	(0.4)
Deferred tax	0.1	(0.1)
	<u>(0.1)</u>	<u>(0.5)</u>
Tax credited to equity	(0.1)	(0.5)

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset and liability at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes to the Financial Statements (continued)

6 Earnings per share

The calculation of basic earnings per share is based on the profit for the financial year of £16.8m (2019: £23.2m) and the weighted average number of 5 pence ordinary shares in issue, and is calculated as follows:

	2020	2019 <i>Restated</i> ¹
Profit (£m)		
Profit for the year after tax – basic earnings	16.8	23.2
Intangible amortisation charge (after tax)	1.1	0.5
Exceptional items (after tax)	10.9	2.0
Adjusted earnings (after tax)	28.8	25.7
Weighted average number of shares in issue (m)		
Number of shares at the beginning of the year	519.5	519.6
Exercise of share options	0.3	0.3
Movement in shares owned by the Employee Benefit Trust	0.2	(1.4)
Weighted average for the year – basic number of shares	520.0	518.5
Share options	5.2	4.4
Employee share scheme	1.1	1.2
Weighted average for the year – diluted number of shares	526.3	524.1
Earnings per share (pence)		
Basic earnings per share	3.23	4.47
Amortisation	0.21	0.10
Exceptional items	2.10	0.39
Adjusted earnings per share	5.54	4.96
Basic earnings per share	3.23	4.47
Diluted earnings per share	3.19	4.43
Adjusted earnings per share	5.54	4.96
Share options	(0.07)	(0.05)
Adjusted diluted earnings per share	5.47	4.91

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Total number of shares outstanding at 31 March 2020 amounted to 526,773,177 (2019: 525,281,026), including 5,472,206 (2019: 5,802,223) shares held in the Employee Benefit Trust, which are excluded in calculating earnings per share.

Notes to the Financial Statements (continued)

7 Dividends

The aggregate amount of dividend comprises:

	2020 £m	2019 £m
2018 final dividend (1.15 pence on 523.7m shares)	-	6.0
2019 interim dividend (0.60 pence on 523.7m shares)	-	3.1
2019 final dividend (1.40 pence on 525.3m shares)	7.3	-
2020 interim dividend (0.70 pence on 525.4m shares)	3.6	-
	10.9	9.1

The Directors have recommended no further dividend for the year (2019: 1.40 pence per share). The total amount payable in respect of the 2020 year is 0.70 pence (2019: 2.00 pence).

The Employee Benefit Trust, established to hold shares for the Performance Share Plan and other employee benefits, waived its right to the interim dividend. At 31 March 2020, the Trust held 5,472,206 ordinary shares (2019: 5,802,223).

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 by adjusting for the effect of exceptional items and significant non-cash depreciation and amortisation. 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.

	2020 £m	2019 <i>Restated</i> ¹ £m
Operating profit	14.0	34.8
Add back: amortisation	1.3	0.7
Add back: exceptional items	23.8	1.2
Adjusted operating profit ('EBITA')	39.1	36.7
Add back: depreciation	68.3	68.1
EBITDA before exceptional items	107.4	104.8
Profit before tax	20.7	28.7
Add back: amortisation	1.3	0.7
Add back: exceptional items	12.9	2.0
Adjusted profit before tax	34.9	31.4

¹Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Notes to the Financial Statements (continued)

