



CONTENT & CREATIVE

# Speedy Hire Plc Annual Report 2018

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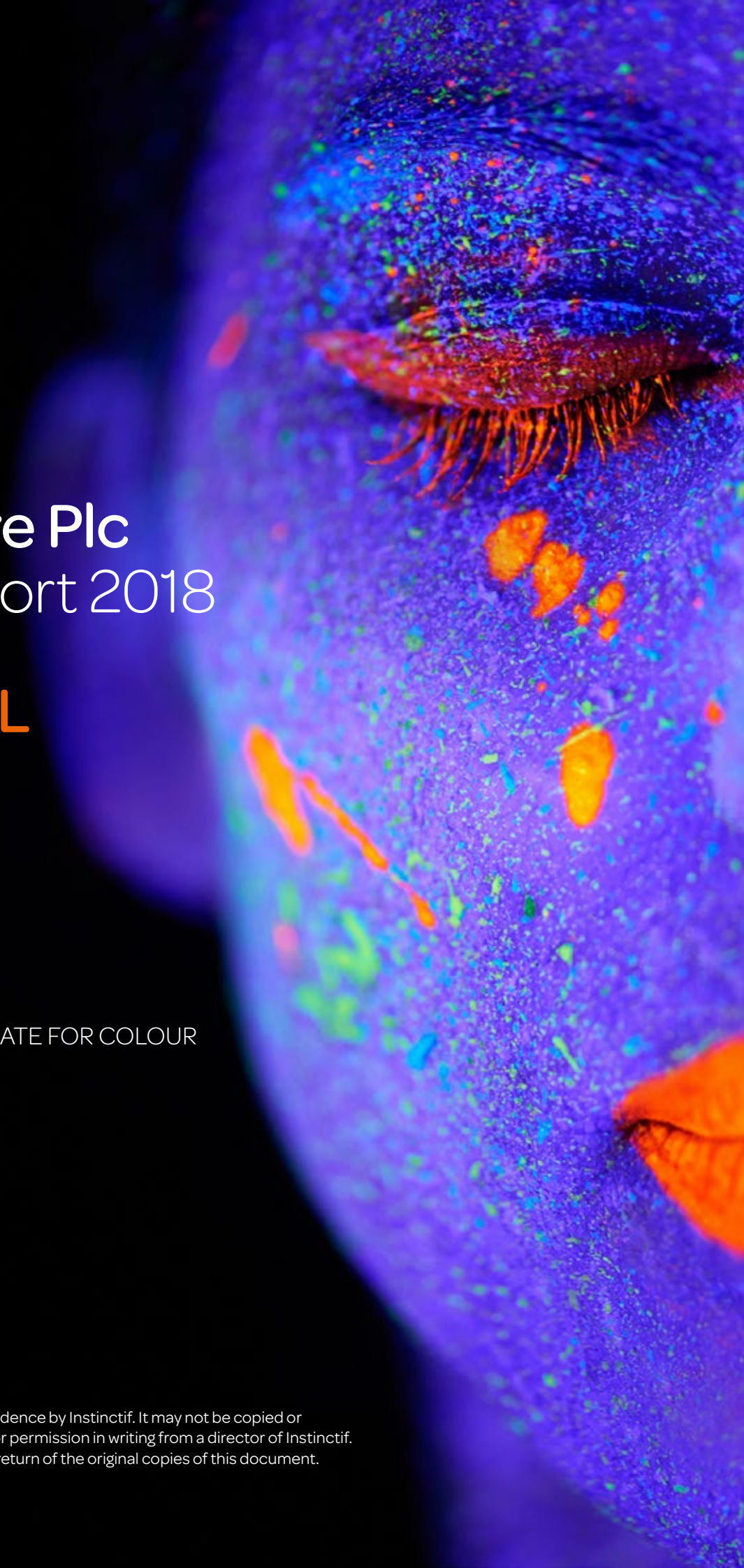
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# Trust Speedy to deliver

Speedy Hire Plc Annual Report and Accounts 2018

# Strong foundations for future growth

Speedy Hire Plc  
Annual Report and Accounts 2018

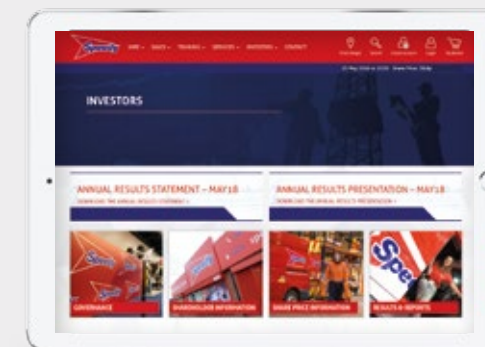




# SPEEDY IS THE UK'S LEADING PROVIDER OF TOOLS AND EQUIPMENT HIRE, AND SERVICES TO THE CONSTRUCTION, INFRASTRUCTURE AND INDUSTRIAL MARKETS.



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# FY2018 HIGHLIGHTS

## Financial highlights

### Revenue

**£377.4m**

2017: £369.4m

### Asset utilisation

**55.4%**

2017: 51.5%

### Debt facility extended

**£180m**

on improved terms

### Adjusted profit before tax<sup>1</sup>

**£25.9m**

2017: £16.2m

### ROCE<sup>2</sup>

**11.5%**

2017: 7.7%

### KPIs

Our performance measures align to our strategy which are presented on page

**26**

## Operational highlights

### 'One Speedy'

Structured to provide a differentiated 'One Speedy' customer proposition, offering a comprehensive portfolio of products and services.

### c.7,000

New customer accounts opened during the year.

### 90%

Service excellence strategy achieving 90% customer satisfaction.

### Lloyds British

Our acquisition is fully integrated and synergies are being realised.

### National Powered Access

Business strengthened through the acquisition of Prolift Access Limited and Platform Sales & Hire Limited.

### Safest hire provider in the industry

Achieving our lowest recorded RIDDOR accident frequency rate at 0.11 per 100,000 hours worked.

### Featured in UK Superbrands 2018

## Contents

### Strategic Report

At a Glance	02
Chairman's Statement	04
Chief Executive's Review	06
Our Strategy	10
One Speedy	11
Customer Excellence	12
Innovation	14
Cultivating Strong Relationships	16
Empowered Culture	20
Safety and Sustainability	22
Key Performance Indicators	26
Financial Review	28
Principal Risks and Uncertainties	32
Viability Statement	35

### Governance

Chairman's Letter to Shareholders	37
Directors' Report	38
Statement of Directors' Responsibilities	41
Board of Directors	42
Corporate Governance	44
Audit Committee Report	49
Nomination Committee Report	54
Remuneration Report	56
Independent Auditor's Report	72

### Financial Statements

Consolidated Income Statement	79
Consolidated Statement of Comprehensive Income	80
Consolidated Balance Sheet	81
Consolidated Statement of Changes in Equity	82
Consolidated Cash Flow Statement	83
Reconciliation of Net Debt	84
Notes to the Financial Statements	85
Company Balance Sheet	118
Company Statement of Changes in Equity	119
Company Cash Flow Statement	120
Notes to the Company Financial Statements	121
Five-Year Summary	126

### Corporate Information

Shareholder Information	127
Registered Office and Advisers	128

### Explanatory notes:

- 1 See note 11 to the Financial Statements.
- 2 Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders' funds and Net Debt<sup>3</sup>).
- 3 See note 19 to the Financial Statements.

## STRATEGIC REPORT

## AT A GLANCE

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

**Russell Down**  
Chief Executive

We supply large national customers, including 85 of the UK's top 100 contractors, as well as local trades and industry. We provide a range of general and specialist hire equipment; consumables; training; and testing, inspection and certification (TIC) services. The Group operates from over 200 sites across the UK and Ireland, and internationally in the Middle East and Kazakhstan, as well as online.

**Our vision**

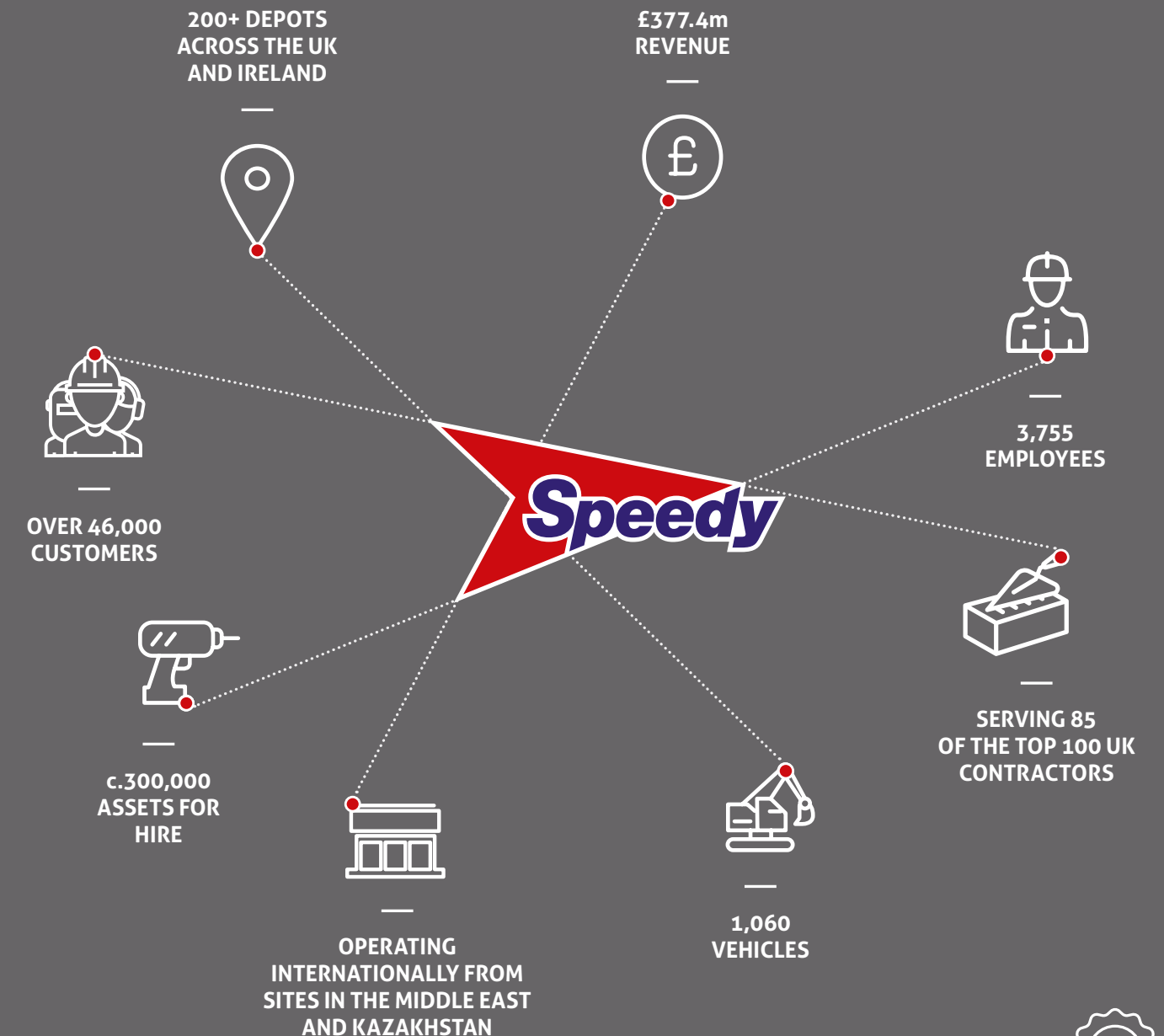
Our vision is to become the best company in our sector to do business with and the best to work for.

**Our mission**

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

**Our values**

- **Safe** – the first priority in everything we do
- **As One** – working together to collectively achieve our goals
- **Innovative** – to continuously improve
- **Driven** – to deliver a first class customer experience

**Recognition and achievements****RoSPA Gold**

Award for fourth successive year.

**Fleet Van Operator of the Year Award**

First tool hire company to win this award.

**Considerate Construction Award**

Awarded in London.



STRATEGIC REPORT

CHAIRMAN’S STATEMENT

“I am pleased to report significantly improved results again this year with increased revenue, asset utilisation and profits.”

Jan Åstrand  
Chairman



Overview

I am pleased to report significantly improved results again this year with increased revenue, asset utilisation and profits. We have grown revenues, managed our cost base and continued to optimise our hire fleet by investing in those assets our customers require and which provide a suitable return. As a consequence our ROCE<sup>1</sup> has increased by 49.4% to 11.5%, above our cost of capital for the first time in many years. This is a key measure for the Group and we will take action to increase ROCE<sup>1</sup> further over the years ahead.

Results

Revenue, excluding disposals, increased to £371.6m (2017: £349.1m), due to growth in services revenues and growing demand from our local and regional customer base. Overhead costs, principally people, vehicles and property, have continued to be tightly controlled. Adjusted profit before tax<sup>3</sup> increased by 59.9% to £25.9m (2017: £16.2m). Profit before tax increased by 25.0% to £18.0m (2017: £14.4m).

Asset utilisation rates improved to 55.4% (2017: 51.5%; 2016: 44.0%) as a result of capital expenditure being focused on higher utilised assets and further work to cleanse the hire fleet of under-utilised assets. Net debt<sup>2</sup> reduced to £69.4m (2017: £71.4m), after expenditure of £21.3m on acquisitions. The Group has a strong balance sheet, and substantial headroom under its banking facilities, which have been extended through to October 2022. This financial strength will enable the Group to grow organically through targeted capital expenditure, or value enhancing acquisitions, which will further strengthen our market position.

Acquisitions

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

Dividend

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

Board and people

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

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

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

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

Summary

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

Jan Åstrand  
Chairman

Explanatory notes:  
1 Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders’ funds and Net Debt<sup>3</sup>).  
2 See note 19 to the Financial Statements.  
3 See note 11 to the Financial Statements.

STRATEGIC REPORT

CHIEF EXECUTIVE’S REVIEW

“We have improved our financial and operational performance significantly over the last three years following the implementation of our strategy set out in September 2015.”

Russell Down  
Chief Executive



Overview

We have improved our financial and operational performance significantly over the last three years following the implementation of our strategy set out in September 2015. Since that time we have restructured the Group to make it leaner and more customer focused resulting in a significant improvement in efficiency and profitability. Our key financial measure is return on capital employed (ROCE<sup>1</sup>) which, having increased 49.4% this year to 11.5%, is now ahead of our cost of capital. We aim to increase ROCE<sup>1</sup> further through targeted capital expenditure and disposals, value enhancing acquisitions, growing services revenues and tight management of overhead costs. We are cash generative, have a robust balance sheet and a strong foundation for future growth.

Results

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

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

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

Adjusted profit before tax<sup>3</sup> increased by 59.9% to £25.9m (2017: £16.2m). Profit before tax increased to £18.0m (2017: £14.4m). Adjusted earnings per share<sup>4</sup> increased to 4.04 pence (2017: 2.45 pence).

Strategy

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

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

We aim to be simple to do business with; during the year we reorganised the UK and Ireland business to operate as ‘One Speedy’, under one management team in order to streamline operations. The hire business is structured into a number of customer facing business units, with one integrated support operation ensuring consistent service delivery. Our services businesses have been reorganised into three supporting divisions: product and consumable sales; training; and testing, inspection and certification (TIC). The reorganisation ensures that we offer customers a consistent first class service, enhancing the opportunity to cross-sell our full portfolio of products and services, which is increasingly being demanded by our larger customers. This presents a major opportunity for Speedy where currently services account for c.38% of revenues. We have a pipeline of opportunities with existing customers for our services activities and therefore anticipate that the services businesses, which are less capital intensive, will grow at a faster rate than the hire business. This will enable the Group to report further improvements in ROCE<sup>1</sup> towards our target of 15.0%.

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

Our business model and strategy



Our business has a three part customer strategy:

- > Customer experience
- > Innovation and differentiation
- > Cultivating relationships

We provide safe, reliable hire equipment and services to enable the successful delivery of customer projects. We have a wide and varied customer base, ranging from large national clients to regional and SME customers. Our customer focused strategy is delivering sustainable value creation.



**STRATEGIC REPORT > CHIEF EXECUTIVE’S REVIEW** CONTINUED

**Net debt<sup>2</sup>**

Net debt<sup>2</sup> reduced to £69.4m (2017: £71.4m), after expenditure of £21.3m for the acquisitions of Prolift and PSHL. Capital expenditure on the hire fleet increased by 10.6% to £44.8m (2017: £40.5m); proceeds on asset disposals fell to £17.6m (2017: £29.2m) following the disposal of the large plant fleet in the prior year. Net debt<sup>2</sup> to EBITDA<sup>3</sup> reduced to 0.95x (2017: 1.13x).

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

**Operational Review**

**UK and Ireland**

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

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

Gross margins increased due to improved asset utilisation and changes in the revenue mix, with underlying overhead costs reduced due to tight cost management. EBITA<sup>3</sup> increased to £30.2m (2017: £22.0m) before central costs of £5.0m (2017: £4.8m).

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

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

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

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

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

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

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

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

**International**

In the Middle East the business was restructured during 2015 and provides equipment and manpower to support the operation of offshore oil fields. We primarily work with national government clients in the oil and gas market on long term framework contracts in Abu Dhabi. Revenue increased by 7.9% (8.7% on a constant currency basis) to £28.6m (2017: £26.5m) as a result of an increase in the level of activity, principally on re-hired equipment. Gross margins increased reflecting improved utilisation rates whilst overhead costs reduced. EBITA<sup>3</sup> increased by 90.5% to £4.0m (2017: £2.1m).

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

**Safety and sustainability**

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

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

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

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

**People**

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

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

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

**Outlook**

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

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

**Russell Down**  
Chief Executive

Explanatory notes:  
1    Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders’ funds and Net Debt<sup>2</sup>).  
2    See note 19 to the Financial Statements.  
3    See note 11 to the Financial Statements.  
4    See note 9 to the Financial Statements.



STRATEGIC REPORT

OUR STRATEGY

Our strategy

Our strategy consists of three fundamental themes:



CUSTOMER EXCELLENCE

During FY2018 we have undertaken a number of customer excellence initiatives.

➤ See page 12



INNOVATION

We innovate to be different, and better than our competitors.

➤ See page 14



CULTIVATING STRONG RELATIONSHIPS

We consistently develop integrated relationships at all levels throughout our business.

➤ See page 16

Underpinning these is our commitment to keeping our people and customers safe, and creating an empowered culture:

EMPOWERED CULTURE

We are creating a culture in which all our staff are empowered to make appropriate decisions.

➤ See page 20

SAFETY AND SUSTAINABILITY

We are industry leaders in safety and sustainability.

➤ See page 22

ONE SPEEDY

A 'One Speedy' customer proposition

We are structured to provide a differentiated 'One Speedy' customer proposition, offering a comprehensive range of products and services, to deliver sustainable profit growth and improved ROCE.

- > Specialist provider of tools, lifting, survey, power, rail, and powered access equipment
- > Provider of product and consumable sales; training; and testing, inspection and certification services

In September 2017, we restructured our UK and Ireland hire and services businesses to operate under one management structure, streamlining operations and reducing our cost base. The hire business

is now managed as a number of customer facing business units, with one integrated support operation ensuring consistent service delivery. Our services businesses have been reorganised into three supporting divisions: product and consumable sales; training; and testing, inspection and certification all of which are targeted for revenue growth.

The reorganisation was completed to ensure that we offer our customers a consistent service across all of our product offerings, and enhance the opportunity to sell our full portfolio of products and services. The 'One Speedy' approach will deliver a first class customer experience

through a geographically organised management structure. It is enabling our business to work 'as one', reflecting our core values, and gives our sales force and depot employees the ability to cross-sell all our products and services. We believe that this unique customer proposition will help us increase commercial opportunities in our sector.

Approximately 60% of our revenue is currently generated from hire. To deliver further sustainable profit growth and improved ROCE, we are aiming to rebalance the percentage revenue split, by growing our services revenues faster than hire revenues.

Hire (60% approx)

The hire business encompasses our core tools business, and our specialist businesses which include lifting, survey, power, rail and powered access.

- > **Tools:** The latest hand tools and accessories ranging from half inch drills to mini-excavators, including our extensive innovative fleet of Green Options (GO) products that are independently tested for their environmental credentials.
- > **Lifting:** Supported by the knowledge and expertise of our dedicated lifting team and specialist Lloyds British business, we provide a range of products categorised into: technical solutions including bumper hoists and modular beams; standard core lifting including webbing slings, chain hoists and gantrys; and manual handling including pallet trucks, sack trucks and a range of manual handling aids.
- > **Survey:** Our fleet includes some of the most technologically advanced and accurate instruments in the industry, including pipe lasers, auto levels, one man robotic systems and Global Positioning System (GPS) units, supported by our manufacturer approved workshops, with core survey products now available in over 50 locations.
- > **Power:** An industry leading fleet of the latest energy efficient hybrid generators ranging from 20kVA up to 1260kVA, and compressors that range from 150cfm up to 1500cfm, with associated ancillary products that can be technically specified for every size of project. Our fuel supply management service supports the provision of these products.
- > **Rail:** RISQS accredited, we provide industry compliant assets that range from small hand tools such as rail saws up to operated clipping machines, supported by a project management service for planned rail possessions.
- > **Powered Access:** A national powered access offering following the acquisitions of Prolift Access Limited and Platform Sales & Hire Limited, providing an improved range of products from electric scissor lifts up to 45 meter diesel booms, complemented with a dedicated powered access training division.

Services (40% approx)

Services revenues fall into the following categories:

- > **Testing, inspection and certification:** Provided through our Lloyds British brand, we ensure our customers remain compliant through providing testing, inspection and certification for lifting on and off-shore equipment including overhead cranes, powered access equipment, hydraulic equipment, plant, forklifts and lorry mounted lifting equipment. We also test and inspect roller shutter doors, elevators, escalators and dumb waiters, demonstrating our ability to work across a broad range of market sectors.
- > **Training:** Delivered by qualified experts that have helped thousands of contractors work more safely and efficiently every year. We run over 300 training courses delivered from over 50 locations nationally across our network through both the Speedy and Lloyds British brands.
- > **Product and consumable sales:** We supply over 5,000 products including a comprehensive range of personal protective equipment (PPE) and site consumables. These are offered at a local level and through a centralised business. This approach enables us to service walk-in trade via our depot network, whilst also competing in the volume and specialist product sales market through a single business division.
- > **Partnered Services:** In addition to our services businesses, partnered services provides a one-stop-shop approach for customers with a complete plant and equipment service through our partnerships with industry leading suppliers.

STRATEGIC REPORT

# CUSTOMER EXCELLENCE

## Providing the best possible customer experience is at the heart of everything we do.

Our vision is to become the best company in our sector to do business with. For customers this means making it easy and efficient to trade with us, whilst being able to rely on us to provide an excellent service.

We have been working hard to improve in key areas that will help us realise this vision.

### Trust us to deliver

During FY2018 we launched an internal campaign backed by a comprehensive programme of strategic priorities under the banner 'Trust us to deliver'. The campaign involves improving systems, processes and behaviours to guarantee our customers can trust us to deliver every time. Whilst there's more to do, we have made significant progress during the year against this objective. In this section we outline some of the major achievements resulting from this approach.



90% OF CUSTOMERS RESPONDING TO OUR SURVEYS ARE SATISFIED OR VERY SATISFIED WITH OUR PERFORMANCE.

### Listening to our customers

Our 'Voice of the Customer' programme uses customer feedback survey technology to rate satisfaction in real time and at a local level. This enables us to instantly capture feedback on key customer touch points, specifically at the points of order placement, delivery and collection, which helps to improve our service. We measure both customer satisfaction and sentiment scores by text and email in order to get real time feedback which is analysed at region, depot and individual level. Verbatim feedback is mapped into the areas of people, product, process and place to identify specific areas for improvement. Any negative feedback is responded to within two hours to seek to resolve the issue, leading to a better customer experience.

During FY2018 we built new functionality into the system to measure feedback at the account opening stage. We also enhanced the technology to identify specific employees delivering outstanding customer service through the system. To date, 90% of customers who have responded to the surveys are satisfied or very satisfied with our performance. To promote transparency and the success of the customer service programme, performance dashboards are displayed in real time on monitors in the customer areas of our key operational sites.

