



13 May 2014

SPEEDY HIRE Plc

("Speedy" or "the Group")

Annual results for the year ended 31 March 2014

Speedy Hire Plc, the UK's leading tools, equipment, plant hire and services company, operating in the construction, infrastructure and industrial markets, with operations in the Middle East, today announces its annual results for the year ended 31 March 2014.

Financial Highlights

- Revenue up 2.9% to £349.7m (2013: £340.0m[#])
- Trading performance impacted by EBITA* loss of £4.3m in the International Division
- EBITA* for the remainder of the Group up 11.9% to £26.4m (2013: £23.6m)
- Adjusted profit before tax* down 4.6% to £14.6m (2013: £15.3m[#])
- International Division creates drag on ROCE which is down to 7.0% (2013: 7.5%[#])
- Group ROCE (excluding International) up to 9.5% (2013: 8.5%[#])
- Dividend increased by 15% to 0.61 pence per share (2013: 0.53 pence per share)

* Before amortisation and exceptional costs.

[#] Restated.

Trading and Operational Highlights to 31 March 2014

- Q4 UK & I revenue growth of 4.9% (before planned disposals) reflecting progress throughout the year
- Strong performance in new contract wins: Babcock, National Grid, Northern Gas Networks
- Network programme accelerated with completion of Glasgow Multi Service Centre and 6 new superstores
- Middle East investigation complete
- New CEO and refreshed UK and Middle East management teams in place

Trading and Operational Highlights Post Year End

- Trading has started well building on Q4 FY2014 progress
- Preferred bidder status announced for Balfour Beatty Tier 1 Contract
- New relationship established and contracts won with Skanska
- Customer focus broadened to capture potential offered by regional markets

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

"Without doubt, this has been a disappointing year of results for Speedy. The issues the Group has faced in the Middle East have resulted in a financial impact, distraction in terms of management focus and general levels of disruption. These issues have now been addressed and we remain confident that the Group has strong potential and the outlook is good. I believe that Mark Rogerson and his restructured and renewed senior management team are well placed to deliver on this and position the Group well for the coming years.

With that in mind, after 7 years at Speedy (including 3 years as Chairman) during which time the Group has overcome the turmoil of the economic recession, addressed the recent issues in the Middle East and embedded a new CEO and supporting Management Team, and now the business is in a position of stability with good prospects for the future, the time has come for me to hand over the role of Chairman. To permit an orderly succession, I intend to step down from the Board of Speedy at the time of the Interim Results in November. An external process to identify and select my successor will now commence.”

Commenting on the results, Mark Rogerson, CEO, said:

“At its core, Speedy is a good company operating within strong markets, with a compelling value proposition and great people. The events of the last six months have been understandably disappointing and no one at Speedy is proud of what has happened. However, since the issues in the Middle East broke, we have responded decisively and effectively, restructuring both the UK and Middle East management teams. In addition, we have gained pace in winning a wide range of new contracts, and have implemented a number of new key initiatives that will enable us to continue to improve our capital disciplines, business processes and further strengthen the culture of the Company.

Whilst there is much still to do, growth in our markets is now emerging and our sales revenues in the last quarter of FY2014 and in the first month of this new trading year have been promising. We now need to build on this opportunity to drive shareholder value through the delivery of our strategic priorities.”

For further information:

Speedy Hire Plc

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

Note – Forward looking statements

The information in this release is based on management information.

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

Notes to Editors:

Founded in 1977, Speedy is the UK’s leading provider of tools, equipment and plant hire, and support services to a wide range of clients across the construction, infrastructure, industrial, manufacturing and facilities management sectors - as well as to local trade and industry. The Group provides complementary support services through the provision of training, asset management and testing, repair, inspection and maintenance (TRIM). Speedy is accredited nationally to ISO9001, ISO14001 and OHSAS18001. Operating from 247 fixed sites across the UK and Ireland - together with a number of on-site facilities at client locations throughout the UK, Ireland and from an international hub based in the Middle East.

Chairman's Statement

Following our encouraging results in FY2013, FY2014 has seen a further good performance in the UK & Ireland division. Revenue increased by 2.1% and Group EBITA (before exceptional costs and excluding International) increased by 11.9% to £26.4m (2013: £23.6m).

This has been offset by the well-publicised issues in our International division. At a Group level our profit before taxation, amortisation and exceptional items (adjusted PBT) was therefore lower than expected, and was also impacted by the lower margin on the successful services element of our business and delayed asset sales. Notwithstanding this, the Group's adjusted PBT of £14.6m is still encouraging and provides a solid base for the future.

Governance and International accounting irregularities

The Board remains committed to the highest standards of corporate governance. As we reported on 28 November 2013 and 28 February 2014, much to our disappointment, we discovered a limited number of accounting irregularities in our International division. These have been thoroughly investigated and decisive action has been taken.

The Board and our people

Membership of the Board has undergone a number of changes during the year. These have included Mark Rogerson joining the Board and ultimately being appointed as Chief Executive Officer, along with the departures of Steve Corcoran and Mike McGrath.

Dividend

We are committed to a progressive dividend policy as markets continue to recover, but remain careful in our approach to cash. The Company paid an interim dividend of 0.26 pence per ordinary share on 31 January 2014, an increase of 18.2% over the interim dividend of 0.22 pence per ordinary share paid in January 2013. The Board is recommending an increased final dividend of 0.35 pence per ordinary share (2013: 0.31 pence), reflecting confidence in our progress. If approved by shareholders at the forthcoming AGM, the final dividend will be paid on 13 August 2014 to all shareholders on the register at 13 June 2014 and will bring the total dividend for the year to 0.61 pence per ordinary share.

Outlook

The UK & Ireland business continues to make progress, with recent contract wins giving confidence that this progress will continue. Although the Group results for FY2014 have been impacted by the issues in our International division, which will continue to have a drag effect in FY2015 until we have fully rebuilt and reformed that business, those issues should not obscure the good work being undertaken in the UK & Ireland. The appointment of a new senior management team, along with the continuing actions we are taking on our cost base and our network and asset optimisation projects gives us a strong platform to build on during FY2015.

Chairmanship

After seven years at Speedy Hire Plc (including three years as Chairman) during which time the Group has overcome the turmoil of the economic recession, addressed the recent issues in the Middle East and embedded a new Chief Executive Officer and supporting management team, and now the business is in a position of stability with good prospects for the future, I feel the time has come for me to hand over the role of Chairman to enable the business on the next stage of its journey. To permit an orderly succession, I intend to step down from the Board of Speedy at the time of the Interim Results in November. An external process to identify and select my successor will now commence.

Chief Executive Review

Overview

I joined Speedy in December 2013 and was appointed Chief Executive Officer in January 2014 following the emergence of the accounting irregularities in our International division. Since then, we have worked tirelessly across a wide range of areas: operations, sales, controls, governance and culture to stabilise the Group and position it to exploit its unique position in the market place.

My first observations are as follows. Speedy is a great business, operating in strong markets with a value proposition that is much in demand. The events in the Middle East have distorted and confused what is a simple business model with great potential for the future. This can be evidenced by further good progress in the UK & Ireland division during the year and in particular by the revenue growth in Q4, and the significant contract wins we have achieved with major construction and infrastructure companies. This would not have been possible without the people or the products, solutions and services Speedy has to offer.

However, we now need to maximise this potential, optimise the business engine to be leaner and more agile, and take back the ground we have lost over the past few months. We will achieve this in a focused manner with clear objectives cascading throughout the business and deliver effectively the change programmes currently in train. The new colleagues who have joined our team, together with lessons learnt, will significantly enhance our ability to achieve this.

UK & Ireland performance

With improving economic conditions in the UK and with the majority of our customers commencing new projects, we are seeing increasing demand for what Speedy has to offer. Indeed this, together with the changing behaviour of our strategic customers who are increasingly looking for us to supply a broader range of services, bodes well for the future. We have recently had some significant contract wins (Babcock, Northern Gas Networks and Skanska) and preferred bidder status for a Tier 1 contract with Balfour Beatty. A strong pipeline of opportunities further reinforces an increasingly robust outlook.

A further example of growth and action can be seen in London where we have implemented a strategy of concentrating resources in a very focused manner with new and improved operational processes. This has delivered significantly improved levels of efficiency, customer service and motivation in our people and has resulted in impressive revenue growth in the region (circa 14% in FY2014). We are now rolling out this approach in other major urban centres and replicating the process to exploit improving conditions across the rest of the UK.

Consequently, we saw a 5.1% increase in revenue during H2. For the full year, UK & Ireland revenue increased by 2.1% with EBITA after central costs increasing 11.9% to £26.4m.

The network optimisation programme is also now gathering pace. The new Glasgow Multi Service Centre is fully operational and we are starting to see the benefits of the property and fleet strategy, with improving feedback from customers and a lower cost base supported by more efficient operations. This confirms our view that the direction we are taking will enhance Speedy's operational capabilities, with a corresponding financial benefit flowing through into future years.

We have also opened 6 superstores and comprehensively refurbished 9 other depots. We vacated some 22 depots as part of our cost-base restructuring. Linked to this we have continued our programme of consolidating our specialist assets in depots which are best placed for holding, maintaining and delivering those assets to our customers. This process of consolidation is key to the operational improvements to be delivered during FY2015 and will allow us to reduce asset holdings whilst increasing the availability of assets to our customers. Optimising capital discipline is at the heart of my agenda and embedding this approach will achieve that.