9 Intangible fixed assets

	Goodwill £m	Customer lists £m	Brands £m	IT development £m	Total £m
Cost					
At 1 April 2018	103.1	38.3	5.1	-	146.5
Additions ¹	23.2	6.8	1.9	-	31.9
	<u>126.3</u>	<u>45.1</u>	<u>7.0</u>	<u>-</u>	<u>178.4</u>
At 31 March 2019 ¹	126.3	45.1	7.0	-	178.4
Additions	-	-	-	1.2	1.2
	<u>126.3</u>	<u>45.1</u>	<u>7.0</u>	<u>1.2</u>	<u>179.6</u>
At 31 March 2020	<u>126.3</u>	<u>45.1</u>	<u>7.0</u>	<u>1.2</u>	<u>179.6</u>
Amortisation					
At 1 April 2018	95.1	36.7	4.2	-	136.0
Charged in year	-	0.5	0.2	-	0.7
	<u>95.1</u>	<u>37.2</u>	<u>4.4</u>	<u>-</u>	<u>136.7</u>
At 31 March 2019	95.1	37.2	4.4	-	136.7
Charged in year	-	0.9	0.4	-	1.3
Impairment	13.7	3.7	1.1	-	18.5
	<u>108.8</u>	<u>41.8</u>	<u>5.9</u>	<u>-</u>	<u>156.5</u>
At 31 March 2020	<u>108.8</u>	<u>41.8</u>	<u>5.9</u>	<u>-</u>	<u>156.5</u>
Net book value					
At 31 March 2020	17.5	3.3	1.1	1.2	23.1
	<u>31.2</u>	<u>7.9</u>	<u>2.6</u>	<u>-</u>	<u>41.7</u>
At 31 March 2019 ¹	31.2	7.9	2.6	-	41.7
	<u>8.0</u>	<u>1.6</u>	<u>0.9</u>	<u>-</u>	<u>10.5</u>
At 31 March 2018	8.0	1.6	0.9	-	10.5

¹ Adjusted for fair value adjustments, see Note 15.

The amount of goodwill that is tax-deductible is £nil (2019: £nil).

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. The Group's reportable CGUs comprise UK and Ireland (excluding Training), Training and International. All intangible assets are held in the UK. Goodwill arising on business combinations after 1 April 2004 has been allocated to the CGU that is expected to benefit from those business combinations. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment test has been performed in respect of the International CGU as there are no intangible assets allocated to the CGU.

The recoverable amounts of the assets allocated to the UK and Ireland (excluding Training) and Training CGUs are determined by a value-in-use calculation. The value-in-use calculation uses cash flow projections based on five-year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth and discount rate, which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. To prepare the value-in-use calculation, the Group uses cash flow projections made up of the FY2021 budget, adjusted for the impact of COVID-19, and a subsequent four-year period using the Group's business plan, together with a terminal value using long-term growth rates. 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 each individual CGU and market-specific risks.

The Training CGU has performed below expectations during the year due to lower than expected learner enrolments, the setup of a number of regional training centres which have yet to reach critical mass and compliance related issues. More recently the business has been further affected by market conditions due to COVID-19. As a consequence an impairment charge has been recognised of £18.5m in the year against goodwill (£13.7m) and other intangibles (£4.8m). The remaining recoverable value of Goodwill in this CGU is £nil, and total recoverable amount of the CGU is £0.7m. A corresponding release has been made of the fair value of contingent consideration (£10.9m, see Note 3).

Notes to the Financial Statements (continued)

9 Intangible fixed assets (continued)

The pre-tax discount rates and terminal growth rates applied are as follows:

	31 March 2020		31 March 2019	
	Pre-tax discount rate	Terminal value growth rate	Pre-tax discount rate	Terminal value growth rate
UK and Ireland (excluding Training)	9.2%	2.5%	10.1%	2.5%
Training	11.7%	2.5%	-	-

Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. The forecast cash flows used included an impact on revenue, costs and cash for a prolonged period of reduced activity as a result of COVID-19, with trading conditions likely to recover towards the end of 2021. The forecast cash flows for the Training CGU also include an assessment of the possible impact on revenue from the outcome of the funding agency claims (see Note 14).

A change of 1% in the pre-tax discount rate, with all other assumptions held constant, would impact discounted cash flows in the UK and Ireland (excluding Training) CGU by £25.9m. A decrease of 1% in the forecast revenue growth, with all other assumptions held constant, would reduce discounted cash flows in the UK and Ireland (excluding Training) CGU by £32.6m. In both cases, this would not result in an impairment charge to the UK and Ireland (excluding Training) CGU.