Our aim is to ensure we continuously improve the customer experience. To this end during the year we appointed a Customer Experience Manager to lead this activity and ensure that we actively engage our people in the process. During the next financial year we will identify how we can gather customer feedback at more stages of the customer journey, and measure our performance accordingly. This will ensure that we continually develop and improve our levels of service.

### Process simplification

We have reviewed our customer processes and identified areas where these can be simplified to enhance efficiency. Functionality has been built into our systems to match the process improvements and the system is configured to measure compliance. The compliance levels are visible at a regional, cluster and local level, enabling performance to be reviewed and improved.

At depot level we have improved our account opening process to make it easier for new customers to trade with us, enabling us to fulfil a same day account opening promise.

### Empowering sales at a local level

We have continued to empower depot staff locally to deal with customers on pricing and transport charges whilst ensuring that each transaction is operated within a centrally governed framework. We have simplified our pricing mechanisms to a more standardised approach, whilst ensuring that local management remains responsible for the profitability of each transaction. This has made it quicker and easier for us to service customers and has reduced invoice queries and improved cash collections.

### Centres of excellence

We have created centres of excellence for lifting, survey, power, rail and powered access products within our nationwide depot network. By creating these centres, we have made more assets available in more depots and hence improved our ability to service customers. Customers are able to order specialist products from anywhere in our network; however by concentrating our skills in core centres we have improved our efficiency, asset availability and the ability to grow revenues.

### Asset availability

Asset availability is fundamental to ensuring that we provide excellent customer service, and we need to optimise utilisation levels to ensure that we maximise ROCE. We have utilised technology based solutions to optimise and improve asset availability at depot level based on historical data and predictive analytics. The data accounts for historic trends, seasonality, geographical variations and average length of hire. The approach means that we are increasingly holding the optimal level of stock in the right place at the right time with which to service customers. The system provides trusted management information which can be adjusted dependent on different scenarios to drive better decision making to service customer demand.

### Improving logistics

We have reviewed and improved our logistics systems during the year following an external review of our systems and processes. We have introduced a 'round robin' system where multi-service centre (MSC) vehicles deliver and collect assets from each cluster on a daily basis. This has replaced the system where each cluster operated their own vehicles and has resulted in a reduction of 64 Speedy vehicles from the fleet during the year. Orders for assets to be collected and delivered are placed with the MSC daily, based on our automated asset replenishment programme.

## Capital Commitment



In January 2018 we launched our 'Capital Commitment' service promise within the M25. This guarantees same day delivery on our top 50 products if ordered before 3pm, or we provide the customer the first week's hire free of charge. The initiative is an industry first and was developed as a result of feedback from customer focus groups. It demonstrates Speedy's commitment that our products will be available to customers when and where they need them. The campaign has proved extremely successful with the number of transactions growing month-on-month. Customer feedback during the campaign has been very positive, and as a result we expanded this initiative nationally on 1 May 2018.

**"The Capital Commitment guarantee has been another welcome step forward from Speedy in putting customers first and underpinning it with a tangible incentive for their own depots to meet expectations consistently in an industry often let down by promises that do not materialise, especially with the difficult logistics issues inside the M25."**

**Graham Edgell**  
Director of Sustainability and Procurement,  
Morgan Sindall plc



STRATEGIC REPORT

# INNOVATION

## We innovate to be different, and better than our competitors.

Our customers demand the latest in innovative products to make their projects safer, greener and more efficient. At Speedy, innovation doesn't stop there. We also innovate in the way we do things, to become more efficient and provide a better customer experience.

### Hire equipment

We source and stock a wide variety of equipment in order to meet customer demand; however it is vital that we procure products that will provide an acceptable ROCE for the Group. By monitoring asset utilisation levels, managing the number of products we operate, and introducing new and innovative products into our hire fleet we address our customers' requirements for the latest, most efficient products which meet environmental and safety legislation and also enhance our differentiation and returns. We have over 70 Green Options (GO) products in our fleet that are independently tested for their environmental credentials, bringing benefits to our customers and the communities within which we operate. These are energy and resource efficient, and amongst other things reduce pollution, noise and dust. Meeting this customer demand means an increasing portion of our revenue is being generated from this innovative product range.

### Smart Device technology

In FY2017 we completed the roll out of new mobile Smart Devices for frontline colleagues who deliver and collect hire equipment from site. This technology has improved the accuracy of our information, reduced customer queries and made our service to customers simpler, quicker and more seamless. It has also reduced printing costs by electronically documented proof of asset collection and delivery.

During FY2018, in response to customer feedback and as part of our 'Perfect Delivery' approach, we enhanced this technology. We are now collecting feedback through these devices to measure how well we have performed regarding delivery, condition of the assets and the service delivered by our employees making the delivery. Following further customer feedback we have also introduced free-text fields for comments whilst on site. In addition during the year we have introduced tablet devices to all our depots, enabling the same information to be captured for assets collected and returned by customers.

Smart Devices were initially configured to notify customers of where their product was at each delivery stage. During the year we upgraded this functionality to track internal asset transfers around our clusters and overnight trunking operation, to ensure full visibility of assets electronically at all stages.

### Mobile app

In FY2017 we launched a new mobile app which contained the details of all of our products. During FY2018 we have enhanced this app to enable customers to on and off hire equipment via their mobile device at the touch of a button. Customers are able to order new assets for delivery, view all the assets that they have on hire, and select the ones that they require to be collected and on what date, and then confirm the transaction. The technology notifies the depot to deliver and collect the equipment to and from site. During FY2019 we will be developing more enhancements to the app to further improve the customer experience.

### Creating operational efficiency

During FY2018 we introduced our 'Ready to Rent' initiative to improve workshop efficiency. Working with suppliers, we have introduced a process that ensures products delivered into Speedy do not require time spent by our engineers on unpacking equipment, applying decals and testing. We have also changed the way we receive assets from suppliers in bulk by requesting that all unnecessary

packaging is removed beforehand. This new combined approach to applying safety decals and reducing packaging provides the benefits of: improved efficiency; a reduction in labour and material costs; an enhanced and consistent branding image; and a more sustainable approach to processing new deliveries through reducing waste disposal.

### Systems improvement

During the year we completed diagnostics on our current Enterprise Resource Planning (ERP) system (AX12) in preparation to upgrade to Dynamics365. This platform enables us to combine ERP functionality with our Customer Relationship Management (CRM) system, giving us a 360 degree view of the customer and asset holding. Future proofing design of the system in this way will enable a digital transformation of processes, driving further efficiencies and improvements to the customer experience.

### Streamlining the fleet

During FY2018 we undertook a full review of our asset base to optimise the hire fleet and ensure we maintain a fleet of modern, highly utilised products that meets customer demand. The analysis informed our approach to procuring and retaining our core and most highly utilised products, disposal of non-core and poorly utilised assets, and consolidation of models and ranges.

As a result we have reduced the number of product codes from over 5,000 to 3,500, and are targeting further reductions during FY2019.

This reduction in the number of product codes simplifies asset selection for customers and creates efficiencies in the maintenance of assets, reduces our supplier base and will deliver better economies of scale when procuring new assets.

## Bringing innovation to market

Our customers demand innovative products that drive down costs and are more energy efficient. During FY2018 we brought the V20 Hybrid lighting tower to market. It is a new generation of hybrid mobile lighting tower, equipped with a rechargeable lithium battery pack and a diesel backup generator. The unit reduces noise and does not emit carbon dioxide (CO<sub>2</sub>) when running off the battery. Compared to its predecessor, the customer benefits are that it improves efficiency, is more powerful and has a longer run time. It also has fewer components, reducing our maintenance costs.

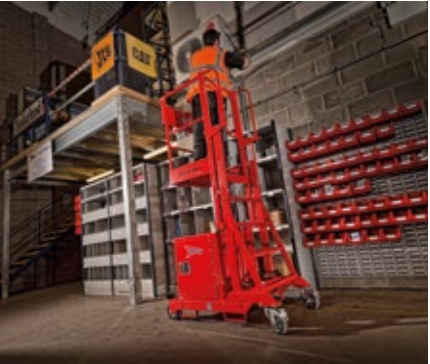


DURING 2018 WE BROUGHT THE V20 HYBRID LIGHTING TOWER TO MARKET.

## Working together to innovate

We work closely with our suppliers to develop and bring to market innovative products that our customers demand. Working at height is recognised as a dangerous activity in the industry. To improve practicality and the safety features of a single operated access platform, the Secure Step was designed by Speedy in conjunction with Laing Access. It is a non-powered, low level work platform that combines compact design with unique storage space.

The Secure Step can fit inside standard personnel lifts and through standard doorways, making it a versatile access solution for indoor and outdoor projects. Additionally, it features a deep tool tray that sits outside the platform for safe storage, and tool tethers are factored into the design for safe and easy access to hand tools. The product is exclusive to Speedy and has been in demand from our customers.





STRATEGIC REPORT

# CULTIVATING STRONG RELATIONSHIPS

**We are continuing to cultivate long-term relationships with customers at all levels throughout our organisation.**

Our aim is to build relationships from the boardroom to the site with our employees on the frontline, in head office and on the Executive Board. During FY2018 we have met regularly with customers at all levels and maintained an open dialogue. This has helped us to anticipate our customers' needs, solve their problems and exceed their expectations through getting to know them better.

During the year, we have monitored and improved our customer service levels, introduced a service promise and regularly surveyed customers on why they use us and the quality of the service we provide. We serve 85 of the UK's top 100 contractors in the construction and infrastructure markets. A continuous improvement approach has helped us to retain major customer framework agreements including: a second generation sole supply contract with the Babcock International Group for a further three years; a renewed agreement with BAM covering all divisions in the UK for all products and services; a renewed agreement with J. Murphy & Sons for small tools, lifting, survey and power products; a contract extension to supply core assets to the Balfour Beatty Group for a further three years, as well as securing new customers such as Galliford Try and Sodexo.

**SME customers**

During FY2018 we re-focused our marketing activity on our SME customers in order to secure, grow and retain this important customer base. We have undertaken customer surveys and customer focus groups to identify their buying behaviours and what aspects of our performance they are satisfied with or require improvement. As a result we have introduced a number of initiatives including the 'Capital Commitment' service promise, price promotions, regional marketing activities and refreshed collateral.

We have also invested in a range of integrated, targeted, promotional activities combining digital and social media marketing. With a range of specific hire and service offerings, digital marketing enables us to target a much wider audience with promotions tailored to customers' needs, generating an improved return on investment.

**Dormant accounts**

During the year we have expanded our telemarketing operations which operate from our Newport MSC. The team of telemarketers proactively contact lapsed and dormant customers with price promotions and offers in order to reactivate down trading and dormant accounts. The outbound telemarketing activity also supports other marketing campaigns relating to hire as well as our specialist services, providing more efficient lead generation than through a sales visit.

Finding solutions to meet customer needs

As part of London's Crossrail Systemwide project, Costain set up two independent welfare sites in Brentwood. One of the sites had some dispensation for planned night work. However, being located in an urban area, noise was an issue as the ten cabins were powered by a 100kVA generator, which was located near a residential apartment block. Critical power was required overnight but noise was an obvious concern for

the client. Costain also wanted to find ways to reduce costs and the carbon footprint of operations. Speedy installed a Hybrid Power Generator on the site. The generator was configured so that it automatically provided silent power overnight from 7pm to 7am. Due to the innovative hybrid technology, Speedy were also able to deliver fuel and CO<sub>2</sub> savings for the client.

**"I have been impressed with the performance of the Hybrid units on site. They have delivered excellent return on investment and met the Costain SHE site requirements for reducing CO<sub>2</sub> and noise pollution on the Crossrail Systemwide contract."**

Keith Kirwan  
Site Work Coordinator, Crossrail Anglia



WE SERVE 85 OF THE UK'S TOP 100 CONTRACTORS IN THE CONSTRUCTION AND INFRASTRUCTURE MARKETS.



STRATEGIC REPORT > CULTIVATING STRONG RELATIONSHIPS CONTINUED

Southbank Place Speedy on-site solution

Southbank Place is a development in London at a site formerly known as The Shell Centre, the former HQ of Shell UK. The site covers an entire London block of buildings, connected below ground by a three storey cross site basement. The £1.3 billion project involves the demolition of all buildings to the basement level apart from the iconic Shell Tower, and the construction of seven new towers.

Speedy have been working with Canary Wharf Contractors to develop a bespoke on-site presence offering, tailored to the very specific needs of the project. The main aim of Speedy's on-site was to reduce traffic movements and the associated risks posed to pedestrians and site workers. It is estimated that over 3,000 people walk around the site

per hour, consisting of commuters, tourists and school children, meaning the risk of collision or accident was categorised at the highest level.

As well as the on-site Southbank Place depot, Speedy set up a 'MEWP Park' where a quantity of 'Mobile Elevating Work Platforms' such as scissor lifts and other mobile platforms are kept securely within the project. The MEWP Park has further reduced vehicle movements and delivery costs, and as a consequence reduced carbon emissions, noise and nuisance to neighbours.

In addition, the MEWP Park has increased revenue on the site, with other contractors using Speedy for our range of Mobile Elevating Work Platforms.

**"The on-site MEWP Park is a joint initiative that has greatly helped the Southbank Place Project address its core values. As a Considerate Constructors Ultra Site, this project is the first of its kind. Reducing vehicle movements and manual handling addresses all of these values with the added benefits of increasing efficiency and lowering costs for all at the same time."**

Alan Lovett  
Senior Logistics Manager,  
Canary Wharf Contractors



The Speedy Partnership Programme

We build close relationships with our suppliers and customers to bring the most innovative, efficient and sustainable products and services to market. To facilitate this we run the Speedy Partnership Programme. This brings suppliers and customers together to share ideas and industry best practice. During FY2018 we ran five events on the following themes:

**> Partnership Excellence and Innovation:** to define how we can meet some of the sustainability challenges in the industry.

**> Carbon, Energy and the Environment:** to understand the importance of reducing carbon and energy and identify key areas of joint opportunity.

**> Social Impact:** to discuss how by innovating in product development we can reduce the threat posed to communities by poor air quality, dust and noise.

**> Green Option Product Workshop:** hosted by Canary Wharf Contractors, where insights were shared regarding the issues faced by a major development in London, and providing a practical workshop for new products and innovations to be brought forward.

**> Health, Safety and Wellbeing:** to deal with specific health and safety issues, with an emphasis on improving the mental wellbeing of employees within the industry.

The programme also offers opportunities for us to work side by side for the benefit of our communities. During FY2018 our corporate charity partner WellChild presented to our partners at these events. This resulted in both Leica Geosystems and Hilti becoming corporate partners of the charity, and presented opportunities for Speedy and Hilti employees to work together as one team on the charity's projects.

The Speedy Expo

Our annual event, the Speedy Expo, is the largest private exhibition of its kind in the UK with an attendance of over 1,500 people.

The event held in November 2017 was the most successful to date, and saw more than 130 suppliers such as Bosch, Milwaukee, Ainscough Crane Hire and JCB showcase the latest technology in the market. The event enables us to promote our proposition to customers and develop employee product knowledge across our full range of hire and services. During the Expo we recognise the innovation that suppliers bring to our business through the Speedy Supplier Excellence Awards. Winners this year included Laing Access for their innovative Secure Step, MSA Altair for their multi-gas diffusion detector the Altair 4XR, and Proelectric for their Prolight Mobile Solar Lighting Tower that provides environmental and cost reduction benefits.

This year's Expo enabled us to share our 40th anniversary celebrations with customers, suppliers and employees. To mark the occasion and in recognition of the strong 40 year supplier relationship, Ford Motor Company Limited received Speedy's Special Relationship Award.

With the opportunity to discover new innovative products and cultivate strong relationships with suppliers and employees, the event is highly valued by customers.

[www.speedyexpo.com](http://www.speedyexpo.com)

Russell Down, Chief Executive, presents the Speedy Special Relationship Award.





STRATEGIC REPORT

# EMPOWERED CULTURE

## Our vision is to become the best company in our sector to work for.

During FY2018 we developed our people strategy to ensure employees are empowered, trained, developed and rewarded for great performance.

### People Matters employee survey

In order to achieve our vision, it is important that we understand how engaged our people are and what is important to them about working for Speedy.

Having re-launched our employee survey 'People Matters' in the prior financial year, we identified five key areas of improvement, resulting in the following actions being implemented during FY2018:

- > **Leadership and communication:** communicating our progress regularly through an array of internal media channels and management briefings; the launch of a 'Day in a depot' scheme where head office employees visit operational sites to better understand how they can support the depot network; and improving the visibility of senior managers during site visits.
- > **Relationships between sites:** continual improvement of our ERP system (AX12) to further improve asset information.



OUR LONG SERVICE RECOGNITION SCHEME CELEBRATES LOYALTY FOR THOSE WHO HAVE 10, 20 AND 25 YEARS' SERVICE.

- > **Defining our values:** making our values of Safe, As One, Innovative, and Driven more visible, and linked directly to our 'Trust us to deliver' campaign.
- > **Reward:** benchmarking key roles within the business; providing employees with Total Reward Statements; and implemented a standardised 'Employee of the month' scheme.
- > **Career development:** introduced Personal Development Review's (PDRs) for all employees; increased e-learning opportunities; introduced new career paths and development programmes, and new apprenticeship schemes.

We conducted the survey again during FY2018. We achieved a 66% response rate, and our engagement index increased. Measures for how committed people are to helping Speedy succeed, how they feel about their line manager and how committed we are to providing excellent customer service have all improved year-on-year. There was a significant improvement in employees agreeing that Speedy is a great place to work, providing evidence that our strategy of becoming the best company to work for in our sector is beginning to bear fruit.

As a result of the FY2018 survey, we have identified further areas for improvement which we will carry out during FY2019 as follows:

- > continuing to improve on the visibility of the total rewards package;
- > further benchmarking of key roles within the business starting with our engineer roles;
- > continual improvement of communication and cooperation between teams and sites, utilising initiatives such as the 'Day in a depot' scheme and employee forums;
- > greater visibility of senior management throughout the business through roadshows and senior management meetings being held at various UK and Ireland locations; and

- > understanding the issues that employees are facing through regular employee forums and the continued use of the annual survey.

### Training and development

We are committed to developing our skills base, and our internal Training Academy delivers a comprehensive schedule of online, classroom and practical training courses. Every new employee attends a corporate induction in addition to receiving further training related to the nature of their role.

During FY2018 we launched a new high potential development programme. This is aimed at employees across various levels of the business who have been identified as having the potential, ability and aspiration for successive leadership positions. The programme consists of three main strands:

- > **Emerging:** an 18 month programme for those considering, or taking their first steps into management consisting of five modules supported by events and e-learning modules.
- > **Accelerate:** an 18 month programme for Depot Managers, providing a level three management qualification accredited by the Institute of Leadership and Management.
- > **Evolve:** a 24 month programme for Area Managers, providing a level five management qualification accredited by the Institute of Leadership and Management.

The high potential programme will create a clear path for career progression within the business, and support our approach to succession planning.

We want to ensure that all our employees are delivering service excellence so that our customers can 'Trust us to deliver'. To aid this objective we provide a customer excellence training programme for existing employees and new starters. More than 1,400 employees have attended this programme to date.

### Performance and recognition

We have a consistent Personal Development Review (PDR) process to measure performance against pre-defined objectives, and to identify areas for training and development. This in turn supports enhanced individual performance and career aspirations. Our performance related bonus scheme links directly to the PDR process as well as Group performance.

We run an employee recognition scheme 'Celebrating Excellence'. The scheme empowers all employees to nominate their colleagues for an award in recognition of excellent performance. Over 630 employees received an award during FY2018.

Our long service recognition scheme celebrates loyalty for those who have 10, 20 and 25 years' service with the Company. 205 employees reached these milestones during this financial year.

We also host an annual Excellence Awards event where outstanding teams and individuals are publically recognised. During FY2018 more than 200 of our employees nominated their colleagues to win an award.

3,755

GROUP HEADCOUNT  
(31 MARCH 2017: 3,745)

### Rewards and benefits

We regularly review employee reward packages with the aim of providing a reward and benefits proposition that motivates and retains people in the most cost effective manner. During FY2018 we benchmarked the salaries of a number of roles across the business which helped retain key skills necessary to compete in the marketplace. We run a number of incentive and recognition schemes which span across our full UK

employee base, most of which are performance related. We recognise that salary is not the only component that motivates employees. To reflect this, during FY2018 we issued Total Reward Statements for the first time. These clearly illustrated the full value of an individual's total reward package, and provided more information on other benefits that each individual could access as a valued Speedy employee.

Under The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 we published our Gender Pay Gap metrics. We are pleased to report that as a Group we have no significant gender pay bias. We will continue to ensure that employees are rewarded and recognised fairly for their contribution and that they have equal access to opportunities within all areas of the business.



STRATEGIC REPORT

# SAFETY AND SUSTAINABILITY

## Speedy is the safest hire provider in the industry based on RIDDOR accident frequency rates.

### Our approach

We are pleased to report that during FY2018 we reported our lowest recorded RIDDOR accident frequency rate of 0.11 per 100,000 hours worked. Our major accident frequency rate has remained at 0.04 in FY2018.

Our Speedy Partnership Programme engages customers as well as suppliers on key sustainability issues. This is driving a joined up approach to linking innovation in manufacturing to performance on site, and creating solutions to industry challenges in the area of Corporate Social Responsibility (CSR).



WE ADOPT AN 'INTELLIGENT SAFETY' MIND SET.

### Educating the industry through 'Intelligent Safety'

We adopt an 'Intelligent Safety' mindset; a way in which the psychology of safety is broken down into simple decision making processes. Our policies and procedures will continue to focus on risk reduction and risk minimisation.

Intelligent Safety reflects the joined up approach we take to safety. The approach encompasses risk awareness, the right protocols and the right training. It includes taking personal responsibility and an interest in everything that may appear unsafe in the workplace, our customers' workplaces and even in the home.

With major issues challenging the construction industry such as dust, hand-arm vibration and musculoskeletal disorders, we believe it is our duty to help eradicate risks from the construction arena by offering help and training around behavioural solutions, as well as tools to reduce these hazards.

Health and safety at Speedy is about how we shape and instil these behaviours in our people, and how we help to improve safety performance in the construction industry. Intelligent safety targets key areas of risk in the industries we serve. It provides toolbox talks and further resources for all our stakeholders. Toolbox talks on subjects such as dust control, working at height, and hand-arm vibration give concise information about the context and impact of a problem, the causes and the solutions: from sensible working procedures to specific tools and solutions which reduce risk.

### Awards and accreditations

Speedy is an active member of the major industry accreditation schemes, and is committed to working with them to improve best practice.

Having been the first company in our sector to achieve the ISO 50001 accreditation for energy saving during FY2017, we are proud that we have maintained that standard during FY2018.

Other current accreditations include:

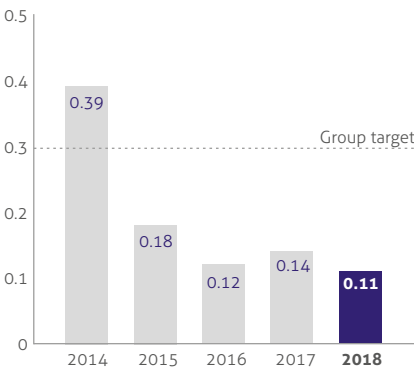
- > ISO 9001 for Quality Management;
- > ISO 14001 for Environmental Management;
- > ISO 17020 Accreditation for the operation of various types of bodies performing inspection; and
- > OHSAS 18001 for Health and Safety Management.

Speedy is accredited to Achilles Building Confidence with a 5-star rating. We have also maintained a 5-star rating for our Achilles RISQS accreditation, demonstrating that we have not received any non-conformances for two years through this scheme.

During FY2018 we gained a Considerate Construction Award in London, and won a RoSPA Gold Award for health and safety for the fourth year running. We are accredited to gold standard under the Fleet Operator Recognition Scheme (FORS) and have won awards including Fleet Van Operator of the year at the Motor Transport Awards 2017. Within our fleet we also operate award winning electric i3 vehicles which enhance energy efficiency.

### Safety first

#### RIDDOR accident frequency rate



0.11

RIDDOR ACCIDENTS  
PER 100,000 HOURS  
WORKED (FY2017: 0.14)

0.04

MAJOR ACCIDENT  
FREQUENCY RATE  
(MAFR) PER 100,000  
HOURS WORKED  
(FY2017: 0.04)



STRATEGIC REPORT > SAFETY AND SUSTAINABILITY CONTINUED

Our Corporate Social Responsibility (CSR) Roadmap

Our Roadmap exists to ensure our CSR Key Performance Indicators (KPIs) remain integral to our business objectives and strategy.