International performance

The actions of a small number of people overshadowed an otherwise strong business model. The accounting irregularities were in no way linked to major customer accounts and the strength of our brand has enabled us to contain the fallout from the Middle East. Despite the issues we have had to deal with, our customers have continued to show faith in our business. This confidence has also been reinforced by the appointment and arrival of a strong, experienced regional management team. Having spent a considerable amount of my first four months as CEO in the Middle East, I have received this feedback directly from our customers. We continue to grow our existing accounts and have recently been awarded preferred bidder status to another strategic integrated services

contract. This will see Speedy providing a broad range of support services to offshore oil and gas operations, to another of the region's largest operators.

Having dealt quickly and decisively with the issues faced, and with the investigation into the accounting irregularities complete, we are now in a significantly better position to move our International business forward. We are in the process of making sure that we have got the fundamentals right by building much stronger links with the UK business and aligning our process and governance frameworks.

During FY2014 we expanded our international business through a joint venture with J. & J. Denholm Group. We now provide asset management and equipment rental services to the extensive oil and gas sector in Kazakhstan, including the "super giant" fields at Tengiz, Karachaganak and Kashagan. We are now operating on four of the largest oilfields in the world.

Strategy and opportunities

Four things stood out to me when I joined Speedy. The first is our enviable base of over 64,000 customers, the largest of which are amongst the UK's leading businesses. Our customers operate in diverse markets and sectors and they are now looking to grow as the economy recovers. Secondly we have a leading range of products, solutions and services, delivered both through our own fleet and an alliance of market leading partners. Thirdly, we have a strong brand that customers trust, an extremely valuable asset. Lastly, but of course by no means least, are our people. The passion and commitment at Speedy is tangible and will ultimately be the key in creating a clear competitive advantage for our business.

With this in mind, we remain focused on maintaining and building on our vision to be the UK's leading tools, equipment and plant hire company offering an increasing range of complementary support services. Our strategy to achieve this needs to be simple in order to capitalise on the growth potential in the markets. We will achieve this by executing on five strategic priorities:

- Safety and Sustainability - to be the industry leader in safety thought leadership and performance
- Growth - to create an organisation that is wholly orientated to, and focused on, our growth agenda
- Efficiency - to be the most efficient in our industry at everything we do
- Service Excellence - to be 'preferred' by our customers
- People - to be a company people want to work for

Safety and sustainability

It goes without saying that safety will be at the heart of our business. Not only is this right and proper, but also this is something that customers rightly demand of us. We are renowned for our focus in this area and our '*Safety from the ground up*' programme is well known across our industry. We will therefore continue to innovate around our safety offering and this will be at the heart of our customer proposition. An example of first-class safety practice was recently reflected in Speedy winning the Safe Fleet of the Year Award. Our customers continue to demand product and service innovation, and one of the things that I have been most impressed with across our business is the continued innovation in products; especially around the sustainability agenda from low carbon footprint techniques through biofuels, to more easily portable products which reduce confined space hazards. We will continue to leverage this as we build on our reputation as a company with strong sustainability credentials.

Growth

Our biggest customers deliver large and complex projects and we are organising the business to maximise the benefits of these key relationships. However, the vast majority of our customers are regional contractors and SMEs which account for almost half our revenues. Therefore, we must have an equal focus on delivering the same standards of service that all our customers expect. Our market proposition of being able to offer customers a fully integrated set of products, solutions and services also creates opportunity. None of our competitors can match our offer of providing an extensive range of products (everything from a hand drill to some of the most specialist and advanced equipment in the world) and providing complementary support services (such as safety, training and security) around these products.

Business efficiency

This is all about our 'capital discipline'. Making sure we are buying the right products at the right time and have the right level of assets in the right place to satisfy our customers' increasing needs. Doing this with over £225m worth of assets is no easy task, but the prize in cost efficiency through greater utilisation and further growth due to the customer advocacy that this will generate will be significant. To achieve this we will complete our new

network and logistics infrastructure which will enable us to move our assets around the network much more effectively. In order to support this we must, of course, embed more streamlined processes within our corporate framework.

Service excellence

We must be able to guarantee a service level that ensures on time, every time, right quality, right price equipment, wherever and whenever our customers require it. This assured delivery model needs to be backed up by the best and easiest channels to market so customers can order, track fulfillment and return equipment seamlessly. Back office processing of invoices, services queries and performance reporting needs to be of the highest quality and we need to be able to deliver on demand support to our customers, partners and suppliers. This is fundamental to the customer service experience and can only be achieved through good systems, lean processes and an internal culture of 'customer first.' We will drive this agenda fully and quickly and ensure Speedy delivers on its promises every time.

People

All organisations are dependent upon their people - we are no different. Our objective is to attract, retain and develop the best people we can. Speedy is proud of its people, their passion and commitment. FY2014 has been a tough year and we could not have achieved the increasing success in the UK & Ireland and stabilisation of the International division without their dedication, hard work and commitment. So I thank them for their individual contributions, during a difficult period and for the support they have shown me.

Outlook

We have a major opportunity to grow the business through a potent combination of unparalleled service excellence and a market-leading capital asset capability, brought together under a strategy where safety, sustainability and business efficiency lie at the heart of all we do. Our customers are already noticing the change and responding with an advocacy that will both sustain our success and protect our business.

With the economic environment in the UK showing signs of improvement, we are confident that we can build upon a strong platform for further progress across the breadth and depth of Speedy's business.

Financial Review

Group financial performance

Revenue for the year to 31 March 2014 was £349.7m (2013: £340.0m²) which included planned fleet disposals of £9.5m (2013: £7.2m); excluding these disposals, revenue was up 2.2%.

In line with our strategy, we increased the proportion of service revenues which, as a consequence of their lower margins, led to a decline in gross profit to 61.4% (2013: 65.6%²).

The Group reported EBITA of £22.1m before exceptional costs (2013: £22.9m²) and has been impacted by the loss incurred in the International division. Excluding the results from International, EBITA (before exceptional costs) for the remainder of the Group increased by 11.9% to £26.4m (2013: £23.6m). Profit before taxation, amortisation and exceptional items was £14.6m (2013: £15.3m²). Profit after taxation, amortisation and exceptional items was £4.0m (2013: £7.2m²).

	Revenue (£m)		EBITA ¹ (£m)	
	2014	2013	2014	2013
UK & Ireland	328.1	321.4	32.7	31.2
International ²	21.6	18.6	(4.3)	(0.7)
Corporate costs	-	-	(6.3)	(7.6)
Total	349.7	340.0	22.1	22.9

¹ Before exceptional costs.

² As adjusted. See note 23 of the Financial Statements.

UK & Ireland performance

2014 was a year of two halves. Whilst the UK construction sector remained challenging the Group continued to focus on the active elements of the hire markets. During the first half of the year, UK & Ireland revenue declined year on year by 1.1%, but during the second half increased by 5.1% as the impact of the improving macro conditions was evidenced by new contract wins and renewals, including with Babcock Group, Northern Gas Networks and completing the mobilisation of the National Grid contract. The attractiveness to customers of the integrated services provider model has been highlighted by the growth in Partnered Services which gave rise to the majority of the growth during the second half of the year.

The mix of revenue shifted towards services during the year with a corresponding dilution of the gross margin. Continued focus on the operating overheads has contributed to efficiencies which have increased EBITA by 4.8% to £32.7m (2013: £31.2m).

International performance

Activity within the International division has been dominated by the investigation of the accounting misstatements and the consequential actions to address the underlying issues. Revenue grew by 16.1% reflecting continued progress on the existing contracts, together with new activity in the oil and gas sector. Costs during the year have been impacted by some £2.7m of asset write-downs, in-year trading adjustments and costs related to the misstatements, with the result being an EBITA loss of £4.3m for the year.

Exceptional costs

Exceptional costs totalled £4.7m before taxation (2013: £nil). These costs fall into four areas. Firstly, £2.4m was incurred relating to the reconfiguration of the UK & Ireland network structure; the most significant element of which relates to provisions for onerous leases in vacant depots. Secondly, £1.7m was incurred as part of the accounting irregularities identified in the International division. These costs included the costs of investigating and resolving the issues identified, costs relating to the closure of the trading operations in Egypt and restructuring. Thirdly, £0.3m of fees were incurred in establishing the Kazakhstan Joint Venture during the year. The final element of cost of £0.3m was incurred as a result of changes in Executive Directors during the year.

Interest and hedging

Net interest expense totalled £7.4m (2013: £7.6m), of which £4.0m was incurred in the second half of the year.

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a variable margin, while the unutilised commitment is charged at 50% of the applicable margin. During the year, the margin payable on the majority of outstanding debt fluctuated between 2.25% and 3.25% depending on the Group's performance with respect to thresholds contained within the facility agreement's leverage covenant and the weighting of lending between receivables and plant and machinery loans. The effective average margin in the year was 2.82%. The current applicable margins are 2.5% on receivables and 3.25% on plant and machinery.

The Group utilises interest rate hedges to manage fluctuations in LIBOR. At the year-end, hedges with a notional value of £55.0m (2013: £55.0m) were in place, equivalent to approximately 65.2% of net debt outstanding. The fair value of these hedges was a liability of £0.1m at year-end and they have varying maturity dates to February 2017. The incremental interest cost arising from these hedges amounted to £0.5m during the year (2013: £0.5m).

Taxation

The Group's income statement shows a tax charge for the year of £3.0m (2013: £4.1m). This corresponds to an effective rate of tax pre exceptional costs of 32.5% (2013: 36.3%) and post exceptional costs of 42.9%. The main reason for the high tax rate is that certain of the losses in the International Division are not subject to tax.

Tax paid in the year ending 31 March 2014 amounted to £5.8m (2013: £0.3m).

Shares, earnings per share and dividends

At 31 March 2014, 520.4m shares were outstanding, of which 7.3m were held in the Employee Benefits Trust.

The basic earnings per share before amortisation and exceptional items was 2.05 pence (2013: 2.08 pence²). After amortisation and exceptional costs, earnings per share was 0.78 pence (2013: 1.41 pence²).