Other intangible assets of £1.1m remain within the Training CGU. An increase in the relevant pre-tax discount rate to c.25% or a reduction in forecast revenues for that CGU of c.15% would result in these other intangible assets being fully impaired.

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 2018 ¹	50.5	364.0	71.6	486.1
Foreign exchange	0.1	(0.2)	-	(0.1)
Acquisition through business combinations ²	0.3	10.7	0.9	11.9
Additions	1.4	55.1	5.3	61.8
Disposals	(0.1)	(25.5)	-	(25.6)
Transfers to inventory	-	(18.3)	-	(18.3)
At 31 March 2019 ^{1,2}	52.2	385.8	77.8	515.8
Foreign exchange	0.3	0.7	-	1.0
Additions	2.4	55.3	5.5	63.2
Disposals	(0.1)	(21.6)	(0.2)	(21.9)
Transfers to inventory	-	(12.1)	-	(12.1)
At 31 March 2020	54.8	408.1	83.1	546.0
Depreciation				
At 1 April 2018 ¹	29.9	160.3	58.0	248.2
Foreign exchange	0.1	-	-	0.1
Charged in year	3.2	36.1	6.7	46.0
Disposals	(0.1)	(14.7)	-	(14.8)
Transfers to inventory	-	(12.8)	-	(12.8)
At 31 March 2019 ¹	33.1	168.9	64.7	266.7
Foreign exchange	-	-	-	-
Charged in year	3.4	34.9	6.2	44.5
Disposals	-	(14.3)	-	(14.3)
Transfers to inventory	-	(8.5)	-	(8.5)
At 31 March 2020	36.5	181.0	70.9	288.4
Net book value				
At 31 March 2020	18.3	227.1	12.2	257.6
At 31 March 2019 ^{1,2}	19.1	216.9	13.1	249.1
At 31 March 2018 ¹	20.6	203.7	13.6	237.9

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

² Adjusted for fair value adjustments, see Note 15.

The net book value of land and buildings comprises freehold properties of £nil (2019: £nil) and improvements to short leasehold properties of £18.3m (2019: £19.1m).

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

Notes to the Financial Statements (continued)

11 Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 April 2018	119.2	41.7	160.9
Foreign exchange	0.3	-	0.3
Additions	14.5	13.7	28.2
Disposals	(6.0)	(5.5)	(11.5)
At 31 March 2019	128.0	49.9	177.9
Foreign exchange	0.4	-	0.4
Additions	9.5	8.5	18.0
Disposals	(10.1)	(6.5)	(16.6)
At 31 March 2020	127.8	51.9	179.7
Depreciation			
At 1 April 2018	71.5	21.0	92.5
Foreign exchange	0.3	-	0.3
Charged in year	10.8	11.3	22.1
Disposals	(5.4)	(3.8)	(9.2)
At 31 March 2019	77.2	28.5	105.7
Foreign exchange	0.2	-	0.2
Charged in year	13.2	11.7	24.9
Disposals	(10.0)	(5.8)	(15.8)
At 31 March 2020	80.6	34.4	115.0
Net book value			
At 31 March 2020	47.2	17.5	64.7
At 31 March 2019	50.8	21.4	72.2
At 31 March 2018	47.7	20.7	68.4

Included within depreciation charged in the year on right of use assets was £1.1m relating to exceptional impairments (see Note 3).

Notes to the Financial Statements (continued)

12 Borrowings

	2020	2019 <i>Restated</i> ¹
	£m	£m
Current borrowings		
Bank overdraft	-	1.1
Lease liabilities	20.2	22.3
	20.2	23.4
Non-current borrowings		
Maturing between two and five years		
- Asset based finance facility	102.1	99.5
- Lease liabilities	52.7	60.1
Total non-current borrowings	154.8	159.6
Total borrowings	175.0	183.0
Less: cash	(22.8)	(11.5)
Exclude lease liabilities	(72.9)	(82.4)
Net debt	79.3	89.1

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

The Group has a £180m asset based finance facility which is sub divided into:

- (a) 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.
- (b) An asset based finance facility of up to £175m, based on the Group's hire equipment and trade receivables balance. The undrawn availability of this facility as at 31 March 2020 was £70.2m (2019: £68.4m), based on the Group's eligible hire equipment and trade receivables.