Our CSR Working Group operates within a framework which links directly to our CSR KPIs, and ensures that responsible sustainable business practice forms part of everything we do. Our approach is categorised into four key areas that we call Intelligent Marketplace, Environment, Workplace and Community.

Intelligent Marketplace

Understanding customers’ challenges and the wider industry context they work in sits at the centre of our approach. Championing innovation shapes this approach to an intelligent marketplace. Collaborating with customers enables Speedy to tailor sustainable solutions that offer benefits to all parties. Led by our supply chain team, we have over 70 Green Option (GO) products that provide more sustainable solutions to our customers.

Intelligent Environment

We have measured our carbon footprint for over ten years. We continue to demonstrate to customers, employees and the wider community that we are serious about reducing the carbon impact of the construction industry. We have reduced our carbon footprint from above ten tonnes per capita per annum when we started to less than six during FY2018.

Intelligent Workplace

We aim to recognise employee performance that reflects our vision to be the best company in our sector to do business with, and the best to work for. During FY2018 94% of employees had their performance reviewed and development needs identified through our Personal Development Review (PDR) programme launched in the prior financial year. This review process aims to ensure we have the skills and expertise to provide first class service to customers, and develop and enhance employees careers and personal development.

Intelligent Community

Under the governance of our Charities Committee, we contribute to the wellbeing of both the construction community and the local communities in which we operate. Our chosen charity partners are the Lighthouse Club and WellChild.

The Lighthouse Club work to support families that have suffered injury or loss in the construction industry. We sponsor the production of their e-newsletter, and promote membership at the Speedy Expo. WellChild help sick children and their families across the UK. During FY2018 we have supported their Helping Hands programme by providing tools and equipment as well as volunteers for four of these projects that renovate the homes and gardens of sick children.

During FY2018 we partnered with Recycling Lives, a recycling company which processes our waste streams through segregating waste. This partnership is unique in that when we recycle with Recycling Lives, they supply food to people across our regions. During FY2018 Speedy has provided 3,347 families with support through this waste recycling partnership.

We run a prison workshop at HMP Garth in Lancashire, providing real work training to NVQ level 2 in electrical engineering for up to 60 inmates at any given time. This provides them with skills which will make finding work easier upon release.

During FY2018 Speedy celebrated its 40th anniversary, and to mark the occasion we set out to match-fund our employees’ individual fundraising efforts with a target of raising £40,000 collectively. We were delighted to achieve that target by the end of the financial year, raising funds for a total of 25 local and national charities.

Human rights

Our Human Rights Policy applies to all employees and commits Speedy to upholding the provision of basic human rights and eliminating any discriminatory practices. The policy emphasises our commitment to human rights in the way we do business, seeking to create and maintain a work culture which allows equal human rights to all persons whilst prohibiting actions contrary to this, such as forced or child labour.

Equality and diversity

We are an equal opportunities employer and our people and applicants are treated fairly and equally regardless of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation. Applications from disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned.

A breakdown by gender of the number of people who were Directors of the Company, senior managers and other employees as at 31 March 2018, is set out as follows:

- > Directors – female 0%, male 100%;
- > Senior management team – female 14%, male 86%; and
- > All Speedy employees (UK and Ireland) – female 17%, male 83%.

Within our head office at Haydock the breakdown by gender is female 53%, male 47%.

Speedy Hire Plc Corporate Greenhouse Gas (GHG) Report

Introduction

This GHG Report has been compiled covering the fuels combusted directly by Speedy operations, fugitive refrigerant gases, electricity consumed in our UK Mainland activities, Northern and Republic of Ireland operations and our joint venture International Asset Services and includes the business travel and waste disposal activities of our UK Mainland offices and depots.



Driving forward

Transport is the area within the business that generates the largest carbon footprint. Therefore we prioritise fleet management as a key area where our environmental impact can be reduced. We have managed this through reducing the number of vehicles we operate and the amount of fuel we use by improving our logistics operations. In addition to a reduction in our environmental impact, this has delivered year-on-year savings through cost efficiencies. During FY2018 Speedy were the first tool hire company to win Fleet Operator of the year at the Motor Transport Awards, which are recognised as the transport industry’s most prestigious awards.

Global GHG emissions

Data for period 1 January 2017 to 31 December 2017

Emissions from:	Tonnes of CO <sub>2</sub> e	
	Reporting Yr 2017	Comparison Yr 2016
Combustion of Fuel & Operation of Facilities	17,615.57	20,423.25
Electricity, Heat, Steam Cooling (purchased for own use)	4,034.42	4,858.88
Scope 1 and 2 Emissions	21,743.25	25,350.98
Scope 3 Business Travel – Rail & Air	152.80	214.49
Scope 3 Waste – Recycled / Recovered	42.24	23.67
Scope 3 Waste – Landfill	218.50	248.57
Total Scope 3 Emissions	413.54	486.73
Company’s Chosen Intensity Measurement: Emissions reported above normalised to ‘per employee’	5.95	6.83

We have reduced our energy use by 16.9% in the Speedy estate through a combination of our commitment to ISO 50001 which commands year-on-year energy improvement and the awareness of energy use throughout the business. Our Scope 3 emissions for rail and air business travel has reduced by 29% as a direct reduction in international and domestic flights year-on-year. Our data to measure carbon has also improved as our relationships with utility and other providers uses significantly more accurate data. Our strategy around recycling (highlighted in our CSR Roadmap) which includes end of life recycling of assets and a new partnership with a recycling provider (Recycling Lives) has helped us increase our recycled and recovered wastes including cardboard, wood and plastics by 75% – a significant achievement in our reduction plan and in doing so we are very pleased to say that we have helped to provide meals for 3,347 families in our communities.

A direct impact of recycling more has had a significant effect on waste to landfill which has reduced by 12% to 218 tonnes across the Group.

Our overall carbon burden has therefore dropped by 13% to 5.95 tonnes per employee compared to the previous year.

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013. These sources fall within our consolidated Financial Statements. We do not have any responsibility for any sources that are not included in our consolidated statement except those quoted in the Omissions section.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), Scopes 1, 2 and 3, and emission factors from UK Government’s GHG Conversion Factors for Company Reporting 2016. This year’s report includes Well to Tank, Transmission and Distribution, and Waste factors also.

The boundary of this report has been based on equity share and includes:

- > Kazakhstan: 50% share; and
- > Middle East: 49% share.

Omissions

The combustion of diesel for the testing of equipment/machinery could not be established for this reporting period.

Data confidence

The data used to report the GHG emissions was reviewed and examined and gives a ‘Good’ level of confidence +/- 6.2%. This was established using the ‘GHG Protocol guidance on uncertainty assessment in GHG inventories and calculating statistical parameter uncertainty’, and independently verified by Collins McHugh Limited.



STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Financial KPIs

KPI	Why this KPI is important to our strategy	How we have done	FY2018 performance
Revenue £m	A measure of the work we are undertaking.	£377.4m	<div><div>FY18377.4</div><div>FY17369.4</div><div>FY16329.1</div></div>
EBITA <sup>1</sup> £m	A measure of the profit we generate from our revenue.	£29.2m	<div><div>FY1829.2</div><div>FY1719.3</div><div>FY1610.0</div></div>
EBITA <sup>1</sup> margin %	Highlights how successful Speedy is in maximising its return from the revenue generated.	7.7%	<div><div>FY187.7</div><div>FY175.2</div><div>FY163.0</div></div>
EBITDA <sup>1</sup> £m	A measure of operating return before depreciation.	£73.0m	<div><div>FY1873.0</div><div>FY1763.1</div><div>FY1653.1</div></div>
EBITDA <sup>1</sup> margin %	Highlights value generated either through operational efficiency or the quality of the revenue.	19.3%	<div><div>FY1819.3</div><div>FY1717.1</div><div>FY1616.1</div></div>
Adjusted profit before tax <sup>1</sup> £m	A measure of profit we generate from our revenue activity having accounted for all costs before taxation.	£25.9m	<div><div>FY1825.9</div><div>FY1716.2</div><div>FY165.0</div></div>
Utilisation %	A measure of how many of our assets are on hire to customers by net book value.	55.4%	<div><div>FY1855.4</div><div>FY1751.5</div><div>FY1644.0</div></div>
ROCE <sup>2</sup> %	A measure of how well Speedy is delivering a return from the capital invested.	11.5%	<div><div>FY1811.5</div><div>FY177.7</div><div>FY163.2</div></div>
Net debt <sup>3</sup> £m	A measure of the Company's borrowings.	£69.4m	<div><div>FY1869.4</div><div>FY1771.4</div><div>FY16102.6</div></div>

Financial KPIs continued

KPI	Why this KPI is important to our strategy	How we have done	FY2018 performance
Net debt <sup>3</sup> to EBITDA <sup>1</sup> x	A measure of how leveraged the balance sheet is.	0.95x	<div><div>FY180.95</div><div>FY171.13</div><div>FY161.93</div></div>
NBV of property, plant and equipment £m	As assets are our core revenue generator, this effectively measures the scale of investment to support revenue.	£239.5m	<div><div>FY18239.5</div><div>FY17 restated234.6</div><div>FY16264.1</div></div>
Adjusted earnings per share <sup>4</sup> pence	A measure of the return generated for each holder of our ordinary shares.	4.04p	<div><div>FY184.04</div><div>FY172.45</div><div>FY160.79</div></div>

Non Financial KPIs

KPI	Why this KPI is important to our strategy	Target	How we have done	Achieved
Keeping people safe (specified injury rate)	We recognise that we and our customers work in some of the UK's most dangerous industry sectors and therefore we have a responsibility towards keeping people safe.	0.1 accidents per 100,000 hours worked.	0.04 accidents per 100,000 hours worked.	✓
Impact on climate change – CO <sub>2</sub> e per capita	We must play our part in the low carbon economy, create efficiencies within our business and be a responsible business to invest in, do business with, and work for.	7.50 tonnes per capita.	5.95 tonnes per capita.	✓
Customer excellence	We aim to provide first class customer service, measuring our levels of service (between 1.0 and 5.0) and identifying areas for improvement.	Customer satisfaction score 4.0. Customer sentiment score 4.0.	Customer satisfaction score 4.6. Customer sentiment score 4.0.	✓ ✓

Explanatory notes:  
1 See note 11 to the Financial Statements.  
2 Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders' funds and Net Debt<sup>3</sup>).  
3 See note 19 to the Financial Statements.  
4 See note 9 to the Financial Statements.

STRATEGIC REPORT

# FINANCIAL REVIEW

“The Board intends to continue to invest in the business in order to grow revenue, profit and ROCE.”

Chris Morgan  
Group Finance Director



Group financial performance

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

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

EBITA<sup>1</sup> increased by 51.3% to £29.2m (2017: £19.3m) and profit before taxation, amortisation and exceptional costs increased to £25.9m (2017: £16.2m).

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

Segmental analysis

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

UK and Ireland

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Movement %
Revenue	348.8	342.9	1.7
EBITDA <sup>1</sup>	70.8	62.2	13.8
EBITA <sup>1</sup>	30.2	22.0	37.3

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

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

Following the continued application of strict processes to manage capital expenditure, disposal decisions and ROCE<sup>2</sup>, asset utilisation improved by 7.6% to an average for the year of 55.4% (2017: 51.5%).

International

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

The International division has continued to perform strongly with revenue increasing by 7.9% due to the mobilisation of new equipment and an increase in short term hires. On a constant currency basis the improvement was 8.7%. In addition to revenue growth, an increase in gross margin and savings in administration costs contributed to the improved EBITA<sup>1</sup>, which grew by 90.5%.

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

Exceptional items

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

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

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

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

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



STRATEGIC REPORT > FINANCIAL REVIEW CONTINUED

Interest and hedging

During the year the Group completed an amendment and extension to its bank facility which now expires in October 2022. As a consequence of the reduction in net debt<sup>3</sup>, and the refinancing in the year, net financial expense, excluding exceptional finance costs, reduced to £4.1m (2017: £4.8m). Borrowings under the Group’s amended bank facility are priced on the basis of LIBOR plus a variable margin, while any unutilised commitment is charged at 35% of the applicable margin (previously 40%, before amendment in October 2017). During the year, the margin payable on the outstanding debt fluctuated between 1.50% and 2.30% dependent on the Group’s performance in relation to leverage<sup>4</sup> and the weighting of borrowings between receivables and plant and machinery. The effective average margin in the year was 1.92% (2017: 2.35%).

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

Taxation

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

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

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

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

Shares, earnings per share and dividends

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

Adjusted earnings per share<sup>5</sup> was 4.04 pence (2017: 2.45 pence). After amortisation and exceptional items, basic earnings per share was 2.71 pence (2017: 2.22 pence).

The Board remains committed to the payment of dividends, with a policy of between 2x and 3x adjusted earnings per share<sup>5</sup> cover. The Board has recommended a final dividend of 1.15 pence per share (2017: 0.67 pence), which represents a cash cost of £6.0m. If approved by shareholders, this gives a total dividend for the year of 1.65 pence per share (2017: 1.00 pence), an increase of 65.0% with cover of 2.45x adjusted earnings per share<sup>5</sup> (2017: 2.45x). It is proposed that the dividend will be paid on 10 August 2018 to shareholders on the register at 6 July 2018.

Capital allocation policy

The Board intends to continue to invest in the business in order to grow revenue, profit and ROCE<sup>2</sup>. This investment is expected to include capital expenditure within existing operations, as well as value enhancing acquisitions that fit with the Group’s strategy and are returns accretive.

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

- > Organic growth: The Board will invest in capital equipment to support demand in our chosen markets. This investment will be in hire fleet and IT systems to better enable us to serve our customers;
- > Regular returns to shareholders: The Board intends to pay a regular dividend to shareholders, with a policy of growing dividends through the business cycle, and a payment in the range of between 33% and 50% adjusted earnings per share<sup>5</sup>;
- > Acquisitions: The Board will continue to explore value enhancing acquisition opportunities in markets adjacent to, and consistent with its existing operations;
- > Gearing and treatment of excess capital: The Board is committed to maintaining an efficient balance sheet. The Board has adopted a target gearing in the region of 1.5x net debt<sup>3</sup>: EBITDA<sup>1</sup> through the business cycle, although it is prepared to move outside this if circumstances warrant. The Board will continue to review the Group’s balance sheet in light of the policy, and medium term investment requirements, and will return excess capital to shareholders if and when appropriate.

Capital expenditure and disposals

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

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

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

Cash flow and net debt<sup>3</sup>

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

Net debt<sup>3</sup> decreased by £2.0m from £71.4m at the beginning of the year to £69.4m at 31 March 2018 after expenditure of £21.3m on acquisitions. Leverage<sup>4</sup> decreased to 0.95x (2017: 1.13x). Net debt<sup>3</sup> as a percentage of hire fleet NBV decreased to 33.9% from 36.7% as at 31 March 2017.

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

Balance sheet

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

Net assets at 31 March 2018 totalled £197.8m (2017: £189.6m), equivalent to 37.7 pence per share, and tangible fixed assets 45.7 pence per share. Net property, plant and equipment was £239.5m at 31 March 2018 (2017: £234.6m), of which equipment for hire represents 85.4% (2017: 83.0%). Net debt<sup>3</sup>/property, plant and equipment of 0.29x at 31 March 2018 (2017: 0.30x) underlines the strong asset backing within the business. Of the equipment for hire, £6.2m related to the International business (2017: £8.0m).

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

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

Capital structure and treasury

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

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

At 31 March 2018 the gross amount utilised under the facility was £86.2m (2017: £85.0m). The undrawn available amount, based on eligible receivables and plant and machinery, amounted to £73.5m (2017: £75.8m). The average gross borrowings under the facility during the year ended 31 March 2018 was £88.0m (2017: £108.8m). The current facility includes quarterly leverage<sup>4</sup> and fixed charge cover covenant tests which are only applied if headroom in the facility falls below £18m. The Group had significant headroom against these tests throughout the year.

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

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

Return on capital

ROCE<sup>2</sup> is a key performance measure for the Group. ROCE<sup>2</sup> increased to 11.5% (2017: 7.7%), which exceeds the Group’s weighted average cost of capital of 10.9%, and reflects the improved profitability and strengthened balance sheet of the Group.

Chris Morgan  
Group Finance Director

Explanatory notes:  
1 See note 11 to the Financial Statements.  
2 Return on Capital Employed: Profit from operations before amortisation divided by the average capital employed (where capital employed equals shareholders’ funds and Net Debt<sup>3</sup>).  
3 See note 19 to the Financial Statements.  
4 Leverage: Net debt<sup>3</sup> covered by EBITDA<sup>1</sup>.  
5 See note 9 to the Financial Statements.



STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Effective management of risks

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

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

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

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

Risk	Description and potential impact	Strategy for mitigation
<b>Safety, health and environment</b>	<b>Serious injury or death</b> Speedy operates, transports and provides for rental a wide range of machinery. Without rigorous safety regimes in place there is a risk of injury or death to employees, customers or members of the public. <b>Environmental hazard</b> The provision of such machinery includes handling, transport and dispensing of substances, including fuel, that are hazardous to the environment in the event of spillage.	The Group is recognised for its industry-leading position in promoting enhanced health and safety compliance, together with a commitment to product innovation. The Group's health, safety, and environmental teams measure and promote employee understanding of, and compliance with, procedures that affect safety and protection of the environment. Customer account managers are responsible for addressing service and safety issues.  We maintain systems that enable us to hold appropriate industry recognised accreditations.
<b>Service</b>	<b>Provision of equipment</b> Speedy is required to provide well maintained equipment to its customers on a consistent and dependable basis. <b>Back office services</b> It is important that Speedy is able to provide timely and accurate management information to its customers, along with accurate invoices and supporting documentation.  In both cases, a failure to provide such service could lead to a failure to attract or retain customers, or to diminish the level of business such customers undertake with Speedy.	Our use of personal digital assistants (PDAs) has been successful in improving the on-site customer experience. The Group continues to invest heavily in its IT infrastructure to improve the customer experience and support its business.  Speedy liaises with its customer base and takes into account feedback where particular issues are noted, to ensure that work on resolving those issues is prioritised accordingly. Use of our online based customer feedback system has grown during the year and is used to better understand the customer experience and improve service levels.
<b>Revenue and trading performance</b>	<b>Competitive pressure</b> The hire market is fragmented and highly competitive. We are continuing to develop strategic relationships with larger customers and also working hard to grow our local and regional accounts. <b>Reliance on high value customers</b> There is a risk to future revenues should preferred supplier status with larger customers be lost when such agreements may individually represent a material element of our revenues.	The Group monitors its competitive position closely, to ensure that it is able to offer customers the best solution. The Group provides a wide breadth of offerings, supplemented by its partnered services division for specialist equipment. The Group monitors the performance of its major accounts against forecasts, strength of client future order books and individual expectations with a view to ensuring that the opportunities for the Group are maximised. Market share is measured and competitors' activities are reported on and reacted to where appropriate. The Group's integrated services offering further mitigates against this risk as it demonstrates value to our customers, setting us apart from purely asset hire companies.  No single customer currently accounts for more than 10% of revenue or receivables.

Risk	Description and potential impact	Strategy for mitigation
<b>Project and change management</b>	<b>Acquisitions</b> Our strategy includes selective acquisitions that complement or extend our existing business in specialised markets. There is a risk that suitable targets are not identified, or that acquired businesses do not perform to expectations.	All potential business combinations are presented to the Board, with an associated business case, for approval.  Once a decision in principle is made, a detailed due diligence process covering a range of criteria is undertaken. The results of due diligence are presented to the Board prior to formal approval being granted.  The use of a cross functional project team ensures effective integration into the Group. These teams work with a blueprint plan, modified as needed to specifically address any risks identified during the due diligence phase.
<b>People</b>	<b>Employee excellence</b> In order to achieve our strategic objectives, it is imperative that we are able to recruit, retain and motivate employees who possess the right skills for the Group.	Skill and resource requirements for meeting the Group's objectives are actively monitored and action is taken to address identified gaps. Succession planning aims to identify talent within the Group and is formally reviewed on an annual basis by the Nomination Committee, focusing on both short and long-term successors for the key roles within the Group.  Programmes are in place for employee induction, retention and career development, which are tailored to the requirements of the various business units within the Group.  The Group regularly reviews remuneration packages and aims to offer competitive reward and benefit packages, including appropriate short and long-term incentive schemes.
<b>Partner and supplier service levels</b>	<b>Supply chain</b> Speedy procures assets and services from a wide range of sources, both UK and internationally based. Within the supply chain there are risks of non-fulfilment. <b>Partner reputation</b> A significant amount of our revenues come from our partnered services offering, where the delivery or performance is effected through a third party partner.  Speedy's ability to supply assets with the expected customer service is therefore reliant on the performance of others with the risk that if this is not effectively managed, the reputation of Speedy and hence future revenues may be adversely impacted.	A dedicated and experienced supply chain function is in place to negotiate all contracts and maximise the Group's commercial position. Supplier accreditations are recorded and tracked centrally through a supplier portal where relevant and set service related KPIs are included within standard contract terms. Regular reviews take place with all supply chain partners.
<b>Operating costs</b>	<b>Fixed cost base</b> Speedy has a fixed cost base including people, transport and property. When revenues fluctuate this can have a disproportionate effect on the Group's financial results.	The Group has a purchasing policy in place to negotiate supply contracts that, wherever possible, determine fixed prices for a period of time. In most cases, multiple sources exist for each supply, decreasing the risk of supplier dependency and creating a competitive supply-side environment. All significant purchase decisions are overseen by a dedicated supply chain team with structured supplier selection procedures in place. Property costs are managed by an in-house team of specialists who undertake routine maintenance works and manage the estate in terms of rental costs.  We operate a dedicated fleet of commercial vehicles that are maintained to support our brand image. Fuel is purchased through agreements controlled by our supply chain processes.



STRATEGIC REPORT > PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

Risk	Description and potential impact	Strategy for mitigation
<b>Corporate culture</b>	<p><b>Operational empowerment and culture</b> We operate an internal structure that is aligned around separate specialisms to better serve our customer base. Each division is challenged to operate with a degree of empowerment within overriding Group policies.</p>	<p>All Speedy employees are expected to abide by our Code of Conduct, which forms a condition of employment. Training is provided, via a combination of online and face-to-face means, to all management grades in areas such as compliance with the Bribery Act 2010 and relevant competition laws. Group policies are in place that both support and oversee key aspects of our operation in particular the areas of treasury, purchasing, asset management, accounting and debt management. Review and exception reporting activities are in place, which are designed to ensure that individuals cannot override risk mitigation procedures which have been put in place by the Group.</p> <p>All of the above are supported by a well-publicised and robust whistleblowing policy with rigorous follow up of all concerns raised.</p>
<b>Business continuity</b>	<p><b>Business interruption</b> Any significant interruption to Speedy's operational capability, whether IT systems, physical restrictions or personnel based, could adversely impact current and future trading as customers could readily migrate to competitors.</p> <p>This could range from short-term impact in processing of invoices that would affect cash flows to the loss of a major site.</p>	<p>Preventative controls, back-up and recovery procedures are in place for key IT systems. Changes to Group systems are considered as part of wider change management programmes and implemented in phases wherever possible. The Group has critical incident plans in place for all its central UK and International sites. Insurance cover is reviewed at regular intervals to ensure appropriate coverage in the event of a business continuity issue.</p>
<b>Asset holding and integrity</b>	<p><b>Asset range and availability</b> Speedy's business model relies on providing assets for hire to customers, when they want to hire them. In order to maximise profitability and ROCE, demand is balanced with the requirement to hold a range of assets that is optimally utilised.</p>	<p>A better understanding of customer expectation of the relative timescales for delivery across our range of assets allows us to reduce holdings of less time-critical assets by centralising the storage locations, whilst at the same time increasing the breadth of holding across our customer trading locations of those assets most likely to be required on a short notice basis.</p> <p>We regularly monitor our asset status information and use this to optimise our asset holdings.</p> <p>We constantly review our range of assets and introduce innovative solutions to our customers as new products come to market, under our Green Option programme.</p>

Viability statement

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

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

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

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



# GOVERNANCE

Governance	
Chairman's Letter to Shareholders	37
Directors' Report	38
Statement of Directors' Responsibilities	41
Board of Directors	42
Corporate Governance	44
Audit Committee Report	49
Nomination Committee Report	54
Remuneration Report	56
Independent Auditor's Report	72

## CHAIRMAN'S LETTER TO SHAREHOLDERS



Jan Åstrand  
Chairman

**Dear Shareholder**

On behalf of the Board I am pleased to present the Governance Report for FY2018. This section of the Annual Report highlights the Company's governance processes, alongside the work of the Board and Board Committees.