The Board remains committed to the payment of dividends when prudent to do so. Subsequent to the year-end, it has recommended a final dividend of 0.35 pence per share (2013: 0.31 pence) which represents a total cash cost of approximately £1.8m. If approved by shareholders, this gives a total dividend for the year of 0.61 pence per share (2013: 0.53 pence).

Capital expenditure and disposals

Total capital expenditure during the year amounted to £76.5m, of which £65.8m (2013: £58.6m²) related to equipment for hire (including £7.9m in the International division) and the balance principally to the redevelopment of the Group's depot network and investment in IT.

Hire fleet holding is continually reviewed to support judicious investment in assets for the target markets and to recycle capital in low-utilisation assets from disposals. These generated disposal proceeds of £18.7m (2013: £19.5m), a profit of £3.7m (2013: £3.9m), underlining the prudence of the carrying value of the Group's fixed assets. The overall net capital expenditure was £57.8m (2013: £49.1m). At 31 March 2014, the average age of the fleet was estimated at 3.9 years (2013: 3.9 years).

Cash flow and net debt

Cash generation has remained positive, with net cash flow generated from operating activities amounting to £4.8m in the year (2013: £17.9m²). Free cash flow (i.e. before dividends and financing activities) decreased by £15.7m to an outflow of £8.2m (2013 inflow: £7.5m²) as a result of increased investment in the hire fleet combined with additional tax costs arising from the increased profitability of UK operations. Dividend payments in the year amounted to £2.9m (2013: £2.5m).

Accordingly, net debt has increased from £72.4m the beginning of the year to £84.4m at 31 March 2014, a £12.0m increase, leading to an increase in gearing in the year to 35.3% (net debt divided by shareholders' funds) (30.8%² at 31 March 2013). Similarly, net debt to EBITDA¹ has increased to 1.2x (2013: 1.0x²). Net debt as a percentage of hire fleet NBV has increased to 37.4% from 33.8%² as at 31 March 2013.

Balance sheet

Net assets at 31 March 2014 totalled £239.3m, a £4.4m increase on the £234.9m² at 31 March 2013.

Net assets per share amount to 46.0 pence (35.4 pence based on tangible assets). Net property, plant and equipment was £255.1m at 31 March 2014, of which equipment for hire represents approximately 88.4%. Net debt/net property, plant and equipment of 0.33x at 31 March 2014 (2013: 0.30x²) underlines the strong asset backing within the business.

Gross trade receivables totalled £91.6m at 31 March 2014 (2013: £82.6m²). Bad debt and credit note provisions totalled £5.3m at 31 March 2014 (2013: £5.1m²), equivalent to 5.8% of the debtor book (2013: 6.2%). The increase in total provisions reflects the marginal increase in debtor weeks (calculated on a count-back basis) to 9.3 weeks at year-end compared to 8.9 weeks² at 31 March 2013.

Capital structure and treasury

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

At 31 March 2014 the gross amount utilised under the Group's £220m asset-based revolving credit agreement facility was £100.1m and available headroom under the facility amounted to £68.4m. Average gross borrowings against the facility during financial year ending March 2014 was £106.4m. The facility includes quarterly fixed charge cover, leverage and cash flow cover covenant tests. The Group was compliant with these tests throughout the year. The facility matures in August 2015 and it is the Group's intention shortly to commence discussions to refinance and are confident of a positive outcome.

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

Return on capital

The return on capital (based on EBITA before exceptional items) generated by the Group's operations excluding its International division was 9.5%, up from 8.5% in FY2013. However, the losses generated by the International division has reduced the consolidated return on capital employed to 7.0% (2013: 7.5%²).

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

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

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

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

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

Name	Function
Ishbel Macpherson	Non-Executive Chairman
Mark Rogerson	Chief Executive Officer
Lynn Krige	Group Finance Director
Michael Averill	Senior Independent Director
Chris Masters	Non-Executive Director
James Morley	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 has considered the nature, likelihood and potential impact of each of the significant risks it is willing to take in achieving its strategic objectives.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risks.

Direct ownership of risk management within the Group lies with the senior management teams. Each individual is responsible for maintaining a risk register for their area of the business and is required to update this on a regular basis. The key items are consolidated into a Group risk register which is reviewed at Board level.

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

Risk	Potential impact	Strategy for mitigation
Safety	Safety is critical to the Group's operations and to the safety and wellbeing of our employees and stakeholders. Failure to meet customers' safety expectations or regulatory requirements increases the risk of legal, financial and brand damage.	The Group is recognised for its industry-leading position on promoting enhanced health and safety compliance, together with a commitment to product innovation. The Group's systems, health and safety and environment teams measure and promote employee understanding of, and compliance with, procedures that affect safety. Also, customer account managers address any service and safety issues arising in respect of those customers.
People	Failing to recruit, retain and motivate the right people will have a significant impact on the business's ability to reach strategic objectives.	Skill and resource requirements for meeting the Group's objectives are actively monitored and action is taken to address identified gaps. Programmes for employee retention and career development are tailored to the needs of the Group. Talent is nurtured through specific programmes for individuals and is aligned with succession planning, which is reviewed annually by the Board. Where possible, training courses offered to employees are selected in order to provide recognised industry standard certification or qualification. The Group regularly reviews remuneration packages and aims to offer competitive reward and benefit packages including appropriate short-term and long-term incentive schemes.
Operating costs	Failure to manage potential cost inflation or to make more effective use of existing resources could have a potential negative effect on financial performance.	The Group has a purchasing policy in place to negotiate supply contracts that wherever possible determine fixed prices for a period of time. In most cases, multiple sources exist for each supply, decreasing the risk of supplier dependency and creating a competitive supply-side environment. All significant purchase decisions are overseen by a dedicated supply chain team with structured supplier selection procedures in place. Property costs are managed by an in house team of experts who undertake routine maintenance works and manage the estate in terms of rental costs. We operate a dedicated fleet of commercial vehicles that are maintained new or nearly new to support our brand image. Fuel is purchased through agreements controlled by our standard supply chain processes.

Risk	Potential impact	Strategy for mitigation
Management override of control	Where members of the management team choose to override controls that have been put in place, there is an increased likelihood of fraud or malpractice leading to financial loss or reputational damage.	All Speedy employees at all grades are expected to abide by our code of conduct which forms a condition of employment. Training is provided, as a combination of on-line and formal classroom style, to all management grades in areas such as compliance with the Bribery and Corruption Act and relevant competition laws. Group policies are in place that both support and oversee key aspects of our operation in particular the areas of treasury, purchasing, asset management, accounting and debt management. Review and exception reporting activities are in place, which are designed to ensure that individuals cannot override risk mitigation procedures which have been put in place by the Group. All of the above are supported by a well-publicised robust whistle-blowing policy with rigorous follow up of all allegations brought to the Groups attention.
Major customer failure	No single customer currently accounts for more than 10% of revenue or receivables. However, in the event of the loss of a major customer the revenue generated by the Group could be reduced with a corresponding impact on the Group's market position and the Group could experience bad debts in respect of business already transacted and potentially loss of assets.	Credit control processes are in place to monitor the potential for credit defaults and exposures. This is reported on a regular basis to the executive management team and, where necessary, concerns are escalated to resolve payment issues as soon as practicable. Visibility of exposure to individual customer groups has improved and is monitored on a 'total exposure across geography' basis considering all linked accounts and asset on hire values. The management of the risk of debt default is controlled as part of the day-to-day operations of the business.
International	The International business introduces a number of geographically specific risks to the Group as we expand into different territories.	The business plan focuses on measured growth at a steady rate, with a view to permitting a cautious approach to new challenges. In each territory where we operate, our objective is to have an experienced team of people who understand that territory, local cultures and the way properly and successfully to undertake business there. Our expansion into each new territory is based on close relations with local partners that bring experience of working with different cultural practices and customs.
Funding	Should the Group be unable to obtain sufficient capital in the future it might not be able to take advantage of strategic opportunities or it might be required to reduce or delay capital expenditure, resulting in the ageing of the fleet and/or availability issues. This could disadvantage the Group relative to its competitors and might adversely impact on its ability to command acceptable levels of pricing.	The Board has established a treasury policy regarding the nature, amount and maturity of committed funding facilities that should be in place to support the Group's activities. In line with the treasury policy, the Group's capital requirements, forecast and actual financial performance and potential sources of finance are reviewed at Board level on a regular basis in order that its requirements can be managed with appropriate levels of available capacity. Close relationships are maintained with the Group's bankers with a view to ensuring that the Group enjoys a broad degree of support.