The facility amounts to £180m, but is based on the Group's hire equipment and trade receivables balance, reduced to the extent that any ancillary facilities are provided, and is repayable in October 2022, with no prior scheduled repayment requirements. An additional uncommitted accordion of £220m remains in place through to October 2022.

Interest on the facility is calculated by reference to the LIBOR applicable to the period drawn, plus a margin of 150 to 250 basis points, depending on leverage and on the components of the borrowing base. During the period, the effective margin was 1.84% (2019: 1.80%).

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

Analysis of consolidated net debt

	31 March 2019 £m	Non-cash movement £m	Cash flow £m	31 March 2020 £m
Cash at bank and in hand	11.5	-	11.3	22.8
Bank overdraft	(1.1)	-	1.1	-
Bank borrowings	(99.5)	(0.4)	(2.2)	(102.1)
	(89.1)	(0.4)	10.2	(79.3)

Notes to the Financial Statements (continued)

13 Lease liabilities

	Land and buildings £m	Other £m	Total £m
At 1 April 2018	59.9	21.0	80.9
Foreign exchange	0.3	-	0.3
Additions	14.4	13.6	28.0
Repayments	(14.9)	(12.2)	(27.1)
Unwinding of discount rate	2.6	0.9	3.5
Terminations	(1.5)	(1.7)	(3.2)
At 31 March 2019	60.8	21.6	82.4
Foreign exchange	0.2	-	0.2
Additions	9.5	8.4	17.9
Repayments	(15.1)	(12.6)	(27.7)
Unwinding of discount rate	2.4	0.8	3.2
Terminations	(2.5)	(0.6)	(3.1)
At 31 March 2020	55.3	17.6	72.9

Included within terminations in the year was £0.7m relating to exceptional terminations of property leases (see Note 3).

Amounts payable for lease liabilities (discounted at the incremental borrowing rate of each lease) fall due as follows:

	2020 £m	2019 £m
Payable within one year	20.2	22.3
Payable in more than one year	52.7	60.1
At 31 March	72.9	82.4

Notes to the Financial Statements (continued)

14 Provisions

	Dilapidations <i>Restated¹</i>	Contingent consideration	Training provision	Total
	£m	£m	£m	£m
At 1 April 2018	2.0	-	-	2.0
Created in the year	0.8	10.1	-	10.9
Provision utilised in the year	(0.3)	-	-	(0.3)
Net changes in fair value	-	0.8	-	0.8
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	2.5	10.9	-	13.4
Created in the year	3.1	-	3.0	6.1
Provision utilised in the year	(1.5)	-	-	(1.5)
Net changes in fair value	-	(10.9)	-	(10.9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	4.1	-	3.0	7.1
	<hr/>	<hr/>	<hr/>	<hr/>

¹ Restated as a result of the adoption of IFRS 16 – see Note 1 (Accounting policies)

Of the £7.1m provision at 31 March 2020, £5.9m (2019: £6.9m) is due within one year and £1.2m (2019: £6.5m) is due after one year. The dilapidations provision is calculated based on estimated dilapidations at current market rates. The total liability is discounted to current values.

In April 2020 Speedy were notified that a funding agency was suspending payments, and seeking repayment of £2.6m from Geason Training, based on an extrapolation of errors found in a small sample of learner documentation over a three year period from August 2017. The Group has engaged external lawyers who have responded to the agency. At this time it is not possible to make an accurate estimate of the timing or amount that may be repayable from this or other potential claims we may receive. £3.0 million has been provided as an exceptional charge including legal and verification costs. The provision is made without any admission of liability. The Group is investigating what mitigations may be available to it in relation to this matter.