During the year, we built on the full review of the Company's governance structures and practices undertaken in FY2017 to ensure these remained aligned with best practice for a company of our size.

This year the Company is reporting for the first time against the UK Corporate Governance Code 2016 (the 'Code'). We believe the Code's principles are central to the effective management of the business, to maintaining the confidence of our investors and are in the best interests of all of our stakeholders. I am pleased to report, as noted on page 44, that we have been in full compliance with the provisions of the Code throughout the year.

The Board undertook an externally facilitated evaluation last year and has taken account of the agreed recommendations during the year. One of these related to the recruitment of an additional Non-Executive Director, and I was pleased to welcome David Garman to the Board on 1 June and as a member of both the Audit and Nomination Committees. David brings significant board experience and has since been appointed to the Remuneration Committee. This year the Board evaluation has been undertaken internally and the process followed and outcome is reported at page 47 of this report.

Whilst the provisions of the Code relating to annual election of all the directors for FTSE 350 companies do not apply to the Company, last year the Board voluntarily determined that all Directors would submit to annual election going forward. This year we are tabling a resolution at the AGM to formalise this through a change to the Articles of Association.

Jan Åstrand  
Chairman



GOVERNANCE

# DIRECTORS' REPORT

Strategic Report

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. This section along with the Chairman's statement on pages 4 and 5, the Strategic Report on pages 2 to 35, the Corporate Governance review on pages 44 to 48 and the reports of the Audit, Nomination and Remuneration Committees on pages 49 to 71, which are incorporated by reference into this report and are deemed to form part of this report, constitutes the Directors' Report in accordance with the Companies Act 2006.

The Strategic Report was approved by the Board and authorised for issue on 15 May 2018.

Results and dividends

The consolidated profit after taxation for the year was £14.1m (2017: £11.5m). This is after a taxation charge of £3.9m (2017: £2.9m) representing an effective rate of 21.7% (2017: 20.1%). An interim dividend of 0.50 pence per share was paid during the year. The Directors propose that a final dividend of 1.15 pence per share be paid, which, if approved, would make a total dividend distribution in respect of the year of 1.65 pence per share (2017: 1.00 pence). The final dividend will be paid on 10 August 2018 to all shareholders on the register at 6 July 2018.

Related party transactions

Except for Directors' service contracts, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the period in which any Director is or was materially interested.

Buy-back of shares

At the Annual General Meeting held on 12 July 2017, a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its ordinary shares.

As at 15 May 2018, no shares had been purchased under this authority. Shareholders will be requested to renew this authority at the forthcoming Annual General Meeting on 19 July 2018.

Financial instruments

The Group holds and uses financial instruments to finance its operations and manage its interest rate and liquidity risks. Full details of the Group's arrangements are contained in note 18 to the Financial Statements.

Going concern

The Directors consider that the Group has adequate financial resources and has access to sufficient borrowing facilities to continue operating for the foreseeable future. Accordingly, as detailed in note 1 to the Financial Statements (basis of preparation), the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Substantial shareholders

As at 15 May 2018, the Company had been notified under the Disclosure Guidance and Transparency Rules of the following holders of shares with 3% or more of the total voting rights in the issued share capital of the Company.

Shareholder name	Percentage of voting rights
Schroders plc & Schroder Investment Management Limited	10.14
FIL Investments International	7.59
Standard Life Aberdeen Plc	7.57
Majedie Asset Management	7.43
Artemis Investment Management LLP	6.53
Aberforth Partners	5.04
The Wellcome Trust Limited	3.73

Directors

The Directors who served during the year and the interests of Directors in the share capital of the Company are set out on page 70.

In accordance with the Company's Articles of Association, a third of the Board should retire by rotation at each Annual General Meeting and, if eligible and willing, seek re-election. However, in compliance with the principles of best corporate governance, the Board unanimously supports the annual re-election of Directors and therefore all Directors shall be submitted for annual re-election in this year's Annual General Meeting. A special resolution will be tabled at this year's Annual General Meeting to formalise the annual re-election of Directors going forward, through an amendment to the Company's Articles of Association.

No Director had any interest, either during or at the end of the year, in any disclosable contracts or arrangements, other than a contract of service, with the Company or any subsidiary company. No Director had any interest in the shares of any subsidiary company during the year.

Equal opportunities

The Group employed 3,238 people in the UK and Ireland, and 517 people internationally as at 31 March 2018. The Group has a clear policy that employees are recruited and promoted solely based on aptitude and ability. The Group does not discriminate in any way in respect of race, sex, marital status, age, religion, disability or any other characteristic of a similar nature. In the case of disability, bearing in mind the aptitude of the applicant concerned, all reasonable adjustments are considered to enable employment or continue employment as well as to ensure that any disabled employees receive equal treatment in matters such as career development, promotion and training. Managers at all levels are trained and developed to adhere to and promote this goal, including receiving training specifically on diversity matters. Further information on equal opportunities within the Group is set out on page 24 in the Strategic Report.

Employee involvement

The Group actively aims to promote employee involvement in order to achieve a shared commitment from all employees to the success of the businesses in which they are employed.

The Board believes in the effectiveness of financial incentives. It is the Group's policy that employees should generally be eligible to participate in some form of incentive scheme as soon as practicable after joining the Group, following the conclusion of any relevant probationary period. Details of annual incentive arrangements for Executive Directors are summarised in the Remuneration Committee's Report on pages 56 to 71.

The Group has a people strategy in place aimed at being an employer of choice, as can be seen on pages 20 and 21 of the Strategic Report. The Group actively makes a number of commitments to its employees, including pay, engagement and development. The Board sees employee engagement as a key part of its success.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

KPMG LLP was appointed at the Annual General Meeting of the Company held on 12 July 2017 and its appointment expires at the conclusion of this year's Annual General Meeting. KPMG LLP has expressed its willingness to continue in office. The Board is recommending KPMG LLP be reappointed as auditors and resolutions concerning this and to authorise the Directors to determine its remuneration will be put to the forthcoming Annual General Meeting in July 2018.

Takeover Directive information

Where not provided elsewhere in this report, the additional information required for shareholders as a result of the implementation of the Takeover Directive into English law is set out below.

Share capital

As at 31 March 2018, the Company's share capital comprised a single class of ordinary shares of 5 pence each. As at 31 March 2018 the issued share capital was £26,185,189.85 comprising 523,703,797 ordinary shares of 5 pence each. There are no special rights or obligations attaching to the ordinary shares.

Restrictions on share transfers

The Company's Articles of Association provide that the Company may refuse to transfer shares in the following customary circumstances:

- > where the share is not a fully paid share;
- > where the share transfer has not been duly stamped with the correct amount of stamp duty;
- > where the transfer is in favour of more than four joint transferees;
- > where the share is a certificated share and is not accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to prove the title of the transferor; or
- > in certain circumstances where the shareholder in question has been issued with a notice under Section 793 of the Companies Act 2006.

These restrictions are in addition to any which are applicable to all UK listed companies imposed by law or regulation.

Shares with special rights

There are no shares in the Company with special rights with regard to control of the Company.

GOVERNANCE > DIRECTORS' REPORT CONTINUED

Restrictions on voting rights

The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

Agreements which may result in restrictions on share transfers

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/or on voting rights.

Appointment and replacement of Directors

The Company's Articles of Association provide that all Directors must stand for election at the first Annual General Meeting after having been appointed by the Board. The Articles of Association also provide that each Director must also stand for re-election at the third Annual General Meeting following their last election or re-election by shareholders. If the number of Directors standing for re-election is less than one-third of the current Board (which excludes any Directors appointed by the Board who are standing for election for the first time) then additional Directors must also stand for re-election in order that one-third of the Board is standing for re-election, save that where the number of Directors is not three or a multiple of three, the number of Directors which is nearest to but does not exceed one-third must stand for re-election.

However, with effect from the Annual General Meeting in July 2017, the Board determined that, whilst not a requirement of the Company's Articles of Association or the UK Corporate Governance Code as it applies to the Company, to comply with the principles of best corporate governance all Directors should be submitted for re-election annually at the Annual General Meeting. This will be applied at the Annual General Meeting to be held in July 2018 where a special resolution will also be tabled to formalise the annual re-election of Directors going forward, through an amendment to the Company's Articles of Association.

Articles of Association

The Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Directors' powers

At the Annual General Meeting to be held on 19 July 2018, shareholders will be asked to renew the Directors' power to allot shares and buy back shares in the Company and to renew the disapplication of pre-emption rights.

Change of control – significant agreements

There are no significant agreements to which the Company is a party that may take effect, alter or terminate upon a change of control following a takeover bid other than in relation to: (i) employee share schemes; and (ii) the Company's borrowings, which would become repayable on a takeover being completed.

Shares in the Company are held in the Speedy Hire Employee Benefits Trust ('Trust') for the purpose of satisfying awards made under the Company's Performance Share Plan. Unless otherwise directed by the Company, the Trustees of the Trust abstain from voting on any shares held in the Trust in respect of which the beneficial interest has not vested in any beneficiary. In relation to shares held in the Trust where the beneficial interest has vested in a beneficiary, the beneficiary can direct the Trustees how to vote. As at 15 May 2018 the Trust held 4,118,744 shares in the Company (0.79% of the issued share capital).

Compensation for loss of office

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs in the event of a bid for the Company or takeover.

Directors' indemnities

Throughout the financial year and at the date of approval of the Financial Statements, the Company has purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors. As permitted by the Companies Act 2006, it is the Company's policy to indemnify its Directors. Qualifying deeds of indemnity are in place for all of the Directors.

Political contributions

No political donations were made during the year (2017: nil).

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions are included in the Safety and Sustainability section of the Strategic Report on page 25.

Annual General Meeting

The Company's Annual General Meeting will be held at the offices of Instinctif at 65 Gresham Street, London EC2V 7NQ on 19 July 2018 at 11.00am. A formal Notice of Meeting, an explanatory circular and a form of proxy will be sent separately to shareholders.

This report was approved by the Board and signed on its behalf by Russell Down, Chief Executive.

By Order of the Board on 15 May 2018.

**Russell Down**  
Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the European Union ('EU') and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- > assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- > use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

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

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Jan Åstrand**  
Chairman

**Russell Down**  
Chief Executive

15 May 2018



GOVERNANCE

BOARD OF DIRECTORS



1. Jan Åstrand  
Non-Executive Chairman

Appointment to the Board  
and Committee memberships

Appointed to the Board in November 2014 as Non-Executive Chairman. Jan is also Chairman of the Nomination Committee.

Skills and experience

Jan brings broad experience and a focused, strategic approach to the Board as Speedy concentrates on the delivery of sustainable profit growth. He is a Non-Executive Director of Vidrala S.A. in Spain. Jan was a Non-Executive Director of Lavendon Group Plc from 2010 until early in 2014, latterly as Senior Independent Director. He has also held previous non-executive roles as Chairman of CRC Group PLC and Car Park Group AB in Stockholm as well as being Senior Independent Director of PHS Group PLC, Chairman of easyHotel Plc and Non-Executive Director of Northgate plc.

Jan’s executive experience includes roles as President and Chief Executive of Axus International Inc. (previously known as Hertz Leasing International), Vice President, Finance & Administration and Chief Financial Officer of Hertz (Europe) Limited and Chief Financial Officer of Commodore International.

N

2. Russell Down  
Chief Executive

Appointment to the Board

Appointed to the Board as Group Finance Director in April 2015 and promoted to Chief Executive in July 2015.

Skills and experience

Russell was formerly Group Finance Director (from 2008 to 2015) at Hyder Consulting Plc ('Hyder'), the multinational design and engineering consultancy. He spent 17 years in total at Hyder in a number of senior roles, including five years as Group Financial Controller and six years as Regional Finance and Commercial Director for the Middle East operations based in Dubai. Russell is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with KPMG LLP, and has previously worked for container leasing company Cronos as Director of Accounting.

Key to Committees   A Audit   N Nomination   R Remuneration   Committee Chair

3. Chris Morgan  
Group Finance Director

Appointment to the Board

Appointed to the Board as Group Finance Director in April 2016.

Skills and experience

Chris is a highly experienced Finance Director and a Fellow of the Institute of Chartered Accountants in England and Wales. Before joining Speedy, Chris was Chief Financial Officer at Go Outdoors, the UK’s leading retailer of outdoor equipment and clothing, since 2012. He was previously Chief Financial Officer at Focus DIY, and before that held a number of senior finance positions at Tesco including Group Controller from 1999 to 2004, and more recently as Finance Director for the Czech Republic and Slovakia.

4. Bob Contreras  
Senior Independent Director

Appointment to the Board  
and Committee memberships

Appointed to the Board in December 2015 as Non-Executive Director and Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Appointed as Senior Independent Director on 31 March 2016.

Skills and experience

Bob brings extensive asset rental and sector experience to the Board, as Speedy continues to focus on becoming a more lean, efficient and customer focused business. From December 2017 Bob has been Executive Chairman of Adler & Allan limited, a private equity backed Environmental Services Company. Bob was Chief Executive at Northgate plc, the FTSE 250 leading light commercial vehicle hire business in both the UK and Spain between June 2010 and January 2017, having joined the business as Finance Director in June 2008. Prior to his appointment at Northgate, Bob was President of the Surgical Division of Mölnlycke Health Care Group, a world-leading manufacturer of products and services for the professional healthcare sector. He was also previously Chief Executive and Finance Director of private equity backed Damovo Group S.A., and Group Finance Director of Azlan Group plc.

A N R

5. Rob Barclay  
Independent Non-Executive Director

Appointment to the Board  
and Committee memberships

Appointed to the Board in April 2016 as Non-Executive Director and Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Skills and experience

Rob brings a wealth of sector experience to the Board. He was Managing Director UK, Ireland and Middle East of SIG plc, the FTSE 250 market leading supplier of specialist products to the building and construction industry between January 2013 and March 2018. Rob joined SIG, in 1997 and held various senior management roles within the business including Managing Director of SIG Distribution, having led its creation by bringing together the Group’s UK insulations, interiors, construction accessories and fixings businesses. Prior to joining SIG, Rob was a Regional Manager for a global wood products company based in New Zealand, from where he originates.

A N R

6. David Garman  
Independent Non-Executive Director

Appointment to the Board  
and Committee memberships

Appointed to the Board in June 2017 as Non-Executive Director and member of the Audit and Nomination Committees. Appointed a member of the Remuneration Committee from 9 November 2017.

Skills and experience

David is currently Senior Independent Director at John Menzies plc, a Non-Executive Director at Troy Income & Growth Trust plc and a Director of several private companies.

David has a broad range of industrial experience and was previously Chief Executive of TDG plc (now TDG Limited), a European contract logistics and supply chain management business, an Executive Director of Associated British Foods plc and held a variety of management roles at United Biscuits. He was also the Senior Independent Director at St Modwen Properties Plc and Phoenix IT plc, and a Non-Executive Director at Kewill plc and Victoria plc.

A N R

7. David Shearer  
Independent Non-Executive Director

Appointment to the Board  
and Committee memberships

Elected to the Board at the General Meeting on 9 September 2016 as Non-Executive Director. Appointed a member of the Audit and Nomination Committees from November 2016 and of the Remuneration Committee from 31 March 2017.

Skills and experience

David is an experienced independent director, corporate financier and turnaround specialist. He is non-executive Chairman of Liberty Living Group Plc, Liberty Living Finance plc, Aberdeen New Dawn Investment Trust plc and the Scottish Edge Fund, and a non-executive director of Mithras Investment Trust plc. David was previously senior partner for Scotland & Northern Ireland and a UK Executive Board member of Deloitte LLP, Co-Chairman of Martin Currie (Holdings) Limited, Chairman of Mouchel Group plc and Crest Nicholson plc and a non-executive director of City Inn Limited in each case standing down after completing the successful restructuring of these businesses. He was also Senior Independent Director of Renold plc, STV Group plc, Superglass Holdings plc and Scottish Financial Enterprise, and a Governor of The Glasgow School of Art.

A N R



GOVERNANCE

# CORPORATE GOVERNANCE

Governance progress

The Company built on the full review of governance practices and external Board evaluation in FY2017 and implementation of the agreed actions to ensure governance structures remain in line with developing best practice and are suitable for a company of its size. During the year this included the appointment of David Garman as an additional Non-Executive Director and a member of the Audit and Nomination Committees and subsequently the Remuneration Committee. This further ensured the relevant skills and expertise are available to the key Board Committees and the working of the updated Board programme.

UK Corporate Governance Code compliance

The Board is committed to maintaining high standards of corporate governance. The Board first reported its compliance with the Combined Code in 2004. Since then, other than as explained in previous Annual Reports and Accounts, it has complied in full with the Combined Code (now the UK Corporate Governance Code) and continued to develop its approach to corporate governance and the effective management of risk in the context of an evolving business. The Company first reported fully against the UK Corporate Governance Code 2012 in its 2014 Annual Report. This year the Company is reporting against the UK Corporate Governance Code 2016 (the 'Code'), which applies to financial years beginning on or after 17 June 2016. A copy of the 2016 edition of the Code is available to view on the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).

Throughout the year ended 31 March 2018, the Company has been in full compliance with the provisions set out in the Code.

Directors

The Board

The Board comprises a Non-Executive Chairman, the two Executive Directors and four independent Non-Executive Directors.

In the year ended 31 March 2018, the Board met eight times. The Board also meets as required on an ad hoc basis to deal with urgent business, including the consideration and approval of transactions. The table below lists the Directors' attendance at the Board meetings and Committee meetings during the year ended 31 March 2018.

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

Board and Committee attendance

	Board (8)	Audit Committee (4)	Nomination Committee (2)	Remuneration Committee (5)
<b>Executive Directors</b>				
<b>Russell Down</b>	8/8	–	–	–
<b>Chris Morgan</b>	8/8	–	–	–
<b>Non-Executive Directors</b>				
<b>Jan Åstrand</b> <i>Chairman</i>	8/8	–	2/2	–
<b>Bob Contreras</b>	8/8	4/4	2/2	5/5
<b>Rob Barclay</b>	8/8	4/4	2/2	5/5
<b>David Garman</b> <sup>1</sup>	7/7	3/3	1/1	2/2
<b>David Shearer</b>	8/8	4/4	2/2	5/5

1 Appointed as a member of the Audit and Nomination Committees with effect from 1 June 2017 and as a member of the Remuneration Committee with effect from 9 November 2017.

Directors who are not a member of a Board Committee may attend meetings at the invitation of the relevant Committee Chairman.

The Board has approved a schedule of matters reserved for decision by it. That schedule (which forms part of the UK Corporate Governance Code Compliance Statement) was formally adopted by the Board on 30 March 2011 and most recently reviewed on 29 March 2018. It is available for inspection at the Company's registered office and on the Company's website. The matters reserved for decision by the Board can be subdivided into a number of key areas including, but not limited to:

- > financial reporting (including the approval of interim and final Financial Statements, interim management statements and dividends);
- > approving the form and content of the Group's Annual Report and Financial Statements (following appropriate recommendations from the Audit Committee) to ensure that it is fair, balanced and understandable overall and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- > the Group's finance, banking and capital structure arrangements;
- > Group strategy and key transactions (including major acquisitions and disposals);
- > Stock Exchange/Listing Authority matters (including the issue of shares, the approval of circulars and communications to the market);
- > approval of the policies and framework in relation to remuneration across the Group (following appropriate recommendations from the Remuneration Committee);
- > oversight of the Group's risk appetite, risk acceptance and programmes for risk mitigation;

- > approval of the Group's risk management and internal control processes (following appropriate recommendations from the Audit Committee);
- > approving the Company's annual Viability Statement;
- > the constitution of the Board itself, including its various Committees, and succession planning (following appropriate recommendations from the Nomination Committee); and
- > approving the Group's policies in relation to, inter alia, the Group's Code of Conduct and whistleblowing, the Bribery Act, the environment, health and safety and corporate responsibility.

Matters requiring Board or Committee approval are generally the subject of a proposal by the Executive Directors, which is formally submitted to the Board, together with supporting information, as part of the Board or Committee papers circulated prior to the relevant meeting. Where practicable, papers are generally circulated at least five days in advance of such meetings, to allow proper time for review and ensure the best use of the Directors' time. The implementation of matters approved by the Board, particularly in relation to matters such as significant acquisitions or other material projects, sometimes includes the establishment of a sub-committee comprising at least one Non-Executive Director.

Chairman and Chief Executive

The posts of Chairman and Chief Executive are held by Jan Åstrand and Russell Down, respectively.

A statement as to the division of the responsibilities between the Chairman and Chief Executive is included in the UK Corporate Governance Code Compliance Statement. The Board considered that the Chairman, on his appointment, met the independence criteria set out in paragraph B.1.1. of the Code. The Board has an established policy that the Chief Executive should not go on to become Chairman.

Board balance and independence

The Board comprises the Chairman, two Executive Directors and four independent Non-Executive Directors: Bob Contreras, Rob Barclay, David Garman and David Shearer. The four Non-Executive Directors bring a strong and independent non-executive element to the Board. The Senior Independent Director is Bob Contreras. The independent Non-Executive Directors and their respective experience, details of which are set out on pages 42 and 43, clearly indicates that they are of sufficient calibre and number for their views to carry appropriate weight in the Board's decisions.

The Board considers that each of Bob Contreras, Rob Barclay, David Garman and David Shearer are independent, on the basis of the criteria specified in paragraph B.1.1. of the Code and, generally, are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Board Committees

The Audit Committee is chaired by Bob Contreras. Its other members are Rob Barclay, David Garman and David Shearer. Details of its activities during the year are detailed in the Audit Committee Report at pages 49 to 53.

The Remuneration Committee is chaired by Rob Barclay. Its other members are Bob Contreras, David Garman and David Shearer. The Committee Chairman's Statement, Directors' Remuneration Policy and Report are at pages 56 to 71.

The Nomination Committee is chaired by Jan Åstrand. Its other members are Bob Contreras, Rob Barclay, David Garman and David Shearer. The Committee therefore satisfies the requirement of paragraph B.2.1. of the Code that a majority of its members are to be independent Non-Executive Directors. The report on the activities of the Committee is contained at pages 54 and 55.

The Chairman and other Non-Executive Directors generally meet at least twice a year without the Executive Directors present. In addition, the Chairman regularly briefs the other Non-Executive Directors on relevant developments regarding the Company and Group as necessary. The Senior Independent Director and the other Non-Executive Directors usually meet at least annually without the Chairman present, to appraise the Chairman's performance as part of the Board annual appraisal process.

The minutes of all meetings of the Board and each Committee are taken by the Company Secretary or Assistant Company Secretary. In addition to constituting a record of decisions taken, the minutes reflect questions raised by the Directors relating to the Company's businesses and, in particular, issues raised from the reports included in the Board or Committee papers circulated prior to the relevant meeting. Any unresolved concerns are recorded in the minutes.

On resignation, written concerns (if any) provided by an outgoing Non-Executive Director are circulated by the Chairman to the remaining members of the Board.

Appropriate Directors' and Officers' insurance cover is arranged and maintained via the Company's insurance brokers, JLT Specialty Limited, and is reviewed annually.



GOVERNANCE > CORPORATE GOVERNANCE CONTINUED

The Companies Act 2006 allows directors of public companies to authorise conflicts, and potential conflicts of interest of directors, where the Articles of Association contain a provision to that effect. The Company's Articles of Association give the Board authority to authorise matters which may otherwise result in the Directors breaching their duty to avoid a conflict of interest. Directors who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting. Only Directors who have no interest in the matter being considered are able to approve a conflict of interest and, in taking that decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company. The Directors are able to impose limits or conditions when giving authorisation if they feel this is appropriate. Any conflicts considered by the Board and any authorisations given are recorded in the Board minutes and in the register of conflicts which is reviewed annually by the Board. The Board considers that its procedures to approve conflicts of interest and potential conflicts of interest are operating effectively.