Risk	Potential impact	Strategy for mitigation
Economy	Any changes in construction/industrial market conditions could reduce activity levels and consequently could reduce the prices that the Group can charge for its services. Government expenditure is important across the wider construction industry in the UK. Any reduction in Government expenditure which is not offset by an increase in private sector expenditure could adversely affect the Group.	<p>The Group monitors and assesses market conditions by reference to a number of external sources, together with internal data which reports customer, sector, product and geographical demand. It operates a flexible model that can react to prevailing market conditions.</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 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>
Customer pricing	Market competition, or a decline in the desirability of hiring tools and equipment to fulfil business activity, may lead to downward pressure on pricing and therefore margins.	<p>The Group believes that high levels of customer service, product quality and reliability can offset pricing discounts offered by competitors.</p> <p>Authorisation protocols are in place to prevent unfavourable customer agreements being entered into and regular management reviews are established to improve visibility of pricing decisions.</p> <p>Our core hire business provides customers with a cost efficient way to utilise a wide range of assets, including specialist and high value equipment. Our assessment of our chosen markets is that customers will continue to find hiring assets more desirable than buying them.</p>
Competition	The equipment rental industry is extremely competitive and highly fragmented. Many of the markets in which the Group operates are served by numerous competitors, ranging from national equipment rental companies to local independents. Some of the Group's principal competitors may have greater financial resources, be more geographically diversified in particular regions, have greater brand recognition in certain market sectors and may be better able to withstand adverse market conditions within the industry.	<p>The Group monitors its competitive position closely, with a view to ensuring that it is able to offer its customers the best solution for their requirements. This is underpinned by a long-standing and ongoing commitment to service, safety and innovation across all product categories. The Group provides a wide breadth of offerings, supplemented by its partnered services division for specialist equipment. Capital expenditure requirements are assessed as part of the budgeting process, and throughout the year via regular forecasts, to ensure strategic product and service initiatives can be delivered. Day-to-day capital expenditure requirements are assessed on a needs basis, with limited long-term future ordering commitments. The Group monitors the performance of its major accounts against market forecasts, strength of client future order books and individual expectations with a view to ensuring that the opportunities for the Group are maximised. Market share is measured and competitors' activities are reported on and reacted to where appropriate.</p> <p>The Group's strategy of moving towards becoming an integrated services company further mitigates against this risk as it demonstrates value to our customers, setting us apart from purely asset hire companies. This strategy continues to be borne out with the successful appointment of Speedy to a number of key contracts.</p>
Business continuity	Any interruption to the Group's IT systems or physical infrastructure could have a material adverse effect on the Group's business, communication, capabilities, management of projects and overall financial performance and reporting.	Preventative controls, back-up and recovery procedures are in place for key IT systems. Changes to Group systems are considered as part of wider change management programmes and implemented in phases wherever possible. The Group has critical incident plans in place for all its central UK and International sites. Insurance cover is reviewed at regular intervals to ensure appropriate coverage in the event of a business continuity issue.

Consolidated Income Statement

For the year ended 31 March 2014

Year ended 31 March 2014					Year ended 31 March 2013 Restated*
	Note	Before exceptional items £m	Exceptional items £m	Total £m	£m
Total revenue		350.3	-	350.3	340.0
Less: share of jointly controlled entities' revenue		(0.6)	-	(0.6)	-
Revenue	2	349.7	-	349.7	340.0
Cost of sales		(135.1)	-	(135.1)	(117.0)
Gross profit		214.6	-	214.6	223.0
Distribution costs		(35.7)	-	(35.7)	(35.4)
Administrative expenses		(159.7)	(4.7)	(164.4)	(168.7)
Analysis of operating profit					
Operating profit before amortisation and exceptional items		22.1	-	22.1	22.9
Amortisation		(2.9)	-	(2.9)	(4.0)
Exceptional costs	3	-	(4.7)	(4.7)	-
Operating profit		19.2	(4.7)	14.5	18.9
Share of results of jointly controlled entities		(0.1)	-	(0.1)	-
Profit from operations		19.1	(4.7)	14.4	18.9
Financial expense	4	(7.4)	-	(7.4)	(7.6)
Profit before taxation		11.7	(4.7)	7.0	11.3
Taxation	5	(3.8)	0.8	(3.0)	(4.1)
Profit for the financial year		7.9	(3.9)	4.0	7.2
Attributable to:					
Equity holders of the Company				4.0	7.2
Earnings per share					
- Basic (pence)	6			0.78	1.41
- Diluted (pence)	6			0.76	1.39
Non-GAAP performance measures					
EBITDA before exceptional costs	8	68.7			72.0
Profit before tax, amortisation and exceptional costs	8	14.6			15.3
Adjusted earnings per share (pence)	6	2.05			2.08

* see note 23

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	2014 £m	2013 Restated* £m
Profit for the financial year	4.0	7.2
Other comprehensive income/(loss) that may be reclassified subsequently to the Income Statement:		
- Effective portion of change in fair value of cash flow hedges	0.5	0.1
- Exchange difference on translation of foreign operations	1.4	(0.3)
Other comprehensive income, net of tax	1.9	(0.2)
Total comprehensive income for the financial year	5.9	7.0
Attributable to equity holders of the Company	5.9	7.0

* see note 23

Consolidated Balance Sheet

At 31 March 2014

	Note	31 March 2014 £m	31 March 2013 Restated* £m	1 April 2012 Restated* £m
ASSETS				
Non-current assets				
Intangible assets	9	51.3	54.2	58.0
Investment in jointly controlled entities	10	4.0	-	-
		<u>55.3</u>	<u>54.2</u>	<u>58.0</u>
Property, plant and equipment				
Hire equipment	11	225.5	214.2	210.3
Non-hire equipment	11	29.6	27.5	30.7
		<u>310.4</u>	<u>295.9</u>	<u>299.0</u>
Current assets				
Inventories	12	11.8	12.9	12.8
Trade and other receivables	13	93.4	83.1	87.1
Cash	16	2.6	0.2	0.2
		<u>107.8</u>	<u>96.2</u>	<u>100.1</u>
Total assets		<u>418.2</u>	<u>392.1</u>	<u>399.1</u>
LIABILITIES				
Current liabilities				
Borrowings	16	-	(0.1)	(0.2)
Other financial liabilities	15	(0.1)	(0.6)	(0.7)
Trade and other payables	14	(76.8)	(67.8)	(77.6)
Provisions	17	(1.1)	(1.2)	(2.3)
Current tax liabilities		(2.7)	(3.8)	(0.3)
		<u>(80.7)</u>	<u>(73.5)</u>	<u>(81.1)</u>
Non-current liabilities				
Borrowings	16	(87.0)	(72.5)	(76.3)
Trade and other payables	14	(1.2)	-	-
Provisions	17	(1.3)	(0.6)	(2.2)
Deferred tax liabilities	18	(8.7)	(10.6)	(10.6)
		<u>(98.2)</u>	<u>(83.7)</u>	<u>(89.1)</u>
Total liabilities		<u>(178.9)</u>	<u>(157.2)</u>	<u>(170.2)</u>
Net assets		<u>239.3</u>	<u>234.9</u>	<u>228.9</u>
EQUITY				
Share capital	19	26.0	25.9	25.9
Share premium		190.9	190.5	190.2
Merger reserve		1.0	1.0	1.0
Hedging reserve		(0.4)	(0.9)	(1.0)
Translation reserve		0.8	(0.6)	(0.3)
Retained earnings		21.0	19.0	13.1
Total equity attributable to equity holders of the Company		<u>239.3</u>	<u>234.9</u>	<u>228.9</u>

* see note 23

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital £m	Share Premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2012 (as previously reported)	25.9	190.2	1.0	(1.0)	(0.3)	13.7	229.5
Impact of accounting mis-statement ²	-	-	-	-	-	(0.6)	(0.6)
At 1 April 2012 (restated ²)	25.9	190.2	1.0	(1.0)	(0.3)	13.1	228.9
Total comprehensive income ¹ (restated ²)	-	-	-	0.1	(0.3)	7.2	7.0
Dividends	-	-	-	-	-	(2.5)	(2.5)
Tax on items taken directly to equity	-	-	-	-	-	0.3	0.3
Equity-settled share-based payments	-	-	-	-	-	0.9	0.9
Issue of shares under the Sharesave Scheme	-	0.3	-	-	-	-	0.3
At 31 March 2013 (restated ²)	25.9	190.5	1.0	(0.9)	(0.6)	19.0	234.9
Total comprehensive income ¹	-	-	-	0.5	1.4	4.0	5.9
Dividends	-	-	-	-	-	(2.9)	(2.9)
Tax on items taken directly to equity	-	-	-	-	-	0.2	0.2
Equity-settled share-based payments	-	-	-	-	-	0.7	0.7
Issue of shares under the Sharesave Scheme	0.1	0.4	-	-	-	-	0.5
At 31 March 2014	26.0	190.9	1.0	(0.4)	0.8	21.0	239.3

¹ from consolidated statement of comprehensive income

² see note 23

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Note	2014 £m	2013 Restated* £m
Cash generated from operations before changes in hire fleet	21	63.8	63.6
Purchase of hire equipment		(65.8)	(58.6)
Proceeds from sale of hire equipment		18.7	19.5
Cash generated from operations		16.7	24.5
Interest paid		(6.1)	(6.3)
Tax paid		(5.8)	(0.3)
Net cash flow from operating activities		4.8	17.9
Cash flow to investing activities			
Purchase of non-hire property, plant and equipment		(10.7)	(10.8)
Disposal of other property, plant and equipment		-	0.8
Acquisition of business	22	-	(0.4)
Investment in jointly controlled entities	10	(2.3)	-
Net cash flow to investing activities		(13.0)	(10.4)
Net cash flow before financing activities		(8.2)	7.5
Cash flow from/(to) financing activities			
Repayment of asset-based revolving credit facility		-	(5.2)
Proceeds from asset-based revolving credit facility		13.1	-
Proceeds from the issue of Sharesave Scheme shares		0.5	0.3
Dividends paid		(2.9)	(2.5)
Net cash flow from/(to) financing activities		10.7	(7.4)
Increase in cash		2.5	0.1
Cash/(overdraft) at the start of the financial year		0.1	-
Cash at the end of the financial year		2.6	0.1
Analysis of cash			
Cash		2.6	0.2
Bank overdraft		-	(0.1)
		2.6	0.1

* see note 23

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 2014 comprise the Company and its subsidiaries (together referred to as the 'Group').

The consolidated and parent company Financial Statements were approved by the Board of Directors on 12 May 2014.

Statement of compliance

Both the Group and parent company Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

Basis of preparation

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

The Group signed a £220m asset-based revolving credit facility ('the Facility') on 30 June 2011, which, following an extension agreed during the year ended 31 March 2013, matures in August 2015 and has no prior scheduled repayment requirements. It is the Group's intention that the Facility will be refinanced or extended during the next 12 months.