Contingent consideration of between £nil and £26.0m may be payable by the Group in relation to the acquisition of Geason Training. The consideration depends on the combined performance of the acquired business and the Group's training business in the three years post acquisition. The fair value of this consideration has been estimated using forecast cash flows for an equivalent period, discounted at a risk-adjusted rate of 25%. Total fair value of contingent consideration as at year end is £nil. Information on the change in fair value is included in Note 9.

Notes to the Financial Statements (continued)

15 Prior year acquisition of subsidiaries

In December 2018, the Group acquired 100% of the share capital of Geason Holdings Limited ("Geason Training"). The fair values disclosed as provisional in the 2019 Financial Statements in respect of this acquisition have been finalised during the year at the end of the measurement period. As a result, the opening balance sheet has been restated to account for an additional £1.3m reduction to the fair value of receivables previously recognised, and a £0.4m decrease in the fair value of payables previously recognised. This has resulted in £1.7m additional goodwill being recognised.

	Book value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible assets	-	6.7	6.7
Tangible fixed assets	0.1	-	0.1
Receivables ¹	2.2	(1.3)	0.9
Cash	0.2	-	0.2
Current payables ¹	(0.9)	(0.4)	(1.3)
Non-current payables	-	(1.2)	(1.2)
	<hr/>	<hr/>	<hr/>
	1.6	3.8	5.4
	<hr/>	<hr/>	<hr/>
Goodwill capitalised ¹			13.7
			<hr/>
Cash consideration			9.0
Contingent consideration			10.1
			<hr/>
Total consideration			19.1
			<hr/> <hr/>

¹ Restated to show the fair value adjustments to the acquired values.

Notes to the Financial Statements (continued)

15 Prior year acquisition of subsidiaries (continued)

In March 2019, the Group acquired 100% of the share capital of Lifterz Holdings Limited ("Lifterz"). The fair values disclosed as provisional in the 2019 Financial Statements in respect of this acquisition have been finalised during the year at the end of the measurement period. As a result, the opening balance sheet has been restated to account for a £1.3m increase in the fair value of intangible assets, a £0.6m reduction to the fair value of tangible fixed assets, a £0.2m reduction to the fair value of inventories, a £0.4m decrease in the fair value of receivables, a £0.6m increase in the fair value of current payables, and a £0.6m decrease in the fair value of non-current payables previously recognised. This has resulted in a reduction of £0.1m goodwill recognised.

	Book value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible assets ¹	-	1.6	1.6
Tangible fixed assets ¹	12.3	(0.6)	11.7
Inventory ¹	0.5	(0.2)	0.3
Receivables ¹	3.5	(0.4)	3.1
Current payables ¹	(3.0)	0.3	(2.7)
Non-current payables ¹	(0.4)	(1.2)	(1.6)
	<hr/>	<hr/>	<hr/>
	12.9	(0.5)	12.4
	<hr/>	<hr/>	<hr/>
Goodwill capitalised ¹			9.2
			<hr/>
Total consideration			21.6
			<hr/>

¹ Restated to show the fair value adjustments to the acquired values.

The customer relationship intangible asset of £1.0m has been valued using the 'excess earnings' method and is based on income forecast to be generated by the business acquired. Capital asset charges have been applied using a risk adjusted weighted average cost of capital in respect of fixed assets, working capital and the workforce. Other assumptions used in the valuation include an assumed growth in income from customers of 5.0% per annum, and a discount rate applied to the resulting income stream of 10.7%. The customer list intangible is being amortised over ten years, which is considered to be the period over which the majority of the benefits are expected to arise.

The brand intangible asset of £0.6m has been valued using the 'relief-from-royalty' method, using a royalty rate of 0.5% of income, discounted at a rate of 10.7%. The intangible is being amortised over a period of ten years, which is estimated to be the useful life within the business.

16 Post-balance sheet events

No post-balance sheet events have occurred.