The Board is both balanced and diverse in respect of its experience and skills, although the Board does not currently have any female representation. The Board remains committed to maintaining and building on its diversity, including appointing women at Board and senior management levels based on merit. Any succession planning for the Board recognises this and diversity, including of gender, is considered where possible in the shortlisting of candidates.

Appointments to the Board

The Board has established a Nomination Committee. The terms of reference of the Nomination Committee are published on the Company's website. The Committee meets formally as necessary, but at least twice a year. This is detailed in more depth in the Nomination Committee Report on pages 54 and 55. The principal functions of the Nomination Committee are to consider and review the structure and composition of the Board and membership of Board Committees. It also considers candidates for Board nomination including job description, re-election to the Board for those candidates retiring by rotation and succession planning generally. A specification for the role of Chairman, including anticipated time commitment, is included as part of the written statement of division of responsibilities between the Chairman and Chief Executive. Details of the Chairman's other material commitments are set out on page 42 and are disclosed to the Board in advance and included in a register of the same maintained by the Company Secretary. During the year the Committee dealt with the appointment of David Garman as Non-Executive Director. Search and selection activities were undertaken with the assistance of an external search agent, Lygon Partners.

The terms and conditions of appointment of all the Non-Executive Directors, and those of the Chairman, are available for inspection at the Company's registered office during normal business hours. Each letter of appointment specifies the anticipated level of time commitment including, where relevant, additional responsibilities derived from involvement with the Audit, Remuneration or Nomination Committees. Details of other material commitments are disclosed to the Board and a register of the same is maintained by the Company Secretary.

No Director is a Non-Executive Director or Chairman of a FTSE 100 company.

Diversity

The Board recognises the value of diversity in the boardroom and the benefit to the Group's overall performance that diversity across backgrounds, experience, knowledge, skills and gender can bring. In new appointments, the Nomination Committee seeks to select individuals who are best able to meet the recommended requirements of the role and improve overall diversity of the Board.

Information and professional development

Before each scheduled Board meeting all Directors receive appropriate information regarding the Group, comprising a financial report and briefings from senior executives. The Chief Executive and Group Finance Director also brief Directors on results, key issues and strategy. During Board meetings, the Non-Executive Directors regularly make further enquiries of the Executive Directors and seek further information which is provided either at the relevant meeting or subsequently.

The Board recognises the importance of tailored induction training on joining the Board and ongoing training and education, particularly regarding new laws and regulations which relate to or affect the Group. Such training and education is obtained by the Directors individually through the Company, including briefings from external advisers, through other companies of which they are Directors or through associated professional firms or as members of their professional bodies.

Procedures are in place to enable Directors to take independent professional advice, if necessary, at the Company's expense, in the furtherance of their duties. The procedure to enable such advice to be obtained is included in the UK Corporate Governance Code Compliance Statement.

All Directors have access to the advice and services of the Company Secretary, whose role is to ensure that information is received by the Board in a timely manner, all procedures are followed and applicable rules and regulations are complied with. The appointment or removal of the Company Secretary is a matter specifically reserved for decision by the Board.

Performance evaluation

Following the externally facilitated Board evaluation in FY2017, the Board evaluation was conducted internally this year. This was led by the Chairman. Each of the Directors completed an evaluation questionnaire. The results were collated by the Company Secretary and reviewed by the Chairman, who then led a discussion of the principal findings with the Board. Overall the evaluation process concluded that the Board and its committees were working effectively. Improving the diversity of the Board remained a priority and would be progressed as opportunities arose in Board recruitment. The agreed additional areas of focus in board reporting and increased exposure of Non-Executive Directors to senior management within the business, would be accommodated in the annual Board programme for FY2019.

The Chairman reviewed the performance and development needs of each of the Executive and Non-Executive Directors. The Non-Executive Directors, led by Bob Contreras, the Senior Independent Director, conducted an evaluation of the Chairman, and the Senior Independent Director discussed the results of that assessment with the Chairman. No actions were considered necessary as a result of the evaluation, and the Board is satisfied with the Chairman's commitment and performance.

Re-election

Under the Company's Articles of Association, all Directors are subject to election by shareholders at the first Annual General Meeting following appointment and all Directors are subject to retirement by rotation provisions requiring re-election at intervals of no more than three years. With effect from the 2017 Annual General Meeting, the Board determined that in the interests of good governance all Directors would be submitted for re-election annually. This also satisfies the re-election provisions within the Articles of Association. Biographical details of all the Directors are included in this report in order to enable shareholders to take an informed decision on any re-election resolution. The letters of appointment of each of the Non-Executive Directors and the Chairman confirm that appointments are for specified terms and that reappointment is not automatic. A special resolution will be tabled at this year's Annual General Meeting to formalise the annual re-election of Directors going forward, through an amendment to the Company's Articles of Association.

Directors' remuneration

The performance related elements of the remuneration of the Executive Directors form a significant proportion of their potential total remuneration packages. The performance related elements of the schemes in which the Executive Directors are entitled to participate are set out in more detail in the Remuneration Report. The Remuneration Committee, with the advice of New Bridge Street (part of Aon Plc) (NBS), reviews the Company's Remuneration Policy on a regular basis, including the design of performance related remuneration schemes. Such performance related elements have been designed with a view to aligning the interests of the Executive Directors with those of shareholders and to incentivise performance at the highest level.

The service contracts for Russell Down and Chris Morgan provide for termination by the Company on one year's and nine months' notice respectively. It is the Company's current policy that notice periods on termination of Directors' contracts should not exceed 12 months.

The policy of the Board is that the remuneration of the Non-Executive Directors should be consistent with the levels of remuneration paid by companies of a similar size. The levels of remuneration also reflect the time commitment and responsibilities of each role, including Chairmanship of Board Committees. It is the policy of the Board that remuneration for Non-Executive Directors should not include share options or any other share-based incentives.

The remuneration of Non-Executive Directors is dealt with by a Committee of the Board specifically established for this purpose, normally comprising the Chief Executive and the Group Finance Director, without the presence of the Non-Executive Directors. It is the policy of the Board to review the remuneration of Non-Executive Directors periodically. The remuneration of Non-Executive Directors was reviewed at the end of FY2018 and the conclusion was that the base fees be increased by 2.5% per annum effective 1 April 2018. Details of the remuneration of Non-Executive Directors are set out on page 66.

Procedure

The Board has constituted a Remuneration Committee which met five times during the year. The terms of reference of the Remuneration Committee are published on the Company's website and are fully compatible with the provisions of paragraph D.2.1. of the Code. The Remuneration Committee members are Rob Barclay, Bob Contreras, David Garman and David Shearer, who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Chief Executive attends by invitation but is not present for discussions relating to his own remuneration. The Remuneration Committee has appointed NBS to advise it in relation to the design of appropriate executive remuneration structures. NBS has no other connection with the Company.

The responsibilities of the Remuneration Committee include setting Remuneration Policy, ensuring that remuneration (including pension rights and compensation payments) and the terms of service of the Executive Directors are appropriate and that Executive Directors are fairly rewarded for the contribution which they make to the Group's overall performance. It is also responsible for the allocation of shares under long-term incentive arrangements approved by shareholders and in accordance with agreed criteria. In addition, it monitors current best practice in remuneration and related issues.

The Board's policy is that all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes should be specifically approved by shareholders, while recognising that the Remuneration Committee must have appropriate flexibility to alter the operation of these arrangements to reflect changing circumstances. The Company's current long-term incentive scheme was approved by shareholders in 2014.

A more detailed summary of the work of the Remuneration Committee during the year and the Group's Remuneration Policy, which was approved at the Company's 2017 Annual General Meeting and which will apply until its Annual General Meeting in 2020 is contained on pages 56 to 71.

**Accountability and audit**  
**Financial reporting**

The Directors' Report and Independent Auditor's Report appear on pages 38 to 40 and pages 72 to 77 respectively and comply with the provisions of paragraphs C.1.1. and C.1.3. of the Code.

**Audit Committee and auditors**

The Board has established an Audit Committee which met four times during the year. The terms of reference of the Audit Committee are published on the Company's website. Such terms of reference are compatible with the provisions of paragraph C.3.2. of the Code. The Board is satisfied that the Chairman of the Audit Committee, Bob Contreras, has appropriate recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which it operates.

In addition to responsibility for the Group's systems of internal control, the Committee is responsible for reviewing the integrity of the Company's accounts, including the half and full-year results, and recommending their approval to the Board.

The Committee meets on a regular basis with the external auditors and internal audit function to review and discuss issues arising from internal and external audits and to agree the scope and planning of future work. The effectiveness of the Group's internal audit function is one of the matters reviewed in conjunction with the external auditors.

The Audit Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. The policy of the Audit Committee is to ensure auditor objectivity and independence is safeguarded at all times. As further detailed on page 52, the Audit Committee considers that the Company's auditors are independent.

A more detailed description of the work of the Audit Committee during the year is contained in the separate report of the Committee on pages 49 to 53.

**Internal control**

The Board is responsible for the Company's internal control procedures and processes and for reviewing the effectiveness of such systems.

The Board, via the Audit Committee, conducts a review, at least annually, of the Group's systems of internal control. Such a review considers all material controls, including financial, operational and compliance controls and risk management systems, and accords with the recommendations contained in the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting (formerly the Turnbull Guidance). A formal report is prepared by the external auditors, KPMG LLP, highlighting matters identified in the course of its statutory audit work, and is reviewed by the Audit Committee in the presence of KPMG LLP and, by invitation, the Chief Executive, the Group Finance Director, the Director of Finance and the Head of Risk and Assurance. The Committee also considers formal reports prepared and presented by the internal audit function. The findings and recommendations of the Committee are then formally reported to the Board for detailed consideration.

**Relations with shareholders**

**Dialogue with institutional shareholders**

The Chief Executive and Group Finance Director routinely attend brokers' and analysts' presentations, which include the Company's half and full-year results. The Chairman, Chief Executive and Group Finance Director, with assistance from the Company's brokers, collate feedback from such presentations and report the findings to the next meeting of the Board. The Chairman is also available to discuss matters with major shareholders in relation to, inter alia, results, strategy and corporate governance issues. The Senior Independent Director, Bob Contreras, is available to attend meetings with major shareholders in order to understand their issues and concerns should the normal communication channels with the Chairman, Chief Executive or Group Finance Director be considered ineffective or inappropriate.

**Constructive use of the Annual General Meeting**

The Company's Annual General Meeting procedures include, as a matter of course, specifying the level of proxies lodged on each resolution and the balance for and against each resolution and votes withheld after each has been dealt with on a show of hands. It is also the Company's policy to propose a separate resolution at the Annual General Meeting on each substantive separate issue, including in relation to the Annual Report and Accounts and the Directors' Remuneration Report.

All Committee Chairmen are available for shareholders' questions at the Annual General Meeting.

The Company's standard procedure is to ensure that the Notice of AGM and related papers are sent to shareholders at least 20 working days before the meeting, in compliance with paragraph E.2.4. of the Code.

# AUDIT COMMITTEE REPORT



**Bob Contreras**  
Chairman of the Audit Committee

The Audit Committee presents its report in relation to the financial year ended 31 March 2018.

**Audit Committee objectives and terms of reference**

The Audit Committee's key objectives are the review of the effectiveness of the Group's financial reporting and internal controls, together with the procedures for identification, evaluation and reporting of key risks. The role of the Audit Committee in monitoring the integrity of the Group's financial affairs is important to shareholders and other stakeholders, both internal and external. Accordingly we work closely with management and our external and internal auditors to adopt best practice approaches to policies and controls. In addition, a key objective of the Audit Committee is to ensure all financial reporting is fair, balanced and understandable. The Audit Committee is satisfied that the Group's internal and external processes are considered to be robust and appropriately aligned to delivering good financial reporting and governance. The Directors confirm that they have carried out a comprehensive assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The terms of reference of the Audit Committee, which include all matters referred to in the UK Corporate Governance Code, are reviewed annually by the Audit Committee and proposed changes made to the Board. The current terms of reference can be found at [speedyservices.com/investors](https://www.speedyservices.com/investors) and are also available in hard copy from the Company Secretary.

**Composition of the Audit Committee**

The Audit Committee comprises four Non-Executive Directors: Bob Contreras (Chairman), Rob Barclay, David Shearer and David Garman (from June 2017). All members are considered by the Board to be independent. Biographies of each of the members of the Audit Committee are set out on page 43.

The Audit Committee is chaired by Bob Contreras, a chartered accountant with over 20 years' experience as a board member at both listed and private companies. His biography is set out at page 43. The Board is satisfied that Bob Contreras has recent and relevant financial experience and that the Committee as a whole has an appropriate balance of skills, experience, qualifications and sector related knowledge.



GOVERNANCE > AUDIT COMMITTEE REPORT CONTINUED

Attendance

The Audit Committee’s agenda is linked to events in the Group’s financial calendar, and the Audit Committee met on four occasions during the year. Details of the attendance at Audit Committee meetings are set out below.

Audit Committee members and meetings attended

Name	Position	Meetings attended
Bob Contreras	Chairman	
Rob Barclay		
David Shearer		
David Garman <sup>1</sup>		

1    Appointed on 1 June 2017.

Operation and responsibilities of the Audit Committee

The Chairman, Chief Executive and Group Finance Director, together with representatives from the external auditors, the Director of Finance and the Head of Risk and Assurance, are invited to attend meetings of the Audit Committee, although the Audit Committee reserves time for discussions without any invitees being present. The external auditors and the Head of Risk and Assurance meet privately with the Audit Committee, to advise the Audit Committee of any matters which they consider should be brought to their attention without the Executive Directors present. The external auditors and the Head of Risk and Assurance may also request a meeting with the Audit Committee if they consider it necessary. The Risk and Assurance department carries out the Group’s internal audit function. The Chairman of the Audit Committee also holds private meetings both with the Head of Risk and Assurance and the external auditors.

The Company Secretary acts as secretary to the Audit Committee. The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company’s expense.

The Audit Committee undertakes its activities in line with an annual programme of business. The Audit Committee’s duties include, inter alia:

Internal controls and risk

- > monitoring the effectiveness and appropriateness of internal controls;
- > evaluating the Board’s process for identifying and managing significant risk in the business;
- > considering the effectiveness and resourcing of the internal audit function;
- > determining and directing the scope of the internal audit programme;
- > appointing or replacing the Head of Risk and Assurance;
- > reviewing matters reported through the Group’s whistleblowing policy; and
- > monitoring performance of the Group’s senior finance personnel and ensuring their development.

External auditors

- > monitoring the effectiveness of the external audit process including recommending the appointment, re-appointment and remuneration of the external auditors;
- > liaising with the external auditors in respect of the rotation of audit partners at appropriate junctures;
- > considering and, if thought appropriate, approving the use of the external auditors for non-audit work;
- > considering the independence of the external auditors, taking into account: (i) non-audit work undertaken by them; (ii) feedback from various stakeholders; and (iii) the Audit Committee’s own assessment; and
- > monitoring and considering the provisions and recommendations of the UK Corporate Governance Code in respect of external auditors. This involves a review of the scope of the audit, the auditor’s assessment of risk, appropriateness of materiality and the key findings.

Financial Statements

- > monitoring the integrity of the Group’s Financial Statements and formal announcements relating to the Group’s performance;
- > reviewing the Company’s Viability Statement, challenging assumptions made with management and, if thought appropriate, recommending this for approval by the Board and inclusion in the Annual Report and Financial Statements;
- > considering liquidity risk and the use of the going concern basis for preparing the Group’s Financial Statements; and
- > evaluating the content of the Annual Report and Financial Statements, to advise the Board as to whether it may reasonably conclude that the Annual Report and Financial Statements is fair, balanced and understandable overall and provides the information necessary to enable shareholders to assess the performance, business model and strategy of the Group.

As part of its annual programme of business the Audit Committee regularly receives updates from the external auditors as to developing accounting standards, and members are expected to participate personally in relevant briefing and training sessions during the year.

Financial Reporting Council (‘FRC’)

During the year the Company’s Annual Report and Financial Statements for FY2017 was selected for review by the FRC. The Audit Committee was pleased to note that no queries or issues were raised in respect of the matters considered by the FRC.

During the year the FRC also undertook a review of certain aspects of KPMG LLP’s audit of Speedy Hire Plc, for the year ended 31 March 2017. The Committee considered findings contained in a report issued following inspection of KPMG LLP’s 2017 audit by the FRC’s Audit Quality Review team. The Committee discussed the findings of this external report and the actions undertaken by KPMG LLP to address the matters raised as part of this year’s audit. It agreed that the audit was effective overall and that any identified areas for further improvement had been addressed or had appropriate action plans in place.

Significant areas considered by the Audit Committee during FY2018

During the year, the Audit Committee considered and discussed with the external auditors the following items:

- > the existence and valuation of hire equipment;
- > the going concern basis for the preparation of the Financial Statements;
- > the disclosure of a material receivable in the International division previously provided for; and
- > the disclosure and estimation of a material write-off in respect of the liquidation of certain companies within the Carillion plc group.

The role and response of the Audit Committee to these, along with any corresponding impact on the Group’s Financial Statements, are discussed in more detail in this report.

Existence and valuation of hire equipment

The hire fleet comprises several million individual assets, represents the largest asset on the balance sheet, and underpins the Group’s key revenue streams.

The control environment surrounding the management of the hire fleet is critical to maintaining an up to date record of the assets and ensuring that they are correctly valued within the Financial Statements. In order to gain assurance that the control environment is operating in a satisfactory manner, the Audit Committee requires internal audit to review the asset management processes. The findings of these reviews are considered by the Audit Committee at each meeting.

In addition to considering the appropriateness of the Group’s depreciation policies, the Audit Committee reviews the valuation of hire equipment taking into consideration a consistent track record of the Group in disposing of hire equipment at close to book value. This also incorporates a thorough review of useful economic lives and residual values.

As a result of the work performed, the Audit Committee is satisfied that hire equipment assets are fairly valued.

Going concern basis for the preparation of the Financial Statements

The Group has adopted a going concern basis for the preparation of the Financial Statements. Judgement over the future cash flows of the business (for a period of at least 12 months from signing the accounts) and their interaction with the available liquidity from the Group’s borrowing facilities must be applied in concluding whether to adopt a going concern basis of preparation. The Audit Committee has challenged forecast cash flows, the assumptions applied to derive the cash flows and availability of finance from existing facilities.

In October 2017 the Group’s £180m asset based finance facility was extended to October 2022 on improved terms. The additional uncommitted accordion (£220m) was also extended to October 2022. Throughout the year, the Group has remained in compliance with its financial covenants under the Group’s banking facilities. Net debt has again fallen in the year, reflecting the focus on working capital and cost management. Based on the expectations of future cash flows and the continued availability of the banking facilities, the Audit Committee has concluded that the available borrowing facilities are adequate for both existing and future levels of business activity. The Audit Committee therefore considers that it is appropriate to continue to adopt a going concern basis in the preparation of the Financial Statements.

Presentation and recoverability of a material International receivable

As noted previously, the Group entered into a settlement agreement with the purchaser of assets sold during FY2015. This agreement has now been settled in full, with payments recognised as an exceptional item consistent with treatment of the original provision.

Presentation of Carillion plc group write-off

The control environment surrounding the management of customer debt is paramount for the Group and consists of robust procedures at every stage, from opening accounts and setting payment terms to cash collection and query resolution. On a periodic basis the Audit Committee requires internal audit to review the operation of these controls in order to gain assurance over these processes.

Specifically in relation to the liquidation of certain Carillion companies, management maintained close monitoring of the situation and remained in contact with the customer, continually re-assessing the risk. In so doing, the Audit Committee is satisfied that the actions taken were appropriate and the control framework operated as intended.

**GOVERNANCE > AUDIT COMMITTEE REPORT CONTINUED**

The Audit Committee has considered the presentation of the £2.1m exceptional charge recognised in relation to trade receivables and asset related provisions. Management believes the estimates are reasonable based on current circumstances, however, actual costs may differ from these estimates. In conjunction with advice from the external auditor, the Audit Committee is satisfied that this is consistent with accounting policies.

**Internal control and risk management**

The Board is responsible for the Group’s system of internal control and risk management and for reviewing its effectiveness. The detailed review of internal controls has been delegated by the Board to the Audit Committee.

The Risk and Assurance Department incorporates the Group’s internal audit function. The Head of Risk and Assurance reports to the Board and to the Audit Committee. The internal audit function is involved in the assessment of the quality of risk management and internal controls. It helps to promote and develop further effective risk management in all areas of the business, including the embedding of risk registers and risk management procedures within individual business areas. The Audit Committee receives detailed reports from the Risk and Assurance Department at each meeting.

The Audit Committee ensured that questionnaires were circulated to senior management requesting they notify internal audit of any significant irregularities in information provided for inclusion in the Financial Statements. None have been reported.

The Audit Committee has reviewed the effectiveness of internal controls and risk management during the year taking into consideration the framework and risk register maintenance by management, in addition to reports from both internal and external auditors. The Audit Committee has concluded that the internal controls have operated effectively during FY2018.

**Review of internal audit**

The Audit Committee reviews the effectiveness of the Group’s internal audit function. This review includes the audit plan and the level of resource devoted to internal audit, as well as the degree to which the function can operate free from management restrictions. The Audit Committee considered the results of the audits undertaken by the internal audit function and in particular considered the response of management to issues raised by internal audit, including the time taken to resolve matters reported. Although internal audit has raised recommendations for improvement in the normal course of business, the Audit Committee is satisfied that none of these constituted significant control failings during FY2018.

Attribute Standard 1312 of the Global Institute of Internal Auditors (‘IIA’) International Professional Practices Framework requires an external quality assessment of internal audit to be undertaken every five years. The review undertaken in FY2017 concluded that the Group’s internal audit function ‘Generally Conforms’ to the IIA standards (the highest possible rating). In addition to this, the Head of Risk and Assurance is required to undertake an annual self-assessment of adherence to this framework. This self-assessment is considered by the Audit Committee during its review of internal audit.

On an annual basis the Audit Committee circulates a questionnaire to Directors and senior management inviting comments on the Risk and Assurance function. The responses are considered by the Audit Committee and are used in conjunction with the other review processes described to determine whether internal audit is working effectively.

Following the review, the Audit Committee concluded that the Group’s internal audit function remains effective.

The Internal Audit Charter was reviewed by the Audit Committee during the financial year and it was determined that this remained fit for purpose.

**Review of the work, effectiveness and independence of the external auditors**

The Audit Committee reviews annually the relationship between the Group and the external auditors and has responsibility for monitoring the external auditors’ independence and objectivity. This work includes an assessment of their performance and cost-effectiveness, a review of the scope of their work, as well as their compliance with ethical, professional and regulatory requirements. The Audit Committee also reviews any major issues which arise during the course of the audit and their resolution, key accounting and audit judgements, and any recommendations made to the Board by the auditors and the Board’s response. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the external auditors.

The policy for the use of the external auditors for non-audit related purposes was reviewed by the Audit Committee during the financial year and it was determined that this remained appropriate and no changes were made. The policy is designed to control the provision of non-audit services by the external auditors in order to ensure that their objectivity and independence are safeguarded. The policy provides that preference should be given to retaining consultants other than from the external auditors unless strong reasons exist to the contrary, and that non-audit fees paid to the auditor should not exceed 100% of the audit related fees paid in that year, and the three-year average of non-audit fees paid to the auditor should not exceed 50% of the annual audit fees. The policy further requires that the provision of any non-audit services by the external auditors is subject to prior approval by the Audit Committee. The Audit Committee closely monitors the amount the Company spends with the external auditors on non-audit services. The only non-audit services provided by the auditors in the year relate to the review of the Company’s half-year results, plus a one off review required for the Omani tax authorities following the closure of Speedy’s operation in that country, both of which the Audit Committee accepted was work best undertaken by the external auditors. These fees represented 17% of the annual audit fees and the three year average was 17%. Details of the fees, split between audit and non-audit services, payable to the external auditors are given in note 4 to the Financial Statements.

The Audit Committee considered the external auditors’ performance during the year and reviewed the level of fees charged, which are considered appropriate given the size of the Group.

**Appointment of auditors**

Having considered the results of the Audit Committee’s work, the Board is recommending the re-appointment of KPMG LLP as auditors of the Group for FY2019. PricewaterhouseCoopers will continue to perform the audit of the Group’s Middle Eastern operations. KPMG LLP has expressed its willingness to continue as external auditors of the Group. Separate resolutions proposing its reappointment and the determination of its remuneration will be proposed at the Annual General Meeting to be held on 19 July 2018.