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented as necessary by borrowings. The Directors have prepared cash flow projections for the period to September 2015 which show that the Group is capable of continuing to operate within its existing loan facilities and can meet the covenant tests set out within the Facility. The key assumptions on which the projections are based include an assessment of the impact of future market conditions on projected revenues and an assessment of the net capital investment required to support the expected level of revenues.

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

Basis of consolidation

(a) Subsidiaries

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

(b) Joint ventures

A joint venture is a contractual arrangement whereby the Group undertakes economic activity that is subject to joint control with third parties. The Group's interests in jointly controlled entities are accounted for using the equity method. Under this method, the Group's share of the profit less losses of jointly controlled entities is included in the income statement and its interest in their net assets is included in investments in the consolidated balance sheet. The Group's interest in the entity is the carrying amount of the investment together with any long-term loan balances and interest that, in substance, form part of the net investment in the entity.

New accounting standards and accounting standards not yet effective

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

- IFRS13 Fair Value Measurement
- Amendments to IFRS7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS32 – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS12 Income Taxes – Deferred tax: Recovery of Underlying Assets

The International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') have also issued the following standards and interpretations which have been endorsed by the EU at 31 March 2014 with an effective date of implementation after the date of these Financial Statements:

International Accounting Standards (IAS/IFRSs)		Effective date (periods beginning on or after)
IFRS10 (revised)	Consolidated Financial Statements	1 January 2014
IFRS11 (revised)	Joint Arrangements	1 January 2014
IFRS12 (revised)	Disclosure of Interests in Other Entities	1 January 2014
IAS27 (revised)	Separate Financial Statements (2011)	1 January 2014
IAS28 (revised)	Investments in Associates and Joint Ventures (2011)	1 January 2014

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements in the period of initial application.

Notes to the Financial Statements (continued)

2 Segmental analysis

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

For the year ended 31 March 2014

	UK & Ireland Asset Services £m	International Asset Services £m	Corporate items £m	Total £m
Revenue	328.1	21.6	-	349.7
Segment result:				
EBITDA before exceptional costs	73.3	0.8	(5.4)	68.7
Amortisation	(2.9)	-	-	(2.9)
Depreciation	(40.6)	(5.1)	(0.9)	(46.6)
Exceptional restructuring costs	(2.4)	(0.7)	(1.6)	(4.7)
Operating profit/(loss)	27.4	(5.0)	(7.9)	14.5
Share of results of jointly controlled entities	-	(0.1)	-	(0.1)
Trading profit/(loss)	27.4	(5.1)	(7.9)	14.4
Financial expense				(7.4)
Profit before tax				7.0
Taxation				(3.0)
Profit for the financial year				4.0
Intangible assets	51.3	-	-	51.3
Investment in jointly controlled entities	-	4.0	-	4.0
Hire equipment	192.3	33.2	-	225.5
Non-hire equipment	28.7	0.9	-	29.6
Current assets	93.9	10.7	0.6	105.2
Cash	-	-	2.6	2.6
Total assets	366.2	48.8	3.2	418.2
Liabilities	(68.8)	(8.7)	(3.0)	(80.5)
Borrowings	-	-	(87.0)	(87.0)
Taxation liabilities	-	-	(11.4)	(11.4)
Total liabilities	(68.8)	(8.7)	(101.4)	(178.9)
Capital expenditure	66.7	9.8	-	76.5

Notes to the Financial Statements (continued)

2 Segmental analysis (continued)

For the year ended 31 March 2013

	UK & Ireland Asset Services £m	International Asset Services Restated* £m	Corporate items £m	Total Restated* £m
Revenue	321.4	18.6	-	340.0
Segment result:				
EBITDA before exceptional costs	73.8	4.0	(5.8)	72.0
Amortisation	(4.0)	-	-	(4.0)
Depreciation	(42.6)	(4.7)	(1.8)	(49.1)
Operating profit/(loss)	<u>27.2</u>	<u>(0.7)</u>	<u>(7.6)</u>	<u>18.9</u>
Financial expense				(7.6)
Profit before tax				<u>11.3</u>
Taxation				(4.1)
Profit for the financial year				<u>7.2</u>
Intangible assets	54.2	-	-	54.2
Hire equipment	183.3	30.9	-	214.2
Non-hire equipment	27.3	0.2	-	27.5
Current assets	84.3	9.2	2.5	96.0
Cash	-	-	0.2	0.2
Total assets	<u>349.1</u>	<u>40.3</u>	<u>2.7</u>	<u>392.1</u>
Liabilities	(57.8)	(4.7)	(7.7)	(70.2)
Bank overdraft	-	-	(0.1)	(0.1)
Borrowings	-	-	(72.5)	(72.5)
Taxation liabilities	-	-	(14.4)	(14.4)
Total liabilities	<u>(57.8)</u>	<u>(4.7)</u>	<u>(94.7)</u>	<u>(157.2)</u>
Capital expenditure	<u>53.2</u>	<u>16.6</u>	<u>-</u>	<u>69.8</u>

* see note 23

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

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

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 2014		Year ended 31 March 2013 Restated*	
	Revenues £m	Non-current assets £m	Revenues £m	Non-current assets £m
UK	322.9	265.3	316.2	259.4
Ireland	5.2	7.0	5.2	5.4
Other countries	21.6	38.1	18.6	31.1
	<u>349.7</u>	<u>310.4</u>	<u>340.0</u>	<u>295.9</u>

* see note 23

Major customers

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

3 Exceptional items

For the year ended 31 March 2014

In the UK & Ireland, exceptional costs of £2.4m have been incurred as the cost of change as the business has rolled out its new network structure. The most significant element of the cost (£1.9m) relates to provisions for onerous leases which remain as a result of the changes. The remaining cost of £0.5m is as a result of costs incurred for employee changes as part of the programme.

Within the International division, exceptional costs of £0.7m have been incurred. £0.4m arises as a result of costs and write-offs associated with the closure of the Egypt operations. The remaining £0.3m has been incurred as a direct result of management changes within the business.

Exceptional items which have not been allocated to the operating divisions total £1.6m. This comprises the costs of investigating and resolving the accounting irregularities within the International Division (£1.0m), the professional fees incurred in entering into the Kazakhstan Joint Venture (£0.3m) and costs incurred as a result of changes to Executive Directors in the year (£0.3m).

For the year ended 31 March 2013

There were no exceptional items incurred in the year.

Notes to the Financial Statements (continued)

4 Financial expense

	2014 £m	2013 £m
Financial expense		
Interest on bank loans and overdrafts	5.1	5.2
Amortisation of issue costs	1.5	1.4
	<hr/>	<hr/>
Total interest on bank loans and overdrafts	6.6	6.6
Hedge interest payable	0.5	0.5
Other finance costs	0.3	0.5
	<hr/>	<hr/>
	7.4	7.6
	<hr/>	<hr/>

5 Taxation

	2014 £m	2013 £m
Tax charged in the income statement		
Current tax		
UK corporation tax on profits for the period at 23% (2013: 24%)	5.1	3.7
Withholding tax	-	0.1
Adjustment in respect of prior years	(0.2)	-
	<hr/>	<hr/>
Total current tax	4.9	3.8
Deferred tax (note 18)		
UK deferred tax at 21% (2013: 23%)	0.3	0.8
Adjustment in respect of prior years	(1.4)	-
Impact of rate change	(0.8)	(0.5)
	<hr/>	<hr/>
Total deferred tax	(1.9)	0.3
	<hr/>	<hr/>
Total tax charge	3.0	4.1
	<hr/>	<hr/>
Tax credited in equity		
Current tax		
Current tax on equity-settled share-based payments	(0.2)	-
	<hr/>	<hr/>
Total current tax	(0.2)	-
Deferred tax (note 18)		
Net loss on revaluation of cash flow hedges	0.1	-
Deferred tax on equity-settled share-based payments	(0.1)	(0.3)
	<hr/>	<hr/>
Total deferred tax credited in equity	-	(0.3)
	<hr/>	<hr/>
Total tax credited to equity	(0.2)	(0.3)
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

5 Taxation (continued)

The tax charge in the income statement for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 23% (2013: 24%) and is explained as follows:

	2014 £m	2013 Restated* £m
Profit before tax	7.0	11.3
Accounting profit multiplied by the standard rate of corporation tax at 23% (2013: 24%)	1.6	2.7
Expenses not deductible for tax purposes	1.5	1.5
Non-taxable income	(0.4)	(0.6)
Share-based payments	-	(0.2)
Unrecognised tax losses	0.5	0.3
Overseas tax losses arising not subject to tax	2.2	0.9
Overseas withholding tax potentially not recoverable	-	0.1
Adjustment to deferred taxation relating to future changes in corporation tax rates	(0.8)	(0.5)
Adjustment to tax in respect of prior years	(1.6)	(0.1)
Tax charge for the year reported in the income statement	3.0	4.1
Tax credited in equity		
Current tax charge	(0.2)	-
Deferred tax charge (note 18)	-	(0.3)
Tax credited to equity	(0.2)	(0.3)

* see note 23

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 March 2014 has been calculated based on the rates of 21% and 20% substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of £4.0m (2013: £7.2m (restated*)) and the weighted average number of 5 pence ordinary shares in issue, and is calculated as follows:

	2014	2013 Restated*
Profit (£m)		
Profit for the year after tax – basic earnings	4.0	7.2
Intangible amortisation charge (after tax)	2.5	3.4
Exceptional items (after tax)	3.9	-
	<u>10.4</u>	<u>10.6</u>
Adjusted earnings (after tax)		
Weighted average number of shares in issue (m)		
At the beginning of the year	507.7	506.9
Exercise of share options	2.5	0.3
	<u>510.2</u>	<u>507.2</u>
At the end of the year – basic number of shares	510.2	507.2
Share options	4.6	0.5
Employee share scheme	2.4	5.6
	<u>517.2</u>	<u>513.3</u>
At the end of the year – diluted number of shares		
Earnings per share (pence)		
Basic earnings per share	0.78	1.41
Amortisation	0.50	0.67
Exceptional costs	0.77	-
	<u>2.05</u>	<u>2.08</u>
Adjusted earnings per share		
Basic earnings per share	0.78	1.41
Share options	(0.01)	-
Employee share scheme	(0.01)	(0.02)
	<u>0.76</u>	<u>1.39</u>
Diluted profit per share		
Adjusted earnings per share	2.05	2.08
Employee share schemes	(0.02)	(0.02)
	<u>2.03</u>	<u>2.06</u>
Adjusted diluted earnings per share		

* see note 23

Total number of shares outstanding at 31 March 2014 amounted to 520,362,273, including 7,319,967 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:

	2014 £m	2013 £m
2012 final dividend (0.26 pence on 517.2m shares)	-	1.4
2013 interim dividend (0.22 pence on 517.2m shares)	-	1.1
2013 final dividend (0.31 pence on 517.9m shares)	1.6	-
2014 interim dividend (0.26 pence on 518.3m shares)	1.3	-
	<u>2.9</u>	<u>2.5</u>

Subsequent to the end of the year and not included in the results for the year, the Directors recommended a final dividend of 0.35 pence (2013: 0.31 pence) per share, bringing the total amount payable in respect of the 2014 year to 0.61 pence (2013: 0.53 pence), to be paid on 13 August 2014 to shareholders on the register on 13 June 2014.

The Employee Benefit Trust established to hold shares for the Performance Plan and Co-Investment Plan has waived its right to the interim and final proposed dividends. At 31 March 2014, the Trust held 7,319,967 ordinary shares (2013: 10,206,080).

8 Non-GAAP performance measures

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

	2014 £m	2013 Restated* £m
Operating profit	14.5	18.9
Add back: amortisation	2.9	4.0
Add back: exceptional costs	4.7	-
Operating profit before amortisation and exceptional costs	<u>22.1</u>	<u>22.9</u>
Add back: depreciation	46.6	49.1
EBITDA before exceptional costs	<u>68.7</u>	<u>72.0</u>
Profit before tax	7.0	11.3
Add back: amortisation	2.9	4.0
Add back: exceptional costs	4.7	-
Profit before tax, amortisation and exceptional costs	<u>14.6</u>	<u>15.3</u>

* see note 23

Notes to the Financial Statements (continued)

9 Intangible fixed assets

	Goodwill £m	Customer lists £m	Non-compete agreements £m	Brand £m	Supply agreements £m	Total £m
Cost						
At 1 April 2012	93.5	36.2	4.9	4.1	19.8	158.5
Additions	-	0.2	-	-	-	0.2
	<u>93.5</u>	<u>36.4</u>	<u>4.9</u>	<u>4.1</u>	<u>19.8</u>	<u>158.7</u>
At 31 March 2013	93.5	36.4	4.9	4.1	19.8	158.7
Additions	-	-	-	-	-	-
	<u>93.5</u>	<u>36.4</u>	<u>4.9</u>	<u>4.1</u>	<u>19.8</u>	<u>158.7</u>
At 31 March 2014	<u>93.5</u>	<u>36.4</u>	<u>4.9</u>	<u>4.1</u>	<u>19.8</u>	<u>158.7</u>
Amortisation						
At 1 April 2012	49.2	24.8	4.9	4.1	17.5	100.5
Charged in year	-	3.2	-	-	0.8	4.0
	<u>49.2</u>	<u>28.0</u>	<u>4.9</u>	<u>4.1</u>	<u>18.3</u>	<u>104.5</u>
At 31 March 2013	49.2	28.0	4.9	4.1	18.3	104.5
Charged in year	-	2.4	-	-	0.5	2.9
	<u>49.2</u>	<u>30.4</u>	<u>4.9</u>	<u>4.1</u>	<u>18.8</u>	<u>107.4</u>
At 31 March 2014	<u>49.2</u>	<u>30.4</u>	<u>4.9</u>	<u>4.1</u>	<u>18.8</u>	<u>107.4</u>
Net book value						
At 31 March 2014	<u>44.3</u>	<u>6.0</u>	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>51.3</u>
At 31 March 2013	<u>44.3</u>	<u>8.4</u>	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>54.2</u>
At 31 March 2012	<u>44.3</u>	<u>11.4</u>	<u>-</u>	<u>-</u>	<u>2.3</u>	<u>58.0</u>

The amount of goodwill that is tax-deductible is £19.2m (2013: £19.2m).

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

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

The recoverable amounts of the goodwill and intangible assets allocated to CGUs are determined by value-in-use calculations. The value-in-use calculations use cash flow projections based on five-year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin and the level of capital expenditure required to support trading, which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. To prepare value-in-use calculations, the Group uses cash flow projections for a 15-year period, which incorporates a ten-year terminal value. The projections are made up of the FY2015 budget, a subsequent four-year period using the Group's business plan, and a further ten years' income. The final ten years' income is extrapolated at an estimated average long-term nominal growth rate, being an estimate of inflation. The resulting forecast cash flows are discounted back to present value, using an estimate of the Group's weighted average cost of capital, adjusted for risk factors associated with the individual CGU and market-specific risks.

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 2014		31 March 2013	
	Pre-tax discount rate	Terminal value growth rate	Pre-tax discount rate	Terminal value growth rate
UK & Ireland Asset Services	10.2%	1.5%-2.5%	11.7%	1.5%-2.5%
International Asset Services	12.2%	2.5%	11.7%	2.5%

For UK & Ireland Asset Services, the recoverable amount at 31 March 2014, calculated using the discounted forecast cash flows, results in a surplus over carrying value of £127.9m (2013: £122.5m). Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. An increase of 1% in the pre-tax discount rate, with all other assumptions held constant, would reduce discounted cash flows by £42.7m, leaving headroom against carrying value at £85.2m (2013: £94.0m). A decrease of 1% in the forecast revenue growth, with all the other assumptions held constant, would reduce discounted cash flows by £10.2m, leaving headroom against carrying value of £117.7m (2013: £112.3m).

No goodwill or intangible assets have been allocated to International Asset Services. Value-in-use calculations result in a recoverable amount that is £25.5m greater than the carrying value of the property, plant and equipment and other net assets at 31 March 2014. An increase of 1% in the pre-tax discount rate or a decrease of 1% in the forecast revenue growth does not result in a shortfall of recoverable amount over carrying value of the property, plant and equipment and other net assets.

Notes to the Financial Statements (continued)

10 Investments in jointly controlled entities

	Equity investment £m	Loan advances £m	Total £m
Cost			
At 1 April 2013	-	-	-
Purchase of shares in joint venture	2.7	-	2.7
Loan to joint venture	-	1.5	1.5
Effect of movement in foreign exchange rates	(0.1)	-	(0.1)
	<u>2.6</u>	<u>1.5</u>	<u>4.1</u>
At 31 March 2014	<u>2.6</u>	<u>1.5</u>	<u>4.1</u>
Share of post-acquisition results			
At 1 April 2013	-	-	-
Share of results for the year after tax	(0.1)	-	(0.1)
	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>
At 31 March 2014	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>
Net book value			
At 31 March 2014	<u>2.5</u>	<u>1.5</u>	<u>4.0</u>
At 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>

On 11 November 2013, Speedy acquired 50% of the share capital of Turner and Hickman Limited, a joint venture company which controls the operations of Speedy Zholdas LLP. Speedy Zholdas LLP provides asset management and equipment rental services to the oil and gas sector in Kazakhstan. Total cash consideration for the purchase of shares in Turner and Hickman Limited was US\$4.3m of which US\$1.3m was paid at completion and US\$3.0m is payable by equal instalments of US\$1.0m on each of 1 November 2014, 2015 and 2016.

In addition to the investment in share capital, Speedy has provided a loan of US\$2.5m to the joint venture with an equivalent amount provided by the joint venture partner.

This joint venture is not considered to be individually material.

Notes to the Financial Statements (continued)

11 Property, plant and equipment

	Land and buildings £m	Hire Equipment Restated* £m	Other £m	Total Restated* £m
Cost				
At 1 April 2012	29.8	383.6	61.0	474.4
Foreign exchange	-	(0.3)	-	(0.3)
Additions	6.1	55.6	4.7	66.4
Acquisitions	-	0.2	-	0.2
Disposals	(2.1)	(38.4)	(2.2)	(42.7)
Transfers to inventory	-	(25.0)	-	(25.0)
At 31 March 2013	33.8	375.7	63.5	473.0
Foreign exchange	(0.1)	(0.4)	-	(0.5)
Additions	6.2	64.8	4.5	75.5
Disposals	(0.1)	(33.1)	(0.5)	(33.7)
Transfers to inventory	-	(20.4)	-	(20.4)
At 31 March 2014	39.8	386.6	67.5	493.9
Depreciation				
At 1 April 2012	18.4	173.3	41.7	233.4
Foreign exchange	-	-	-	-
Charged in year	3.1	36.0	10.0	49.1
Disposals	(1.7)	(27.7)	(1.7)	(31.1)
Transfers to inventory	-	(20.1)	-	(20.1)
At 31 March 2013	19.8	161.5	50.0	231.3
Foreign exchange	-	(0.1)	-	(0.1)
Charged in year	2.6	38.2	5.8	46.6
Disposals	-	(24.1)	(0.5)	(24.6)
Transfers to inventory	-	(14.4)	-	(14.4)
At 31 March 2014	22.4	161.1	55.3	238.8
Net book value				
At 31 March 2014	17.4	225.5	12.2	255.1
At 31 March 2013	14.0	214.2	13.5	241.7
At 31 March 2012	11.4	210.3	19.3	241.0

* see note 23

The net book value of land and buildings comprises freehold properties of £nil (2013: £nil), and short leasehold properties of £17.4m (2013: £14.0m).