As noted previously, the Group’s external audit contract was last tendered in April 2001. The Audit Committee recognises the change made by the UK Financial Reporting Council regarding the retendering of audit services at least once every ten years for companies in the FTSE 350 and above. KPMG LLP’s own procedures require the rotation of the lead audit partner after five years, which took place as at the end of FY2016 with Chris Hearld appointed as lead partner. Whilst the Audit Committee will continue to keep this area under review, the Audit Committee has recommended that KPMG LLP should remain as auditors, on the basis that the current audit partner from KPMG LLP is a strong and independent partner who the Audit Committee is satisfied will robustly challenge management appropriately.

**Code of Conduct**

The Company remains committed to the highest standards of business conduct and expects its Directors, employees, consultants and other stakeholders to act accordingly. The Company has a well-established Code of Conduct which incorporates a whistleblowing policy. These policies are actively promoted within the Group. Code of Conduct training is covered in our induction programme for new employees and where appropriate, this is reinforced on an annual basis via an online training course for existing employees.

**Communicating with shareholders**

The Company places considerable importance on communication with its shareholders, including both institutions and private shareholders. The Group’s Chief Executive and Finance Director are closely involved with investor relations. The Group’s Chairman also regularly meets with investors. The views of the Company’s major shareholders are reported to the Board and are regularly discussed at meetings of the Board and at the various committees of the Board, including, where appropriate, the Audit Committee.

**Approval of Annual Report and Financial Statements**

Having reviewed the Annual Report and Financial Statements and verified its contents with key internal stakeholders, the Audit Committee advised the Board that in its opinion the Annual Report and Financial Statements was fair, balanced and understandable overall and provides all the information necessary to enable shareholders to assess the performance, business model and strategy of the Group.

This report was approved by the Board on 15 May 2018.

**Bob Contreras**

Chairman of the Audit Committee



GOVERNANCE

NOMINATION COMMITTEE REPORT



Jan Åstrand  
Chairman of the Nomination Committee

The Nomination Committee presents its report in relation to the financial year ended 31 March 2018. Chaired by Jan Åstrand, the key functions of the Nomination Committee are to review the structure and composition of the Board, to identify and propose to the Board suitable candidates to fill Board vacancies, and to undertake succession planning for Board and senior management positions.

Composition of the Nomination Committee

The Nomination Committee comprises the Chairman, Jan Åstrand, and the four independent Non-Executive Directors, Bob Contreras, Rob Barclay, David Garman and David Shearer. Appointments and attendance at meetings during the year are set out below. Biographies of the members of the Nomination Committee are set out on pages 42 and 43.

The terms of reference of the Nomination Committee are reviewed annually by the Committee and proposed changes are made to the Board. The current terms are published on the Company’s website at [speedyservices.com/investors](http://speedyservices.com/investors) and are also available in hard copy form on application to the Company Secretary.

Attendance

The Nomination Committee met on two occasions during the year, with additional ad hoc meetings as required. Details of the attendance at Nomination Committee meetings are set out in the table below. At the invitation of the Chairman, the Chief Executive may attend meetings. The Group’s HR Director may also be invited to attend, particularly where discussions are taking place around succession planning within the Group.

Nomination Committee members and meetings attended

Name	Position	Meetings attended
Jan Åstrand	Chairman	2/2
Bob Contreras	Non-Executive Director	2/2
Rob Barclay	Non-Executive Director	2/2
David Garman <sup>1</sup>	Non-Executive Director	1/1
David Shearer	Non-Executive Director	2/2

1 Appointed to the Board and Nomination Committee on 1 June 2017.

Operation of the Nomination Committee

The Nomination Committee generally meets on two occasions during a year, although it can meet more regularly if required. The Company Secretary acts as secretary to the Nomination Committee. The members of the Nomination Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company’s expense.

The Nomination Committee’s duties include, inter alia:

- > ensuring that there is a formal and transparent procedure for the appointment of new Executive and Non-Executive Directors to the Board and making recommendations to the Board on such appointments;
- > reviewing the size and composition of the Board along with membership of Board committees;
- > evaluating the balance of skills, knowledge and experience on the Board;
- > ensuring that succession planning is in place for the Board and senior management;
- > ensuring that Non-Executive Directors are able to devote sufficient time to discharge their duties; and
- > making recommendations to the Board in respect of Directors standing for re-election.

During the year the Nomination Committee undertook all of the duties set out above and additionally reviewed the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively.

The Nomination Committee leads the process for all Board appointments, carefully evaluating the skills available on the Board and how these may be best balanced and enhanced, agreeing the person specification, selecting external recruitment consultants, considering all candidates and making recommendations to the Board for appointment. In selecting candidates, the Nomination Committee gives due consideration to the benefits of diversity. All recommendations made are on merit against objective criteria.

As previously reported in reviewing the structure, size, composition and diversity of the Board in FY2017, it was recommended that an additional Non-Executive Director be appointed. The Nomination Committee agreed the specification and appointed Lygon Partners (an external search consultancy which has no other connection with the Company) to undertake a search. The process detailed above was followed for the new appointment, with David Garman being appointed to the Board on 1 June 2017.

In addition to changes at Board level, the Nomination Committee reviewed succession planning for key individuals, including Executive and Non-Executive Directors, and talent management, including identification of the most talented individuals for key management roles across the Group.

The Nomination Committee has recommended the annual re-election of all Directors, as detailed in the Directors’ Report on page 38.

The Nomination Committee under the leadership of Bob Contreras, the Senior Independent Director, is overseeing the current process for the selection of a new Chairman. Lygon Partners have been engaged to assist.

This report was approved by the Board on 15 May 2018.

Jan Åstrand  
Chairman of the Nomination Committee

GOVERNANCE

REMUNERATION REPORT



**Rob Barclay**  
Chairman of the Remuneration Committee

Annual Statement

The Remuneration Committee presents its report in relation to FY2018. This year’s report has been split into three sections:

- > this Annual Statement summarising major decisions and any outstanding changes to remuneration;
- > the Remuneration Policy Report, which sets out the Group’s policy on the remuneration of the Executive and Non-Executive Directors. While the disclosure of the Remuneration Policy Report is not required this year, it has been included in the interests of completeness and transparency; and
- > the Annual Remuneration Report outlining how the Group’s Remuneration Policy was implemented in FY2018.

As the Committee is not proposing any changes to the three year Remuneration Policy (originally approved by the Shareholders at the 2017 Annual General Meeting (AGM)) only this Annual Statement and the Annual Remuneration Report will be subject to an advisory vote at the 2018 AGM.

Performance and reward for FY2018

The Group’s turnaround phase has been successfully completed and we are now positioned to achieve sustainable growth through implementation of our customer focused strategy and our rigorous approach to capital allocation and cost control. Our hire fleet optimisation programme continues and, excluding the effect of acquisitions, the hire fleet has further reduced whilst we have delivered improvements in average asset utilisation (up 7.6% on prior year to 55.4% for the year ending 31 March 2018). As a result of the Group’s renewed focus on both SME customers and service, revenues for the year ending FY2018 increased to £377.4m, a 2.2% improvement on prior year.

The Executive Directors were eligible to receive a bonus opportunity of up to 100% of salary. As a result of the strong financial and operational performance during the year, the threshold performance targets were exceeded and bonuses paid out at 54.78% of salary.

The performance share awards granted in 2015 to the Chief Executive and other member of the management team participating are due to vest in August 2018. The awards were based fifty percent on an earnings per share performance condition and fifty percent on a relative total shareholder return condition. The earnings per share condition was based on performance in FY2018. With adjusted EPS of 4.04 pence performance was above the threshold performance hurdle and this part of the award will vest at 29.29%. Total shareholder return performance is measured over the three year period to 5 August 2018. The performance outcome for this part of the award is not yet known and the results will be set out in next year’s report. The awards will vest, subject to the final performance outcome, in August 2018. The Group Finance Director did not participate in the 2015 award cycle.

Application of the Remuneration Policy in FY2018

Base salaries for each Executive Director are reviewed annually by the Remuneration Committee, taking account of the Director’s performance, experience and responsibilities with any changes effective from 1 April. When determining Executive Directors’ base salaries, the Remuneration Committee has regard to economic factors, remuneration trends and the general level of salary increases awarded throughout the Group.

The salary for Chris Morgan has been increased by 2.5% to £249,700. This is in line with the range of increases provided across the wider workforce.

The salary for Russell Down has been increased by 7.0% to £380,100. Russell Down’s base salary was initially set at £350,000 on his promotion to Chief Executive on 1 July 2015; this was lower than the salary of his predecessor and significantly below the market level for the role. No salary increase was given in 2016 and only a 1.5% increase was given in 2017. We disclosed at the time of Russell’s promotion to Chief Executive that the Committee’s intention was to move his salary towards a more appropriate level over time, subject to satisfactory Group and individual performance. Given his strong performance in the role and the performance of the Group under his leadership, we now feel it is the right time to award a higher increase. In considering the level of increase to be awarded we have taken into account the impact on the other elements of the remuneration package. The revised salary level is still positioned below the median market level.

The maximum bonus opportunity remains unchanged at 100% of salary. The performance measures for FY2019 will be based on Group earnings before interest, tax and amortisation targets (EBITA) (70% of the award) and return on capital employed (ROCE) (30% of the award). Outstanding performance will be required for the maximum bonus to become payable. The forward looking targets are deemed to be commercially sensitive but further details will be disclosed on a retrospective basis in next year’s Annual Report and Accounts.

Performance share awards will continue to be granted over shares worth 100% of salary. Awards will be based on relative total shareholder return (TSR) (50% of the award) and earnings per share (EPS) growth targets (50% of the award) over three financial years. A two-year post vesting holding period applies. Details of the performance targets for the 2018 awards are set out in the Annual Remuneration Report.

Employee engagement

When considering the Remuneration Policy for the Executive Directors, the Remuneration Committee takes into account pay and employment conditions across the Company. Every employee in Speedy participates in a bonus scheme relevant to their role, ensuring all employees are able to share in the success of the organisation. In addition, alongside the Company wide salary review process, investment has also been made during the year to ensure that employee pay remains above the National Living Wage and further increases have been given to employees in key roles where recruitment and retention is a priority.

Shareholder engagement

The Committee takes an active interest in shareholder views on the Company’s executive remuneration policy and is mindful of the concerns of shareholders and other stakeholders and we will continue to take into account the views of our shareholders as appropriate. The Committee was pleased by the strong support received from shareholders for the Remuneration Policy and Annual Report on Remuneration at the 2017 AGM.

In conclusion, we firmly believe that the proposed operation of the policy is in the best interests of the Company and its shareholders and look forward to receiving your continued support at the AGM.

This report was approved by the Board on 15 May 2018.

**Rob Barclay**  
Chairman of the Remuneration Committee



GOVERNANCE > REMUNERATION REPORT CONTINUED

Remuneration Policy Report

This part of the Directors’ Remuneration Report sets out the Remuneration Policy for the Group. This policy was approved at the AGM on 12 July 2017 and became effective from that date. The Remuneration Committee’s current intention is that the revised policy will operate for the balance of the three year period to the AGM in 2020.

Policy overview

The primary objective of the Remuneration Policy is to promote the long-term success of the Group. In working towards the fulfilment of this objective the Remuneration Committee takes into account a number of factors when setting the Remuneration Policy for the Executive Directors including the following:

- > the need to attract, retain and motivate high calibre Executive Directors and senior management;
- > internal pay and benefits levels and practice and employment conditions within the Group as a whole;
- > the recommendations set out in the UK Corporate Governance Code and the views of shareholders and their representative bodies; and
- > periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies taking into account their size, business complexity, international scope and relative performance.

Our remuneration structure is intended to be simple and transparent, and to contribute to the building of a sustainable performance culture. The main elements of the remuneration package for Executive Directors are a base salary, benefits and pension provision and, subject to stretching performance conditions, an annual bonus plan and shares awarded under a Performance Share Plan (PSP).

The key principles of the policy are:

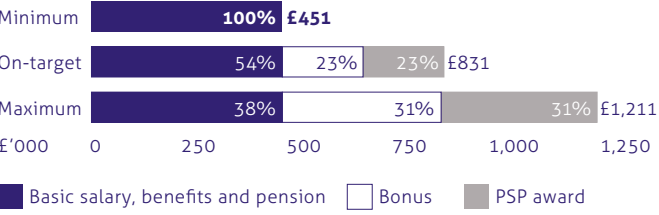
- > base salaries between lower quartile and median, but with the potential to earn above market rewards for sustained exceptional performance provided that stretching and demanding performance conditions, designed to promote the long-term success of the Group, are met;
- > a reward structure that balances short-term and long-term performance; and
- > competitive incentive arrangements, ensuring a focus on business performance and alignment with the interests of shareholders.

As a result, the Remuneration Committee has determined that the remuneration of Executive Directors will provide an appropriate balance between fixed and performance related pay elements. The Remuneration Committee will continue to review the Remuneration Policy to ensure it takes due account of remuneration best practice and that it remains aligned with shareholders’ interests.

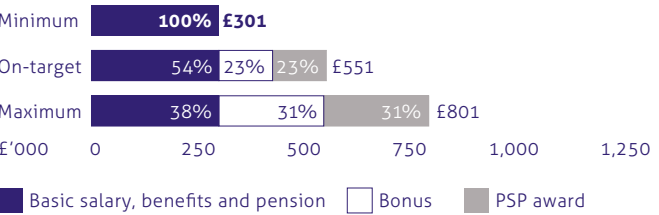
Remuneration scenarios for Executive Directors

The charts below show how the composition of the Executive Directors’ remuneration packages vary under the policy at three performance levels, namely, at minimum (i.e. fixed pay only), target and maximum levels.

Russell Down, Chief Executive



Chris Morgan, Group Finance Director



The charts above are based on:

- > salary levels effective 1 April 2018;
- > an approximated annual value of benefits;
- > an annualised pension contribution (as a % of salary);
- > a 100% of salary maximum annual bonus (with target assumed to be 50% of the maximum); and
- > a 100% of salary PSP award (with target assumed to be 50% of the maximum).

The scenarios exclude share price appreciation and dividend assumptions.

Summary Director policy table

The table below summarises the Remuneration Policy for Directors, as effective from the Company’s 2017 AGM:

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	<div>&gt; Reflects the value of the individual and their role</div> <div>&gt; Reflects skills and experience over time</div> <div>&gt; Provides an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income</div>	<div>&gt; Normally reviewed annually with changes typically effective 1 April</div> <div>&gt; Paid in cash on a monthly basis; pensionable</div> <div>&gt; Comparison against companies with similar characteristics and sector comparators are taken into account in review</div> <div>&gt; Internal reference points, the responsibilities of the individual role, progression within the role and individual performance are also taken into account</div>	<div>&gt; There is no prescribed maximum annual basic salary or salary increase. Details of the current salary levels are set out in the Annual Remuneration Report</div> <div>&gt; Any salary increase (in percentage of salary terms) will ordinarily be in line with the general increase for the broader employee population; however, a lower or a higher increase may be awarded to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements</div> <div>&gt; Where an Executive Director’s salary is set below market levels at appointment, a series of increases may be given (in addition to the factors listed above) in order to achieve the desired salary positioning, subject to satisfactory individual performance</div>	<div>&gt; None, although the overall performance of the individual is considered as part of the review process alongside the factors described in how we operate the salary policy</div>
Benefits	<div>&gt; To provide a competitive benefits package</div> <div>&gt; To promote recruitment and retention</div>	<div>&gt; Benefits may include a combination of car or car allowance, health benefits including permanent incapacity and life insurance</div> <div>&gt; Other benefits including relocation allowances may be offered if considered appropriate and reasonable by the Committee</div> <div>&gt; Any reasonable business related expenses can be reimbursed (including the tax thereon if determined to be a taxable benefit)</div> <div>&gt; Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with prevailing HMRC guidelines (where relevant), on the same basis as for other eligible employees</div>	<div>&gt; There is no maximum limit, but the Committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate. Participation in the all-employee share plans is subject to the limits set out by HMRC</div>	n/a

GOVERNANCE > REMUNERATION REPORT CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	> Provide competitive retirement benefits	> Defined contribution and/or cash in lieu of pension	> Up to 20% of basic salary p.a.	n/a
Bonus	> Incentivise delivery of specific strategic objectives, including financial performance and personal annual goals > Maximum bonus only payable for achieving demanding targets	> Normally payable in cash (although the Committee reserves the right to deliver some or all of the bonus in shares which may be deferred) > Non-pensionable > Levels of award are determined by the Committee after the year end based on performance against the targets set > All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year	> 100% of salary p.a.	> Group financial measures (e.g. profit before tax) will apply > Personal and/or strategic KPIs may apply for a minority of the bonus > One-year performance period > Clawback provisions apply for a period of three years from the bonus payment date
Performance Share Plan	> Aligned to main strategic objectives of delivering long-term value creation > Align Executive Directors' interests with those of shareholders > To promote retention	> Conditional awards or nil or nominal cost options are normally granted annually > The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures > A two-year post vesting holding period will be applied to the grant of awards	> 150% of salary p.a. normal limit > 200% of salary exceptional limit > A dividend equivalent provision exists allowing the Committee to pay an amount (in cash or shares) equivalent to the dividends paid or payable on vested shares (for options up to no later than the end of the post-vesting holding period or at the point of exercise, if sooner); any amount payable may assume the reinvestment of dividends	> Performance normally measured over three years > Awards currently vest based on performance against stretching relative Total Shareholder Return (TSR) targets and/or absolute Earnings Per Share (EPS) targets set and assessed by the Committee. However, different measures may be set for future award cycles, as appropriate, to reflect the strategic priorities of the business at that time > Performance underpins may also apply > A maximum of 25% vests at threshold increasing to 100% vesting at maximum on a straight line basis > Withholding and clawback provisions apply for a period of three years following the vesting of an award

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Share ownership guidelines	> To provide alignment of interests between Executive Directors and shareholders	> Executive Directors are required to build and maintain a shareholding equivalent to at least one year's base salary (although this may be increased if PSP award levels are increased in the future) through the retention of vested share awards or through open market purchases	> Executive Directors are required to build up and maintain a shareholding worth at least 100% of base salary	n/a
Non-Executive Directors	> To attract and retain high calibre Non-Executive Directors	> The Non-Executive Directors' fees are set by the Board on the recommendation of the Executive Directors. No Director takes part in discussions relating to their own remuneration > The fees are set taking into account the time commitment and responsibilities of the role > Fees are normally paid monthly in cash and are normally reviewed annually > Expectation that individuals build and maintain a shareholding equal to 100% of fees > Non-Executive Directors can be reimbursed for any reasonable business related expenses (including the tax thereon, if determined to be a taxable benefit)	> There is no prescribed maximum fee or fee increase. Total fees for the Non-Executive Directors are subject to the overall limit set out in the Company's Articles of Association > Any increase will be guided by changes in market rates, time commitments and responsibility levels	n/a

- Notes:
- The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Remuneration Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.
  - The performance conditions applicable to the PSP awards were selected by the Remuneration Committee on the basis that a combination of relative TSR and key financial objectives provides strong alignment with the delivery of long-term returns to shareholders and incentivises strong Group financial performance – consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The Remuneration Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Remuneration Committee would seek to consult with major shareholders in advance of any material change to the choice or weighting of the PSP performance measures.
  - The Remuneration Committee operates the annual bonus, PSP and all-employee share plans in accordance with the relevant plan rules and where appropriate, the Listing Rules and HMRC legislation. The Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include, for example, the timing of awards and setting performance criteria each year, dealing with leavers, discretion to retrospectively amend performance targets in exceptional circumstances (providing the new targets are no less challenging than originally envisaged) and in respect of share awards, to adjust the number of shares subject to an award in the event of a variation in the share capital of the Company.
  - Consistent with HMRC legislation, the all-employee Sharesave scheme does not have performance conditions.
  - Directors are eligible to receive payment, and any existing award may vest, in accordance with the terms of any such award made prior to the approval of the Remuneration Policy detailed in this report, and in accordance with the provisions of the Remuneration Policy in force at the time such award or right to receive payment was made or granted.



GOVERNANCE > REMUNERATION REPORT CONTINUED

How employees’ pay is taken into account

The Remuneration Committee does not directly consult with employees regarding the remuneration of directors. However, the pay and conditions elsewhere in the Group are considered when designing the policy for Executive Directors and continue to be considered in relation to implementation of the policy. The Remuneration Committee regularly interacts with the HR function and senior operational executives and monitors pay trends across the workforce. Salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The requirement to consider wider pay and employment conditions elsewhere in the Group is considered by the Remuneration Committee to be a key objective and is embedded in the Remuneration Committee’s terms of reference.

How the Executive Directors’ Remuneration Policy relates to the wider Group

The Remuneration Policy described above provides an overview of the structure that operates for the most senior executives in the Group. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with remuneration driven by market comparators and the impact of the role in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group’s strategic direction, earnings growth and share price performance.

Consistent with the Group’s approach of recognising the contribution of its employees at all levels in the business, the Group operates a long-term service award scheme under which employees serving 10, 20 and 25 years receive a range of additional benefits, including additional days of annual holiday entitlement. These benefits are popular amongst employees and the Group believes that they fulfil a business need by encouraging and rewarding the loyalty and motivation of long serving employees and by rewarding those employees with higher levels of experience.

How shareholders’ views are taken into account

The Remuneration Committee takes an active interest in shareholder views on our executive remuneration policy and is mindful of the concerns of shareholders and other stakeholders. The Remuneration Committee seeks to engage with its major shareholders when any significant changes to the Remuneration Policy are proposed. The Remuneration Committee also considers shareholder feedback received in relation to the Directors’ Remuneration Report each year and this, plus any additional feedback received from time to time, is considered as part of the Remuneration Committee’s annual review of Remuneration Policy. The Remuneration Committee also closely monitors developments in institutional investors’ best practice expectations.

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained.

The maximum level of variable pay which may be awarded to new Executive Directors, excluding the value of any buy-out arrangements, will be in line with the policy set above. In addition, the Remuneration Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It will, where possible, ensure that these awards are consistent with awards forfeited in terms of vesting periods and expected value.

The Remuneration Committee may apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the plan, if it determines that the circumstances of the recruitment merit such alteration. A PSP award can be made shortly following an appointment (assuming the Company is not in a closed period).

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms.

For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

The fee structure and quantum for Non-Executive Director appointments will be based on the prevailing Non-Executive Director fee policy.

The Board evaluation and succession planning processes in place are designed to ensure there is the correct balance of skills, experience and knowledge on the Board. The activities of the Nomination Committee overseeing these matters are disclosed in the Nomination Committee Report.

Service contracts and approach to leavers

The Company’s policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months’ notice from either party. The Executive Directors’ service contracts are available for inspection by shareholders at the Company’s registered office.

The relevant dates of service contracts and notice periods for the current Executive Directors are set out as follows:

Executive Director	Date of contract	Notice period
Russell Down	8 January 2015	12 months
Chris Morgan	13 January 2016	9 months

No Executive Director has the benefit of provisions in his or her service contract for the payment of pre-determined compensation in the event of termination of employment. It is the Remuneration Committee’s policy that the service contracts of Executive Directors will provide for termination of employment by giving notice or by making a payment of an amount equal to the monthly basic salary and pension contributions in lieu of notice. It is the Remuneration Committee’s policy that no Executive Director should be entitled to a notice period or payment on termination of employment in excess of the levels set out in his or her service contract and in determining amounts payable on termination, the Remuneration Committee will take into consideration the Executive Director’s duty to mitigate his or her loss.

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay out date. Different performance targets may be set for the remainder of this bonus period to reflect the Directors’ specific responsibilities. Any share-based entitlements granted to an Executive Director under the Company’s share plans will be determined based on the relevant plan rules. In certain prescribed circumstances, such as death, ill health, disability or other circumstances at the discretion of the Remuneration Committee, ‘good leaver’ status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the vesting period actually served. However, under the plan rules, the Remuneration Committee has discretion to determine that awards vest at cessation of employment and/or to disapply the time pro-rating requirement if it considers it appropriate to do so.

In relation to a termination of employment, the Remuneration Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Remuneration Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any transitional costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

There is no provision for additional compensation on a change of control. In the event of a change of control, the PSP awards will normally vest on (or shortly before) the change of control subject to the satisfaction of the relevant performance conditions at that time and, unless the Remuneration Committee determines otherwise, reduced pro-rata to reflect the proportion of the vesting period served. Outstanding awards under any all-employee share plans will vest in accordance with the relevant scheme plan. Bonuses may become payable, subject to performance and, unless the Remuneration Committee determines otherwise, a pro-rata reduction to reflect the curtailed performance period.

External appointments

The Board allows Executive Directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board. No Non-Executive Directorships in a listed company were held by the Executive Directors during the year.

Non-Executive Directors

The Chairman and Non-Executive Directors do not have contracts of service, but their terms are set out in letters of appointment. Appointments are subject to annual re-election by shareholders at the AGM and may be terminated by three months’ notice on either side. The letters of appointment of the Non-Executive Directors, copies of which are available for inspection at the Company’s registered office during normal business hours, specify an anticipated time commitment of 50 days per annum in relation to Jan Åstrand and 15 days in relation to Bob Contreras, Rob Barclay, David Garman and David Shearer. Relevant appointment letter and term dates of the Non-Executive Directors are set out as follows:

Non-Executive Director	Appointment letter date	Month of last election	Expected month of expiry of current term <sup>1</sup>
Jan Åstrand <i>Chairman</i>	9 October 2014	July 2017	November 2020
Bob Contreras	9 December 2015	July 2017	December 2018
Rob Barclay	30 March 2016	July 2017	April 2019
David Garman	25 May 2017	July 2017	July 2020
David Shearer	22 September 2016	July 2017	September 2019

1    Subject to annual re-election by shareholders at the AGM.

GOVERNANCE > REMUNERATION REPORT CONTINUED

Annual Remuneration Report

Remuneration Committee role and membership

The Remuneration Committee comprises four members: Rob Barclay (Chairman), Bob Contreras, David Garman and David Shearer, all of whom are considered by the Board to be independent Non-Executive Directors. Biographies of the members of the Remuneration Committee are set out on page 43. Details of the attendance at Remuneration Committee meetings are set out below.

Remuneration Committee members and meetings attended

Name	Position	Meetings attended
Rob Barclay	Chairman	Non-Executive Director
Bob Contreras	Non-Executive Director	5/5
David Garman <sup>1</sup>	Non-Executive Director	5/5
David Shearer	Non-Executive Director	2/2
		5/5

1    Member from 9 November 2017.

At the invitation of the Remuneration Committee Chairman, other members of the Board and senior management may attend meetings of the Remuneration Committee, except when their own remuneration is under consideration. No Directors are involved in determining their own remuneration. The Company Secretary acts as the secretary to the Remuneration Committee. The members of the Remuneration Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Group's expense.

The Remuneration Committee's duties include:

- > to make recommendations to the Board on the Group's framework and policy for the remuneration of the Executive Directors, Company Secretary and senior executives;
- > to review and determine, on behalf of the Board, executive remuneration and incentive packages to ensure such packages are fair and reasonable;
- > to review Directors' expenses;
- > to determine the basis on which the employment of executives is terminated;
- > to design the Group's share incentive schemes and other performance related pay schemes, and to operate and administer such schemes;
- > to determine whether awards made under performance related and share incentive schemes should be made, the overall amount of the awards, the individual awards to executives and the performance targets to be used;
- > to ensure that no Director is involved in any decisions as to his/her own remuneration; and
- > to review regularly the ongoing appropriateness and effectiveness of all remuneration policies.

During FY2018, the Remuneration Committee reviewed the following matters at its meetings:

- > determination of FY2017 bonuses for the Executive Directors and senior managers;
- > determination of executive remuneration structure and application of the policy for FY2019;
- > interim and final progress of employee share plan performance measures against targets and consequent approval of any vesting of awards;
- > grant of awards to be made under the performance share plan;
- > progress of bonus achievement for FY2018 executive bonuses;
- > 25-year long service awards for eligible employees;
- > terms of reference for, and effectiveness of, the Remuneration Committee;
- > ongoing appropriateness and effectiveness of remuneration and benefits policies for Executive Directors and employees generally;
- > performance of external remuneration advisers;
- > use of equity for employee share plans in relation to dilution headroom limits; and
- > determining remuneration arrangements for senior management joiners and leavers.

The Remuneration Committee's terms of reference are published on the Company's website at [speedyservices.com/investors](http://speedyservices.com/investors) and are also available in hard copy on application to the Company Secretary.

Advisers

During the year, the Remuneration Committee received advice from New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc), an independent remuneration consultancy, in connection with remuneration matters including the provision of general guidance on market and best practice, the review of the Directors' Remuneration Policy and the production of this report. New Bridge Street has no other connection or relationship with the Group, and provided no other services to the Group during FY2018. Fees paid to New Bridge Street for FY2018 totalled £27,196 (excluding VAT) in respect of advice provided to the Remuneration Committee and for related matters. The Remuneration Committee also sought advice from the Group's legal advisers, Pinsent Masons LLP, in connection with the production of this report, the 2014 Performance Share Plan and the all-employee share scheme (SAYE).

Implementation of the Remuneration Policy for FY2019

The sections of the Annual Remuneration Report that have been audited by KPMG LLP are page 66 from 'Non-Executive Directors' to page 70 up to and including 'Directors' interests in the share capital of the Company', but excluding paragraphs concerning 'Details of long-term incentive plan awards outstanding', 'Dilution', 'Percentage change in Chief Executive's remuneration' and 'Shareholder voting at AGM'.

Base salary

The salary for Chris Morgan has been increased by 2.5% to £249,700. This is in line with the range of increases provided across the wider workforce.

The salary for Russell Down has been increased by 7.0% to £380,100. Russell Down's base salary was initially set at £350,000 on his promotion to Chief Executive on 1 July 2015. This was lower than the salary of his predecessor and significantly below the market level for the role. No salary increase was given in 2016 and only a 1.5% increase was given in 2017. We disclosed at the time of Russell's promotion to Chief Executive that the Committee's intention was to move his salary towards a more appropriate level over time, subject to satisfactory Group and individual performance. Given his strong performance in the role and the performance of the Group under his leadership, we now feel it is the right time to award a higher increase. In considering the level of increase to be awarded we have taken into account the impact on the other elements of the remuneration package. The revised salary level is still positioned below the median market level.

Benefits in kind and pension

The Group operates a policy whereby Executive Directors and senior management are offered a car or cash alternative (as appropriate), health insurance, life cover and pension contributions, or cash in lieu of pension contributions (further details of which are set out on page 59).

The Group does not operate a defined benefit pension scheme and has no plans to introduce such a scheme.

Performance related annual bonus

For FY2019, the maximum bonus opportunity will continue to be limited to 100% of salary. The performance measures for FY2019 will be based on Group earnings before interest, tax and amortisation targets (EBITA) (70% of the award) and return on capital employed (ROCE) (30% of the award).

The forward looking targets are deemed to be commercially sensitive but full details will be disclosed on a retrospective basis in next year's Annual Report and Accounts.

A clawback provision will continue to operate for a 36 month period.

Long-term incentive plans

The 2014 Performance Share Plan (PSP) will continue to operate as the Company's primary long-term incentive arrangement, whereby awards over shares will normally vest three years from grant, subject to continued employment and performance conditions based on relative total shareholder return (TSR) and earnings per share (EPS) growth. It is intended that Executive Director award levels in FY2019 will be over shares worth no more than 100% of salary.

In respect of performance targets for awards to be granted in FY2019:

- > 50% of the award will be subject to an EPS condition. 25% of this part of the award will vest for threshold EPS in FY2021 (before amortisation and exceptional costs) of 6.13 pence with full vesting of this part of the award for EPS of 7.67 pence or better. A sliding scale operates between these points;
- > 50% of the award will be subject to a TSR condition based on the Group's performance against FTSE 250 companies (excluding investment trusts) as at the date of grant. 25% of this part of the award will vest if the Company's TSR is ranked at the median of the comparator group increasing pro-rata to full vesting for upper quartile ranking performance or better;
- > in addition to the above, no part of the award subject to the TSR condition will vest unless the Committee is also satisfied that the TSR performance of the Company is reflective of the Group's underlying performance; and
- > clawback provisions and a two year post vesting holding period will continue to be applied to Executive Directors.



GOVERNANCE > REMUNERATION REPORT CONTINUED

Non-Executive Directors

Current annual fee levels for Non-Executive Directors are as follows:

	Role	Committee chair role	1 April 2018 <sup>1</sup>	1 April 2017
Jan Åstrand <sup>2</sup>	Non-Executive Chairman	Nomination	£128,125	£125,000
Bob Contreras	Non-Executive Director	Audit	£53,000	£52,000
Rob Barclay	Non-Executive Director	Remuneration	£48,000	£47,000
David Garman <sup>3</sup>	Non-Executive Director	–	£41,000	–
David Shearer	Non-Executive Director	–	£41,000	£40,000 <sup>4</sup>

- 1 The policy reflects a base Board fee of £41,000 (increased from £40,000 effective 1 April 2018); additional fees for the Chairman of the Audit and Remuneration Committees of £7,000 and an additional fee for the Senior Independent Director of £5,000.
- 2 Jan Åstrand served as Executive Chairman to 30 September 2016. Additional fees relative to services provided were payable in FY2017, details of which are provided in the table below.
- 3 David Garman's annual fee on election to the Board on 1 June 2017 was £40,000.
- 4 David Shearer's annual fee on election to the Board on 9 September 2016.

Directors' remuneration for FY2018

The emoluments of the Directors of the Company for the year under review were as follows:

	Financial year	Fees/basic salary £'000s	Benefits £'000s <sup>1</sup>	Pension £'000s	Annual bonus £'000s <sup>2</sup>	Value of long-term incentives £'000s <sup>3</sup>	Total remuneration £'000s
Russell Down	2018	355	14	53	195	50	667
	2017	350	14	52	341	–	757
Chris Morgan	2018	244	14	37	133	–	428
	2017	240	14	36	234	–	524
Jan Åstrand	2018	125	–	–	–	–	–
	2017	138 <sup>4</sup>	–	–	–	–	138
Bob Contreras	2018	52	–	–	–	–	–
	2017	47	–	–	–	–	47
Rob Barclay	2018	47	–	–	–	–	47
	2017	47	–	–	–	–	47
David Garman	2018	33 <sup>5</sup>	–	–	–	–	33
	2017	–	–	–	–	–	–
David Shearer	2018	40	–	–	–	–	40
	2017	22 <sup>6</sup>	–	–	–	–	22
Totals	2018	896	28	90	328	50	1,392
	2017	844	28	88	575	–	1,535

- 1 Taxable benefits comprise a car or cash alternative, health insurance, and life insurance, including 11.07 pence per share for the SAYE 2017 awards granted in December 2017 (being the value of the discount under the scheme). Russell Down and Chris Morgan received £47,000 and £37,000 respectively in lieu of pension contributions which are included in the Pension column above together with any actual pension contributions made.
- 2 For FY2018 the maximum bonus opportunity for the Executive Directors was 100% of salary, with 70% of the opportunity based on Group earnings before interest, tax and amortisation targets ('EBITA') and 30% based on strategic objectives. Details of actual performance against targets is set out below.
- 3 This reflects the EPS element of the 2015 performance share award. See further details on page 69. Chris Morgan did not participate in this award as he joined the Company after the commencement of the 2015 award cycle.
- 4 Jan Åstrand reverted back to non-executive status on 30 September 2016. During FY2017 he was paid £13,125 in additional fees over and above his normal base fee of £125,000 for his role as Executive Chairman (split as £10,625 for FY2016 and £2,500 for FY2017).
- 5 David Garman was appointed to the Board on 1 June 2017.
- 6 David Shearer was elected to the Board on 9 September 2016.

Annual bonuses awarded in respect of FY2018 performance

Russell Down and Chris Morgan were eligible to receive bonuses with a maximum opportunity of 100% of salary in respect of financial and operational performance in FY2018. Details of the performance targets and resulting bonus outcome are set out in the table below:

Measure	Weighting	Threshold/Target	Stretch	Result
Group earnings before interest, tax and amortisation targets ('EBITA')	70%	£28.2m	£35.3m	39.95% of salary (based on EBITA of £29.2m, max 70%)
Strategic targets: Return on capital employed ('ROCE')	20%	10.8%	13.7%	4.83% of salary (based on ROCE of 11.5%)
Core Hire revenue growth	10%	Year on year increase	–	Achieved
	100%	Bonus achieved for FY2018		54.78% of salary

The bonus awards for the Executive Directors for FY2018 reflect the significant improvement in the financial and operational performance of the Company in the year. The bonuses will be paid in cash in June 2018. As set out in the Remuneration Policy, clawback provisions apply for a period of three years following the payment of a bonus.

Long-term incentive plan awards granted in the year

Russell Down and Chris Morgan were granted the following awards under the 2014 Performance Share Plan on 12 June 2017 as set out below:

Executive Director	Date of grant	Basis of award	Maximum shares under award	Face value of awards <sup>1</sup>	Performance period <sup>2</sup>	Vesting period	% vesting at threshold
Russell Down	12/06/2017	100% of salary	628,482	£355,250	Three years ending 31 March 2020	Three years from grant	25% of an award
Chris Morgan	12/06/2017	100% of salary	430,959	£243,600	Three years ending 31 March 2020	Three years from grant	25% of an award

- 1 Determined using the average mid-market closing share price of the Company for the 5 days preceding the date of grant.
- 2 50% of the award is subject to an EPS condition. 25% of this part of the award vests for EPS (before amortisation and exceptional costs) of 5.41 pence, with full vesting of this part of the award for EPS of 6.95 pence or better. A sliding scale operates between these points. 50% of the award is subject to a TSR condition based on the Company's performance against FTSE 250 companies (excluding investment trusts) measured over three financial years ending 31 March 2020. 25% of this part of the award vests if the Company's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of the award for upper quartile performance or better. A sliding scale operates between these points. Regardless of the Company's TSR performance, no portion of the part of the award which is subject to TSR performance may vest unless the Committee is also satisfied that the Company's TSR performance is reflective of its underlying performance over the performance period.

GOVERNANCE > REMUNERATION REPORT CONTINUED

Details of long-term incentive plan awards outstanding

Details of the Executive Directors’ interests in share-based awards are as follows:

Executive Director	Interest at 1 April 2017	Options/ awards granted during the year	Options/ awards exercised during the year	Options/ awards lapsed during the year	Interest at 31 March 2018	Exercise price (pence)	Normal date from which exercisable/vested to expiry date (if appropriate)
<b>Russell Down</b>							
PSP 2015 <sup>1,2</sup>	676,328	–	–	–	676,328	nil	Aug 2018 – Aug 2025
PSP 2016 <sup>1,2</sup>	978,336	–	–	–	978,336	nil	Jun 2019 – Jun 2026
PSP 2017 <sup>1,3</sup>	–	628,482	–	–	628,482	nil	Jun 2020 – Jun 2027
SAYE 2015 <sup>4</sup>	9,622	–	–	–	9,622	26.936	Feb 2019 – Jul 2019
SAYE 2016 <sup>4</sup>	9,653	–	–	–	9,653	33.936	Feb 2020 – Jul 2020
SAYE 2017 <sup>4</sup>	–	5,040	–	–	5,040	44.280	Feb 2021 – Jul 2021
<b>Total</b>	<b>1,673,939</b>	<b>633,522</b>	<b>–</b>	<b>–</b>	<b>2,307,461</b>		
<b>Chris Morgan</b>							
PSP 2016 <sup>1,2</sup>	670,859	–	–	–	670,859	nil	Jun 2019 – Jun 2026
PSP 2017 <sup>1,3</sup>	–	430,959	–	–	430,959	nil	Jun 2020 – Jun 2027
SAYE 2016 <sup>4</sup>	13,260	–	–	–	13,260	33.936	Feb 2020 – Jul 2020
SAYE 2017 <sup>4</sup>	–	7,073	–	–	7,073	44.280	Feb 2021 – Jul 2021
<b>Total</b>	<b>684,119</b>	<b>438,032</b>	<b>–</b>	<b>–</b>	<b>1,122,151</b>		

1 The 2015, 2016 and 2017 Performance Share Plan awards, made under the 2014 Performance Share Plan, were granted as nil-cost options. No consideration was paid for the grant of these options.

2 50% of each 2015 and 2016 Performance Share Plan award is subject to an EPS condition. 25% of this part of the award vests in respect of the 2015 award: for EPS (before amortisation and exceptional costs) of 4.0 pence, with full vesting of this part of the award for EPS of 4.7 pence or better; and in respect of the 2016: award for EPS (before amortisation and exceptional costs) of 2.92 pence, with full vesting of this part of the award for EPS of 5.11 pence or better. A sliding scale operates between the points. 50% of each 2015 and 2016 Performance Share Plan award is subject to a TSR condition based on the Company's performance against FTSE 250 companies (excluding investment trusts) as at the date of grant. 25% of this part of the award vests if the Company's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of the award for upper quartile performance or better. A sliding scale operates between these points. Regardless of the Company's TSR performance, no portion of the part of the award which is subject to TSR performance may vest unless the Committee is also satisfied that the Company's TSR performance is reflective of its underlying performance over the performance period.

3 The performance conditions for the 2017 Performance Share Plan awards are set out in note 2 under 'Long-term incentive plan awards granted in the year' on page 67.

4 All-employee scheme giving employees the opportunity to acquire shares at a discount of 20% of the market value of the shares at the time the invitation is issued. The maximum monthly contribution is £250.

The mid-market closing price of Speedy Hire Plc ordinary shares at 31 March 2018 was 51.7 pence and the range during the year was 48.3 pence to 62.0 pence per share.

Performance share awards granted in 2015

The performance share awards granted in 2015 are due to vest in August 2018. Details of the performance targets set for the award and actual/estimated achievement against them are set out in the table below.

Performance measure	Weighting	Performance period end	Threshold performance hurdle (25% vesting)	Stretch performance hurdle (100% vesting)	Actual	% vesting for this part of the award
Adjusted earnings per share	50%	31 March 2018	4.00p	4.70p	4.04p	29.29%
Total shareholder return	50%	5 August 2018	Median	Upper quartile	Performance not yet completed	–

Earnings per share performance for FY2018 was above the threshold hurdle (4.00 pence) and therefore this part of the award will vest at 29.29%.

For the relative Total Shareholder Return condition, the performance period does not end until 5 August 2018. The vesting outcome will not be known until the end of the performance period and will be disclosed in next year's Remuneration Report.

The value of the shares included in the Directors’ remuneration for FY2018 table for the Chief Executive is based on the vesting level set out above for the earnings per share element only and has been valued using the average share price over the period 1 January 2018 to 31 March 2018. The value of the total shareholder return element of the award will be shown in the next year's Directors’ remuneration single figure table when the final performance outcome will be known.

The Group Finance Director was not a participant in the 2015 performance share award.

Dilution

The Performance Share Plan and SAYE share option schemes provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten year period. Within this 10% limit, dilution through the Performance Share Plan is limited to an amount equivalent to 5% of the Company's issued share capital over a ten year period. Both limits are in line with institutional shareholder guidelines.

The Committee monitors the position prior to making awards under these schemes to ensure that the Company remains within these limits. As at the date of this report, 2.32% of the 5% limit and 4.85% of the 10% limit have been used.

Termination payments

No Director left in the year and no compensation for loss of office was paid. The principles governing compensation for loss of office payments are set out on page 40.

Payments to past Directors

The award granted to Mark Rogerson under the Company's 2014 Performance Share Plan on 24 November 2014 (112,951 shares under award) lapsed in November 2017 as a result of the performance conditions not being met.

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any long-term incentives and pension benefits receivable in the year) between FY2017 and FY2018 compared to that of the average for all UK & Ireland based employees of the Group.

	% change from FY2017 to FY2018		
	Salary	Benefits	Bonus
Chief Executive	1.4%	0.0%	(42.8)%
Average employees	2.0%	0.0%	(0.2)%



GOVERNANCE > REMUNERATION REPORT CONTINUED

Shareholder voting at AGM

At the 2017 AGM, the Directors’ Remuneration Policy and Remuneration Report received the following votes from shareholders:

Remuneration Policy	Total number of votes	% of votes cast
For	420,503,951	98.45
Against	6,606,428	1.55
Total votes cast (for and against)	427,110,379	100
Votes withheld <sup>1</sup>	2,866,453	n/a
Total votes cast (including withheld votes)	429,976,832	

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast ‘For’ and ‘Against’ a resolution.

Remuneration Report	Total number of votes	% of votes cast
For	425,270,025	98.92
Against	4,648,048	1.08
Total votes cast (for and against)	429,918,073	100
Votes withheld <sup>1</sup>	58,759	n/a
Total votes cast (including withheld votes)	429,976,832	

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast ‘For’ and ‘Against’ a resolution.

Directors’ interests in the share capital of the Company

The interests of the Directors (all of which were beneficial) who held office during FY2018, are set out in the table below:

	Legally owned		PSP Awards		Sharesave		Total	% of salary/fee share ownership guideline met <sup>1</sup>
	31 March 2017	31 March 2018	Unvested	Vested	Unvested	31 March 2018	(100% of salary/fee)	
Russell Down	294,871	294,871	2,283,146	–	24,315	294,871	45.6%	
Chris Morgan	179,680	250,713	1,101,818	–	20,333	250,713	56.5%	
Jan Åstrand	500,000	500,000	–	–	–	500,000	>100.0%	
Bob Contreras	40,000	40,000	–	–	–	40,000	42.3%	
Rob Barclay	19,000	48,000	–	–	–	48,000	56.1%	
David Garman	–	75,000	–	–	–	75,000	>100.0%	
David Shearer	150,000	150,000	–	–	–	150,000	>100.0%	

1 Note that only legally owned shares and vested but unexercised PSP awards during the two year post vesting holding period only (on a net of tax basis) count towards the share ownership guideline. Shareholdings are valued on the basis of the average daily closing share price (or the three months prior to the 31 March and tested against the Directors’ base salary/fee at 31 March).

There have been no changes in the interests of any current Director in the share capital of Speedy Hire Plc between 1 April 2018 and the date of this report.

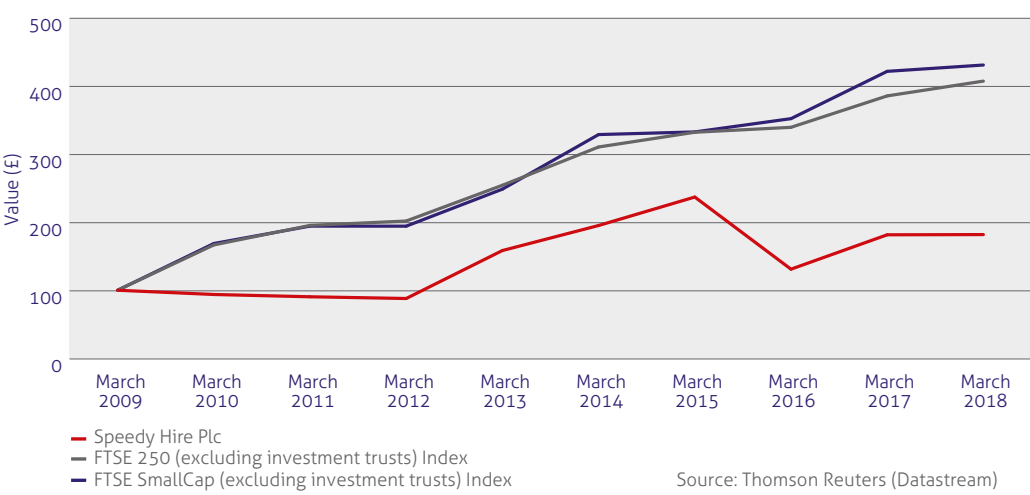
Share ownership guidelines

Executive Directors are expected to build and maintain a shareholding of 100% of salary. Russell Down joined the Board in April 2015 and Chris Morgan joined in April 2016. Neither currently meets this level due to being relatively recent appointments. Directors are expected to retain a proportion of shares vesting under their share awards (after tax) until such time as the guidelines are met.

Comparison of overall performance and pay

The chart below presents the total shareholder return for Speedy Hire Plc compared to that of the FTSE 250 and FTSE SmallCap (both excluding investment trusts). The values indicated in the graph show the share price growth plus reinvested dividends over a nine year period from a £100 hypothetical holding of ordinary shares in Speedy Hire Plc and in the index.