At 31 March 2014, the net carrying amount of leased hire equipment was £nil (2013: £nil).

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

Notes to the Financial Statements (continued)

12 Inventories

	2014 £m	2013 Restated* £m
Finished goods and goods for resale	11.8	12.9

* see note 23

The amount of inventory expensed in the year amounted to £40.7m (2013: £42.1m), included within cost of sales. No provision in respect of writedown in inventory is held at the year-end or prior year-end.

13 Trade and other receivables

	2014 £m	2013 Restated* £m
Trade receivables	86.3	77.5
Other receivables	4.9	3.2
Prepayments and accrued income	2.2	2.4
	<u>93.4</u>	<u>83.1</u>

* see note 23

There are £32.9m (2013: £34.0m (restated – see note 23)) of trade receivables that are past due at the balance sheet date that have not been provided against. There is no indication as at 31 March 2014 that customers will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are past due and unprovided. The ageing of trade receivables (net of impairment provision) at the year-end was as follows:

	2014 £m	2013 Restated* £m
Not past due	53.4	43.5
Past due 0–30 days	18.9	20.2
Past due 31–120 days	9.9	11.9
More than 120 days past due	4.1	1.9
	<u>86.3</u>	<u>77.5</u>

* see note 23

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

	2014 £m	2013 Restated* £m
At 1 April	3.0	2.5
Impairment provision charged to the income statement	5.5	5.0
Written off in the year	(4.6)	(4.5)
At 31 March	<u>3.9</u>	<u>3.0</u>

* see note 23

Notes to the Financial Statements (continued)

14 Trade and other payables

	2014 £m	2013 £m
Trade payables	45.4	32.6
Other payables	10.4	8.1
Accruals	22.2	27.1
	<u>78.0</u>	<u>67.8</u>
Non-current	1.2	-
Current	76.8	67.8
	<u>78.0</u>	<u>67.8</u>

15 Financial instruments

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

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

Fair value of financial assets and liabilities

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

	31 March 2014		31 March 2013 Restated*	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Trade and other receivables	91.2	91.2	80.7	80.7
Cash	2.6	2.6	0.2	0.2
Bank overdraft	-	-	(0.1)	(0.1)
Secured bank borrowings	(87.0)	(87.0)	(72.5)	(72.5)
Interest rate swaps and caps, used for hedging	(0.1)	(0.1)	(0.6)	(0.6)
Trade and other payables	(55.8)	(55.8)	(40.7)	(40.7)
	<u>(49.1)</u>	<u>(49.1)</u>	<u>(33.0)</u>	<u>(33.0)</u>
Unrecognised gain/(loss)		-		-

* see note 23

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

Basis for determining fair values

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

- (a) Derivatives - Broker quotes are used for all interest rate swaps.
- (b) Interest-bearing loans and borrowings - Fair value is calculated based on discounted expected future principal and interest cash flows.
- (c) Trade and other receivables/payables - For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest rates used for determining fair value

The interest rate used to discount estimated cash flows, where applicable, has been estimated at 10.2% (2013: 11.7%).

Fair value hierarchy

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

Credit risk

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

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

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

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

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

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

Liquidity risk

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

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

At 31 March 2014, the Group had available loan facilities amounting to £229m (2013: £220m), as detailed in note 16. Of these facilities £128.4m remained unutilised at 31 March 2014 (2013: £136.7m). Details of the repayment profile of the drawn facilities at the year-end is included in note 16.

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

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

At 31 March 2014

Undiscounted cash flows – 31 March 2014				
	2015 £m	2016 £m	2017 £m	Total £m
Revolving credit	-	84.4	-	84.4
Interest payments	5.2	2.2	-	7.4
	<u>5.2</u>	<u>86.6</u>	<u>-</u>	<u>91.8</u>

At 31 March 2013

Undiscounted cash flows – 31 March 2013				
	2014 £m	2015 £m	2016 £m	Total £m
Revolving credit	-	-	72.4	72.4
Interest payments	4.6	4.6	1.9	11.1
	<u>4.6</u>	<u>4.6</u>	<u>74.3</u>	<u>83.5</u>

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

Market risk

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

Foreign exchange risk

The Group is exposed to foreign exchange risk on the translation of the results of its subsidiaries which are resident in the Republic of Ireland (Speedy Hire (Ireland) Limited and Waterford Hire Services Limited), United Arab Emirates (Speedy International Asset Services Equipment Rental LLC), Egypt (Speedy International Asset Services LLC Limited), Oman (Speedy International Asset Services LLC Limited) and Qatar (Speedy International Asset Services LLC Limited). It is the Group's policy to review the net investment in all companies on a regular basis, and to hedge against potential foreign exchange exposures where considered appropriate. At 31 March 2014, Speedy Hire (Ireland) Limited had net liabilities of £9.5m (2013: £8.5m), Waterford Hire Services Limited had net assets of £1.5m (2013: £1.5m), Speedy International Asset Services Equipment Rental LLC (United Arab Emirates) had net liabilities of £17.5m (2013: £8.9m (restated – see note 23)), Speedy International Asset Services Equipment Rental LLC (Egypt) had net liabilities of £0.1m (2013: £0.5m), Speedy International Asset Services Equipment Rental LLC (Oman) had net assets of £nil (2013: £0.5m) and Speedy International Asset Services Equipment Rental LLC (Qatar) had net liabilities of £0.2m (2013: £nil), and no hedging instruments are in place to cover potential movements in foreign currency.

Interest rate risk

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

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

	31 March 2014		31 March 2013	
	Fair value £m	Notional amount £m	Fair value £m	Notional amount £m
Designated as cash flow hedges				
Fixed interest rate swaps	(0.1)	55.0	(0.6)	55.0

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

The weighted average interest rate on the fixed interest rate swaps is 1.167% (2013: 1.495%) and the instruments are for a weighted average period of 21 months (2013: 14 months). The maximum contractual period is 35 months (2013: 27 months).

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

Sensitivity analysis

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

At 31 March 2014 it is estimated that a general increase of 1% in interest rates would decrease the Group's profit before tax by approximately £0.4m. Interest rate swaps have been included in this calculation.

Capital management

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

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

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

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

16 Borrowings

	2014 £m	2013 £m
Current borrowings		
Bank overdraft	-	0.1
Non-current borrowings		
Maturing between two and five years		
- ABL Facility	86.1	72.5
- International facility	0.9	-
Total non-current borrowings	87.0	72.5
Total borrowings	87.0	72.6
Less: cash	(2.6)	(0.2)
Net debt	84.4	72.4

Notes to the Financial Statements (continued)

16 Borrowings (continued)

In June 2011, the Group entered into a £220m asset-based revolving credit facility (the “ABL Facility”) to replace the previous £210m cash-flow-based loan. The ABL Facility is sub-divided into:

- (i) A secured overdraft facility, provided by Barclays Bank Plc, which secures by cross-guarantees and debentures the bank deposits and overdrafts of the Company and certain subsidiary companies up to a maximum of £5m.
- (ii) An asset-based revolving credit facility of up to £215m. The availability of this facility is dependent upon the Group’s hire equipment and trade receivables and, at 31 March 2014, the undrawn availability was £68.4m (2013: £75.8m).

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

Interest is calculated by reference to the London Interbank Offer Rate applicable to the period drawn, plus a margin of 225 to 400 basis points, depending upon leverage and on the components of the borrowing base. During the year, the effective margin was 2.82% (2013: 2.84%).

In November 2013, the Group entered into a US\$15.5m revolving credit facility (the “International Facility”) in order to provide finance to the International division. The International Facility is for US\$15.5m, but is reduced to the extent that ancillary facilities are provided and is repayable in August 2015, with no prior scheduled repayment requirements. The undrawn availability at 31 March 2014 was US\$14.0m.

Interest is calculated by reference to the London Interbank Offer Rate applicable to the period drawn, plus a margin of 275 to 325 basis points depending upon leverage. During the year, the effective margin was 2.75%.

The facilities are secured by fixed and floating charges over all the assets of the Group.

The effective interest rate applicable to cash deposits during the year was 0.7% (2013: 0.7%).

Analysis of consolidated net debt

	At 31 March 2013 £m	Non-cash movement £m	Cash flow £m	At 31 March 2014 £m
Cash at bank and in hand	0.2	-	2.4	2.6
Borrowings	(72.6)	(1.5)	(12.9)	(87.0)
	<u>(72.4)</u>	<u>(1.5)</u>	<u>(10.5)</u>	<u>(84.4)</u>

Notes to the Financial Statements (continued)

17 Provisions

	Onerous property contracts £m
At 1 April 2012	4.5
Created in the year	1.0
Provision utilised in the year	(3.9)
Unwinding of discount	0.2
	<hr/>
At 31 March 2013	1.8
Created in the year	2.9
Provision utilised in the year	(2.3)
	<hr/>
At 31 March 2014	2.4
	<hr/>

Of the £2.4m provision at 31 March 2014, £1.1m (2013: £1.2m) is due within one year and £1.3m (2013: £0.6m) is due after one year. The key assumption underlying the calculation of the provision relates to the assumed sub-let period. The provision is calculated based on a gross liability to the earlier of three years and the estimated date of sub-let, or break clause, and includes estimated dilapidations at current market rates. The total liability is discounted to current values. If leases on properties which are assumed to be sub-let were not exited/sub-let for a further 12 months beyond the estimated period, the increase required in the discounted provision would amount to £0.8m.

18 Deferred tax

	Property, plant and equipment £m	Intangible assets £m	Share-based payments £m	Other items £m	Total £m
At 1 April 2012	12.1	1.5	(0.3)	(2.7)	10.6
Recognised in income	(1.0)	(0.5)	(0.6)	2.4	0.3
Recognised in equity	-	-	(0.3)	-	(0.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	11.1	1.0	(1.2)	(0.3)	10.6
Recognised in income	(2.0)	(0.3)	0.3	0.1	(1.9)
Recognised in equity	-	-	(0.1)	0.1	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	9.1	0.7	(1.0)	(0.1)	8.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Group has gross trading losses carried forward at 31 March 2014 amounting to approximately £10.6m (2013: £5.4m). No deferred tax asset has been recognised in respect of those losses.

The Group also has gross capital losses carried forward at 31 March 2014 amounting to approximately £6.5m (2013: £6.5m). No deferred tax asset has been recognised in respect of these losses.

Notes to the Financial Statements (continued)

19 Share capital

	2014 £m	2013 £m
Allotted, called-up and fully paid		
520.4m (2013: 517.9m) ordinary shares of 5 pence each	26.0	25.9

During the year, 2,437,224 ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Scheme (2013: 690,847).

An Employee Benefits Trust was established in 2004 (the 'Trust'). The Trust holds shares issued by the Company in connection with the Performance Plan and Co-investment Plan. No shares were allotted to the Trust during the year and 2,886,113 shares were transferred to employees during the year. At 31 March 2014, the Trust held 7,319,967 (2013: 10,206,080) shares.

The movement in issued share capital was as follows:

	Number	£m
At 1 April 2012	517,234,202	25.9
Exercise of Sharesave Scheme options	690,847	-
At 31 March 2013	517,925,049	25.9
Exercise of Sharesave Scheme options	2,437,224	0.1
At 31 March 2014	520,362,273	26.0

Notes to the Financial Statements (continued)

20 Share incentives

At 31 March 2014, options and awards over 10,981,285 shares (2013: 17,613,763) were outstanding under employee share schemes. The Group operates three share incentive schemes. During the year 2,437,224 ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Scheme (2013: 690,847).

As at 31 March 2014 options to acquire 5,076,518 (2013: 8,256,229) Speedy Hire Plc shares were outstanding under the Speedy Hire Sharesave Schemes. These options are exercisable by employees of the Group at prices between 15 and 51 pence (2013: 15 and 29 pence) at dates between April 2014 and July 2017 (2013: April 2013 and July 2016). At 31 March 2014, options to acquire 5,904,767 shares (2013: 9,357,534) under the Performance and Co-Investment Plans were outstanding. These options are exercisable at nil cost between June 2014 and June 2017 (2013: July 2013 and June 2016).

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

	2014		2013	
	WAEP Pence	Number	WAEP Pence	Number
Outstanding at 1 April	11	17,613,763	8	21,961,544
Granted	15	4,811,221	11	6,217,133
Exercised	10	(5,349,585)	29	(690,847)
Lapsed	9	(6,094,114)	3	(9,874,067)
Outstanding at 31 March	14	10,981,285	11	17,613,763
Exercisable at 31 March	21	123,108	29	1,321,141

Options and awards outstanding at 31 March 2014 have weighted average remaining contractual lives as follows:

	2014 Years	2013 Years
Exercisable at nil pence	1.4	1.3
Exercisable at 15 pence	0.8	1.8
Exercisable at 21 pence	-	0.8
Exercisable at 27 pence	1.8	2.8
Exercisable at 51 pence	2.7	-

Notes to the Financial Statements (continued)

20 Share incentives (continued)

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

Speedy Hire Sharesave Schemes

	December 2013	December 2012	December 2011	December 2010	September 2009
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	51p	27p	15p	21p	29p
Share price volatility	39%	41%	87.0%	88.2%	85.7%
Option life	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years
Expected dividend yield	1.0%	1.2%	2.1%	1.4%	3.1%
Risk-free interest rate	1.0%	0.6%	0.5%	1.4%	2.1%

Co-Investment Plan

	July 2013
Pricing model used	Stochastic
Exercise price	Nil
Share price volatility	n/a
Option life	3 years
Expected dividend yield	Nil
Risk-free interest rate	n/a

Performance Plan

	July 2013	July 2012	July 2011	July 2010	September 2009
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	Nil	Nil	Nil	Nil	Nil
Share price volatility	39%	46%	91.3%	94.0%	88.0%
Option life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	Nil	Nil	1.3%	1.5%	3.1%
Risk-free interest rate	0.7%	0.4%	1.0%	1.2%	2.1%

Notes to the Financial Statements (continued)

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

	2014	2013 Restated*
	£m	£m
Profit before tax	7.0	11.3
Financial expense	7.4	7.6
Amortisation	2.9	4.0
Depreciation	46.6	49.1
Share of loss of equity accounted investees	0.1	-
Profit on disposal of hire equipment	(3.7)	(3.9)
Loss on disposal of other property, plant and equipment	0.2	0.1
Decrease/(increase) in inventories	1.1	(0.1)
(Increase)/decrease in trade and other receivables	(10.3)	3.9
Increase/(decrease) in trade and other payables	11.2	(6.6)
Movement in provisions	0.6	(2.7)
Equity-settled share-based payments	0.7	0.9
Cash from operating activities	63.8	63.6

* see note 23

22 Acquisitions

The Group acquired the business and assets of Event Power Services Limited, a supplier of temporary electrical power services to the events industry, on 1 June 2012 for total consideration of £0.4m. The consideration was paid in cash in the year.

	Fair value £m
Intangible assets	0.2
Hire equipment assets	0.2
Total consideration	0.4
Satisfied by:	
Cash consideration	0.4

Notes to the Financial Statements (continued)

23 Prior period adjustment – International Division accounting irregularities

Following management changes within its International Division, information emerged indicating the mis-statement of a number of accounting balances within the International Division which following investigation have been determined to have a total value of £4.8m. These mis-statements included the overstatement of revenues and the understatement of costs, resulting in an overstatement of net assets of £0.6m at 31 March 2012 and £2.1m at 31 March 2013. The remaining £2.7m has been charged in the Income Statement for the year ended 31 March 2014.

As a result of these mis-statements, and in accordance with IAS8, the Group has restated comparative amounts for the period ended 31 March 2013 and the balances of assets, liabilities and equity as at 1 April 2012.

Consolidated statement of financial position

	As previously reported £m	International Division mis-statement £m	As restated £m
At 1 April 2012			
Intangible assets	58.0	-	58.0
Property, plant and equipment	241.0	-	241.0
Inventories	12.8	-	12.8
Trade and other receivables	87.7	(0.6)	87.1
Cash	0.2	-	0.2
Total assets	399.7	(0.6)	399.1
Trade and other payables	(77.6)	-	(77.6)
Other current liabilities	(3.5)	-	(3.5)
Non-current liabilities	(89.1)	-	(89.1)
Total liabilities	(170.2)	-	(170.2)
Total equity	229.5	(0.6)	228.9

Consolidated statement of financial position

	As previously reported £m	International Division mis-statement £m	As restated £m
At 31 March 2013			
Intangible assets	54.2	-	54.2
Property, plant and equipment	242.0	(0.3)	241.7
Inventories	13.5	(0.6)	12.9
Trade and other receivables	84.3	(1.2)	83.1
Cash	0.2	-	0.2
Total assets	394.2	(2.1)	392.1
Trade and other payables	(67.8)	-	(67.8)
Other current liabilities	(5.7)	-	(5.7)
Non-current liabilities	(83.7)	-	(83.7)
Total liabilities	(157.2)	-	(157.2)
Total equity	237.0	(2.1)	234.9

Notes to the Financial Statements (continued)

23 Prior period adjustment – International Division accounting irregularities (continued)

Consolidated statement of profit and loss for the year ended 31 March 2013

	As previously reported £m	International Division mis-statement £m	As restated £m
Revenue	340.4	(0.4)	340.0
Cost of sales	(116.4)	(0.6)	(117.0)
Distribution costs	(35.4)	-	(35.4)
Administrative costs	(168.2)	(0.5)	(168.7)
Financial expenses	(7.6)	-	(7.6)
Taxation	(4.1)	-	(4.1)
Profit	<u>8.7</u>	<u>(1.5)</u>	<u>7.2</u>

24 Contingent liabilities

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

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

25 Commitments

The Group had contracted capital commitments amounting to £4.6m (2013: £4.5m) at the end of the financial year for which no provision has been made.

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

	Land and buildings		Other	
	2014 £m	2013 £m	2014 £m	2013 £m
Total future minimum lease payments				
- not later than one year	14.7	13.3	9.1	7.1
- later than one year and not later than five years	37.3	38.6	12.4	9.1
- later than five years	22.1	25.7	1.7	0.1
	<u>74.1</u>	<u>77.6</u>	<u>23.2</u>	<u>16.3</u>

Notes to the Financial Statements (continued)

26 Post-balance sheet events

Dividends

The Directors have proposed a dividend of 0.35 pence per share as a final dividend in respect of the year ended 31 March 2014. No charge in respect of the proposed dividend has been made in the income statement for the year, and there were no tax consequences. The total amount payable if the dividend is approved at the AGM is as follows:

	2014	2013
	£m	£m
0.35 pence (2013: 0.31 pence) on 520.4m (2012: 517.9m) ordinary shares	1.8	1.6

27 Accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 31 March 2014 or 31 March 2013 but is derived from those accounts. Statutory accounts for Speedy Hire Plc for the year ended 31 March 2013 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2014 will be delivered in due course. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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