Total shareholder return



The total remuneration figures for the Chief Executive during each of the last nine financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year’s performance (FY2010 to FY2018) and PSP awards based on three year performance periods ending just after the relevant year end. The annual bonus pay-out and PSP vesting level, as a percentage of the maximum opportunity, are also shown for each of these years.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018
	Steve Corcoran					Mark Rogerson			Russell Down		
Total remuneration (£’000s)	419	423	421	553	707	115	593	107	409	757	667
Annual bonus (% of max)	–	–	–	37%	–	–	60%	–	–	97.4%	54.78%
PSP vesting (% of max)	–	–	–	–	82%	–	–	–	–	–	15%

Steve Corcoran stepped down and Mark Rogerson was appointed as Chief Executive during FY2014. Mark Rogerson stepped down and Russell Down was appointed as Chief Executive during FY2016.

The performance share vesting figure for FY2018 is based on the vesting of the earnings per share part of the award only, as set out on page 68. The % of the maximum will be updated next year when the outturn vesting of the TSR part of the award is known.

Relative importance of spend on pay

The following table shows the Company’s actual spend on pay (for all employees) relative to dividends.

	2017	2018	% change
Staff costs (£’m)	98.6	102.7	4.2
Dividends (£’m)	3.8	6.1	60.5

£927,000 of the staff costs figures relate to pay for the Executive Directors. This is different from the aggregate of the single figures for the year under review due to the way in which the share-based awards are accounted for. The dividend figures relate to amounts paid in respect of the relevant financial year.

This report was approved by the Board on 15 May 2018.

Rob Barclay

Chairman of the Remuneration Committee



# Independent auditor's report

## to the members of Speedy Hire Plc

1. Our opinion is unmodified

We have audited the financial statements of Speedy Hire Plc ("the Company") for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity, company cash flow statement and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors in October 2000. The period of total uninterrupted engagement is for the 18 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
<b>Materiality:</b> Group financial statements as a whole	£1.2m (2017:£0.675m)	
	4.7% (2017: 4.7%) of Profit before tax normalised to exclude exceptional items	
<b>Coverage</b>	100 % (2017:100%) of Group profit before tax	
Risks of material misstatement vs 2017		
<b>Recurring risks</b>	<b>Group</b> - Hire equipment	◀▶
	<b>Group</b> - Trade receivables	▲
	<b>Parent</b> - Recoverability of parent's debt due from Group entities	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk	Our response
<b>Hire equipment</b> (£204.5 million; 2017: £194.8m)  <i>Refer to page 51 (Audit Committee Report), page 87 (accounting policy) and page 104 (financial disclosures).</i>	<b>Physical quantities</b>  The Group has more than four million items of equipment, and a high frequency of movement in individual assets, through asset purchases, physical hires and disposals. As such there is inherent difficulty in maintaining an accurate fixed assets register.  <b>Subjective estimate</b>  Judgement is applied by the Group in the estimation of useful economic lives and residual values which are based on both historical experience and an assessment of the nature of the assets involved.
	Our procedures included:  — <b>Control design and re-performance:</b> Testing the design and operating effectiveness of key controls including authorisation of asset purchases.  — <b>Count design and attendance:</b> Testing the design of controls operating over hire equipment asset counts. Testing the operating effectiveness of these controls by performing counts to test the accuracy of the counting for a sample of hire equipment assets. For the sample, agreeing that the records from the counts had been accurately reflected on the fixed asset register and in the financial statements.  — <b>Test of details:</b> Agreeing a statistical sample of assets acquired and disposed of during the year to third party evidence and bank proceeds. Comparing the hire fleet register for the current year to prior year to determine any changes made to useful economic lives and residual values and challenging any changes to assess whether they are consistent with accounting policies. Reviewing profit or loss on disposal of hire equipment to support the reasonableness of the useful economic lives and residual values applied.  — <b>Sector experience:</b> Comparing the hire fleet asset register to hire revenue information to identify the quantity and net book value of assets not recently hired to customers. Identifying from this analysis those assets we consider to be at highest risk of obsolescence, challenging the Group to provide evidence over the existence, and valuation, of these assets and inspecting this evidence.  — <b>Assessing transparency:</b> assessing the adequacy of the Group's disclosures in respect of the judgements and estimates involved in arriving at the valuation of hire equipment.
	<b>Our results</b>  — The results of our procedures were satisfactory (2017: satisfactory).





2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
<b>Trade receivables</b> (£91.7 million; 2017: £83.3m)  <i>Refer to page 51 (Audit Committee Report), page 90 (accounting policy) and page 105 (financial disclosures).</i>	<b>Subjective valuation:</b>  The Group’s customers operate in the construction market which may result in an increased risk of non-recoverability of trade receivables. This includes the exposure of subcontractors to the Carillion insolvency which was considered as part of the provision in the year.  The International business’s customer base in the Middle East increases the risk associated with the recoverability of trade receivables as longer payment terms are given in those jurisdictions, which could delay the identification of irrecoverable trade receivables.	Our procedures included: <ul style="list-style-type: none"><li>— <b>Control design and re-performance:</b> Identification and testing of the operating effectiveness of key controls including credit control procedures.</li><li>— <b>Historical comparison:</b> Assessing the methodology used to calculate the provision recorded against trade receivables, challenging the appropriateness of these provisions based on historical bad debt write-offs.</li><li>— <b>Sector experience:</b> After analysing the level of cash receipts post year end, identifying a risk based sample of receivables. For this sample, gaining a detailed understanding of the payment status of the receivable balance and the customer’s likelihood of payment including independently agreeing the customer’s latest credit score.</li><li>— <b>Assessing transparency:</b> Assessing the adequacy of the Group’s disclosures in relation to the degree of estimation involved in arriving at the carrying amount of the trade receivables balance.</li></ul> <b>Our results</b> <ul style="list-style-type: none"><li>— From the evidence obtained, we considered the level of provisioning to be acceptable (2017: acceptable).</li></ul>
<b>Recoverability of parent’s debt due from Group entities</b> (£319.4 million; 2017: £323.3m)  <i>Refer to page 121 (accounting policy) and page 123 (financial disclosures).</i>	<b>Low risk, high value:</b>  The carrying amount of the intra-group debtor balance represents 76% of the parent Company’s total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: <ul style="list-style-type: none"><li>— <b>Tests of detail:</b> Assessing 100% of Group debtors to identify, with reference to the relevant debtors’ draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making.</li><li>— <b>Assessing subsidiary audits:</b> Assessing the work performed by the subsidiary audit team, and considering the results of that work, on those net assets, including assessing the liquidity of the assets and therefore the ability of the subsidiary to fund the repayment of the receivable.</li></ul> <b>Our results</b> <ul style="list-style-type: none"><li>— We found the Group’s assessment of the recoverability of the Group debtor balance to be appropriate (2017: appropriate).</li></ul>

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.2m (2017: £0.675m), determined with reference to a benchmark of Group profit before tax, normalised to exclude exceptional items as disclosed in note 3, of £7.7m (2017: nil), of which it represents 4.7% (2017: 4.7%).

Materiality for the parent Company financial statements as a whole was set at £1.0m (2017: £0.65m), determined with reference to a benchmark of Company total assets, of which it represents 0.2% (2017: 0.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.06m (2017: £0.0335m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s ten (2017: eight) reporting components, we subjected nine (2017: seven) to full scope audits for Group purposes and one (2017: one), being a joint venture, to specified risk-focused audit procedures over share of revenue and profit for the period. The latter was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

The work on the two (2017: two) International components was performed by component auditors. The work on the other eight (2017: six) components was performed by the Group audit team. This scoping is consistent with the prior year.

The Group team performed procedures on the exceptional items excluded from normalised Group profit before tax.

The components within the scope of our work accounted for the percentages illustrated opposite.

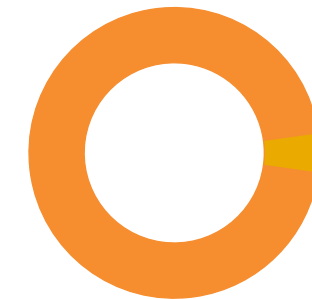
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £73k to £1.0m (2017: £4k to £0.65m), having regard to the mix of size and risk profile of the Group across the components.

The work on two of the ten components (2017: two of the eight components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

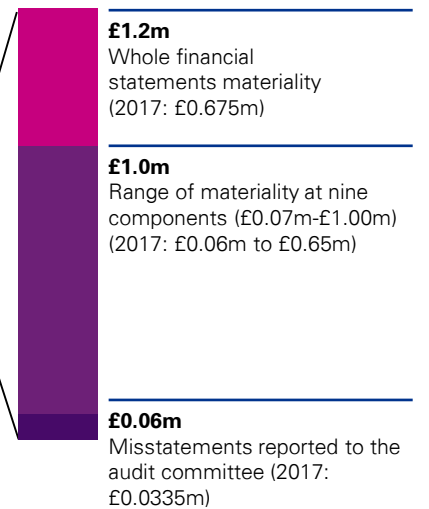
The Group audit team held telephone conference meetings with the component auditors. At these meetings, the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditors.

Profit before tax excluding exceptional items  
£25.7m (2017: £14.4m)



■ Profit before tax excluding exceptional items  
■ Group materiality

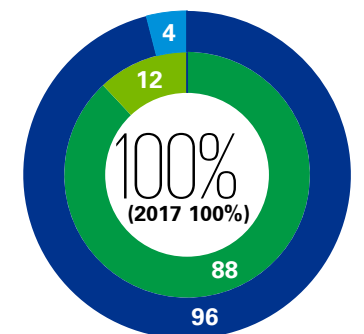
Group Materiality  
£1.2m (2017: £0.675m)



Group revenue



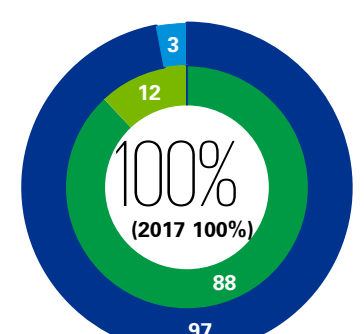
Group profit before tax



Group total assets



Group profit before exceptional items and tax



■ Full scope for Group audit purposes 2018  
■ Specified risk-focused audit procedures 2018  
■ Full scope for Group audit purposes 2017  
■ Specified risk-focused audit procedures 2017

#### 4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 41 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

#### 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Directors' Viability Statement on page 35 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Directors' Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Directors' Viability Statement. We have nothing to report in this respect.

#### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

#### 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### 7. Respective responsibilities

##### Directors' responsibilities

As explained more fully in their statement set out on page 41, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

#### 8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Chris Hearld (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 St Peter's Square

Manchester

M2 3AE

15 May 2018



# FINANCIAL STATEMENTS

## Financial Statements

Consolidated Income Statement	79
Consolidated Statement of Comprehensive Income	80
Consolidated Balance Sheet	81
Consolidated Statement of Changes in Equity	82
Consolidated Cash Flow Statement	83
Reconciliation of Net Debt	84
Notes to the Financial Statements	85
Company Balance Sheet	118
Company Statement of Changes in Equity	119
Company Cash Flow Statement	120
Notes to the Company Financial Statements	121
Five-year Summary	126

## Corporate Information

Shareholder Information	127
Registered Office and Advisers	128

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

Note	Year ended 31 March 2018			Year ended 31 March 2017 £m
	Before exceptional items £m	Exceptional items £m	Total £m	
Revenue including share of joint venture's revenue	380.7	–	380.7	375.1
Less: share of joint venture's revenue	(3.3)	–	(3.3)	(5.7)
<b>Revenue</b>	<b>377.4</b>	<b>–</b>	<b>377.4</b>	369.4
Cost of sales	(172.7)	–	(172.7)	(177.7)
<b>Gross profit</b>	<b>204.7</b>	<b>–</b>	<b>204.7</b>	191.7
Distribution costs	(35.5)	–	(35.5)	(34.6)
Administrative expenses	(140.2)	(7.2)	(147.4)	(139.6)
<b>Analysis of operating profit</b>				
Operating profit before amortisation and exceptional items	29.2	–	29.2	19.3
Amortisation	(0.2)	–	(0.2)	(1.8)
Exceptional items	–	(7.2)	(7.2)	–
<b>Operating profit</b>	<b>29.0</b>	<b>(7.2)</b>	<b>21.8</b>	17.5
Share of results of joint venture	0.8	–	0.8	1.7
<b>Profit from operations</b>	<b>29.8</b>	<b>(7.2)</b>	<b>22.6</b>	19.2
Financial expense	(4.1)	(0.5)	(4.6)	(4.8)
<b>Profit before taxation</b>	<b>25.7</b>	<b>(7.7)</b>	<b>18.0</b>	14.4
Taxation	(4.9)	1.0	(3.9)	(2.9)
<b>Profit for the financial year</b>	<b>20.8</b>	<b>(6.7)</b>	<b>14.1</b>	11.5
<b>Earnings per share</b>				
– Basic (pence)	9		2.71	2.22
– Diluted (pence)	9		2.70	2.21
<b>Non-GAAP performance measures</b>				
EBITDA before exceptional items	11	73.0		63.1
Profit before tax, amortisation and exceptional items	11	25.9		16.2
Adjusted earnings per share (pence)	9	4.04		2.45

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the financial year	14.1	11.5
Other comprehensive income that may be reclassified subsequently to the Income Statement:		
– Effective portion of change in fair value of cash flow hedges	0.5	0.3
– Exchange difference on translation of foreign operations	(1.5)	2.3
Other comprehensive income, net of tax	(1.0)	2.6
Total comprehensive income for the financial year	13.1	14.1

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2018

	Note	31 March 2018 £m	31 March 2017 Restated <sup>1</sup> £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	10.0	3.8
Investment in joint venture	13	5.1	5.7
Property, plant and equipment			
Hire equipment	14	204.5	194.8
Non-hire equipment	14	35.0	39.8
Deferred tax asset	21	1.4	1.1
		256.0	245.2
<b>Current assets</b>			
Inventories	15	7.9	6.6
Trade and other receivables	16	99.7	91.0
Current tax asset		–	0.6
Cash	19	9.8	5.6
		117.4	103.8
<b>Total assets</b>		<b>373.4</b>	<b>349.0</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	19	(5.7)	(4.4)
Other financial liabilities	18	–	(0.4)
Trade and other payables	17	(83.7)	(74.2)
Provisions	20	(1.6)	(1.2)
Current tax liability		(1.4)	–
		(92.4)	(80.2)
<b>Non-current liabilities</b>			
Borrowings	19	(73.5)	(72.6)
Trade and other payables	17	–	(0.2)
Provisions	20	(1.5)	(0.3)
Deferred tax liability	21	(8.2)	(6.1)
		(83.2)	(79.2)
<b>Total liabilities</b>		<b>(175.6)</b>	<b>(159.4)</b>
<b>Net assets</b>		<b>197.8</b>	<b>189.6</b>
<b>EQUITY</b>			
Share capital	22	26.2	26.2
Share premium		–	191.4
Merger reserve		1.0	1.0
Hedging reserve		(0.1)	(0.6)
Translation reserve		(0.9)	0.6
Retained earnings		171.6	(29.0)
<b>Total equity</b>		<b>197.8</b>	<b>189.6</b>

1 See note 24.

The Consolidated Financial Statements on pages 79 to 117 were approved by the Board of Directors on 15 May 2018 and were signed on its behalf by:

Russell Down  
Director

Thomas Christopher Morgan  
Director

Company registered number: 00927680



FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
<b>Cash generated from operating activities</b>			
Profit before tax		18.0	14.4
Financial expense		4.1	4.8
Exceptional financial expense		0.5	–
Amortisation		0.2	1.8
Depreciation		43.8	43.8
Share of profit of equity-accounted investments		(0.8)	(1.7)
(Profit)/loss on disposal of hire equipment		(0.7)	1.5
Loss on disposal of other property, plant and equipment		–	0.3
Increase in inventories		(1.0)	(0.2)
Increase in trade and other receivables		(4.5)	(5.8)
Increase in trade and other payables		2.5	2.4
Movement in provisions		1.1	(1.9)
Equity-settled share-based payments		1.2	0.8
<b>Cash generated from operations before changes in hire fleet</b>		64.4	60.2
Purchase of hire equipment		(44.8)	(40.5)
Proceeds from sale of hire equipment		17.6	29.2
<b>Cash generated from operations</b>		37.2	48.9
Interest paid		(4.7)	(4.3)
Tax paid		(1.6)	(1.9)
<b>Net cash flow from operating activities</b>		30.9	42.7
<b>Cash flow from investing activities</b>			
Purchase of non-hire property, plant and equipment		(5.0)	(4.3)
Proceeds from sale of other property, plant and equipment		1.6	0.2
Acquisitions, net of cash acquired	24	(10.7)	(3.8)
Investment in joint venture		0.6	0.2
<b>Net cash flow from investing activities</b>		(13.5)	(7.7)
<b>Net cash flow before financing activities</b>		17.4	35.0
<b>Cash flow from financing activities</b>			
Finance lease payments		(8.5)	(0.5)
Drawdown of loans		401.9	374.7
Payment of loans		(401.9)	(408.4)
Proceeds from the issue of Sharesave Scheme shares		0.1	0.1
Dividends paid		(6.1)	(3.8)
<b>Net cash flow from financing activities</b>		(14.5)	(37.9)
<b>Increase/(decrease) in cash and cash equivalents</b>		2.9	(2.9)
Cash at the start of the financial year		1.5	4.4
<b>Net cash at the end of the financial year</b>		4.4	1.5
<b>Analysis of cash and cash equivalents</b>			
Cash	19	9.8	5.6
Bank overdraft	19	(5.4)	(4.1)
		4.4	1.5

FINANCIAL STATEMENTS

RECONCILIATION OF NET DEBT  
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £m	2017 £m
Net increase/(decrease) in cash and cash equivalents		2.9	(2.9)
(Increase)/decrease in borrowings	19	(0.9)	34.3
Finance lease liabilities	19	0.3	0.4
Movement in capitalised loan costs	19	(0.3)	(0.6)
Change in net debt during the year		2.0	31.2
Net debt at 1 April		(71.4)	(102.6)
Net debt at 31 March		(69.4)	(71.4)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

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

Statement of compliance

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

Basis of preparation

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

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 18 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and market risk.

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

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented as necessary by borrowings. The Directors have presented a Viability Statement in the Strategic Report on page 35 which confirms that the Group is capable of continuing to operate within its existing loan facilities and can meet the covenant tests set out within the facility. The key assumptions on which the projections are based include an assessment of the impact of future market conditions on projected revenues and an assessment of the net capital investment required to support the expected level of revenues.

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

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to variable returns and has the ability to use its power to alter its returns from its involvement with the entity. 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.

Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

New accounting standards and accounting standards not yet effective

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Various standards	Annual Improvements to IFRS Standards 2014-2016 Cycle

The IASB and International Financial Reporting Interpretations Committee ('IFRIC') have also issued the following standards and interpretations at 31 March 2018 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)
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRIC 22 <sup>1</sup>	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Various standards	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRIC 23 <sup>1</sup>	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17 <sup>1</sup>	Insurance Contracts	1 January 2021

1 Not yet endorsed by the EU.

IFRS 9 'Financial Instruments' – The standard was endorsed on 22 November 2016 and applies to an entity's first annual statements beginning on or after 1 January 2018. The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment of financial instruments, and hedge accounting. The cumulative impact on adoption of this standard is not expected to be significant.

IFRS 15 'Revenue from Contracts with Customers' – The standard was endorsed on 22 September 2016 and applies to an entity's first annual statements beginning on or after 1 January 2018. The standard will replace IAS 18 Revenue. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

During the year, a systematic review was conducted to ensure that the impact of the new standard is fully understood in advance of the effective date. This involved a contract review of those revenue streams most likely to be impacted by IFRS 15 and individual contract sampling from these portfolios to assess the impact of IFRS 15. A reduction in gross revenue and associated costs of sale related to certain incidental revenues is expected of c.£5m, with no net impact on gross profit. No material impact is expected on the balance sheet.

1 Accounting policies continued

IFRS 16 'Leases' – In January 2016, the IASB issued IFRS 16 and it is expected to apply to an entity's first annual statements beginning on or after 1 January 2019. The main principal of the standard is to eliminate the dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and to provide a single model for lessee accounting. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for leases. Accounting requirements for lessors will be substantially unchanged from IAS 17.

The standard represents a significant change in the accounting and reporting of leases for lessees and it will impact the income statement and balance sheet as well as statutory and alternative performance measures used by the Group. The impact on the Financial Statements on transition to IFRS 16, where the Group is the lessee, will depend on the approach taken by the Group. The new standard allows for two different transition approaches, fully retrospective and modified retrospective. Both approaches will impact the income statement, balance sheet and disclosure when adopted, including the opening balance sheet at 1 April 2018, although the amounts will differ dependent on the approach taken. The Group is currently in the process of assessing the impact of the new standard, deciding on the transition approach and identifying the processes, systems and information required when adopted. The initial phase of work, which is still in progress, has involved assessing and modelling the impact of the new standard for a sample of leases and beginning to consider assumptions and assessing data requirements.

The Group has not yet concluded on a transition approach and as such it is not possible to fully quantify the impact of IFRS 16 at this stage. The undiscounted amount of the Group's operating lease commitments at 31 March 2018 disclosed under IAS 17, the current leasing standard, was £65.1m (see note 26).

Revenue

Revenue is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised in the income statement on a straight-line basis over the period of the hire.

Revenue arising from planned disposals of hire fleet assets, fuel and consumables is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue arising from services is recognised in the income statement when the service is performed.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and refurbishments to assets where the refurbishment extends the asset's useful economic life.

Depreciation of property, plant and equipment is charged to the income statement so as to write off the cost of the assets over their estimated useful economic lives after taking account of estimated residual values. Residual values and estimated useful economic lives are reassessed at least annually. Land is not depreciated. Hire equipment assets are depreciated so as to write them down to their residual value over their normal working lives, which range from three to fifteen years depending on the category of the asset.

The principal rates and methods of depreciation used are as follows:

Hire equipment

- |                               |   |
|-------------------------------|---|
| > Tools and general equipment | – between three and seven years straight-line |
| > Access equipment            | – five to fifteen years straight-line         |
| > Surveying equipment         | – five years straight-line                    |
| > Power equipment             | – between five and ten years straight-line    |

Non-hire assets

- |   |   |
|---|---|
| > Freehold buildings and long leasehold improvements        | – over the shorter of the lease period and 50 years straight-line                                     |
| > Short leasehold property improvements                     | – over the period of the lease  |
| > Fixtures and fittings and office equipment (excluding IT) | – 25%-45% per annum straight-line   |
| > IT equipment and software                                 | – between three and five years straight-line, or over the period of the software licence (if shorter) |
| > Motor vehicles  | – 25% per annum straight-line   |

Planned disposals of hire equipment are transferred, at net book value, to inventory prior to sale.

**FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS** CONTINUED

**1 Accounting policies** continued

**Leases**

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

**Financing income and costs**

Financing costs comprise interest payable on borrowings, and gains and losses on financial instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest rate.

Interest payable on borrowings includes a charge in respect of attributable transaction costs and non-utilisation fees, which are recognised in the income statement over the period of the borrowings on an effective interest basis. The interest expense component of finance lease payments is recognised in the income statement using the lease’s implicit interest rate.

**Income tax**

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities affecting neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

IAS 12 ‘Income Taxes’, does not require all temporary differences to be provided for. In particular, the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**1 Accounting policies** continued

**Segment reporting**

The Group determines and presents operating segments based on the information that is provided internally to the Board, which is the Group’s ‘chief operating decision-maker’.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any other member of the Group and for which discrete financial information is available. An operating segment’s operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**Intangible assets**

**Goodwill**

All business combinations are accounted for by applying the purchase method. The Group measures goodwill at the acquisition date as:

- > the fair value of the consideration transferred; plus
- > the recognised amount of any non-controlling interests in the acquiree; plus
- > the fair value of the existing equity interest in the acquiree; less
- > the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Goodwill is stated after any accumulated impairment losses and is included as an intangible asset. It is allocated to cash-generating units and is tested annually for impairment and at each reporting date to the extent that there are any indicators of impairment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Other intangible assets**

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (note 12).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

**Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of identified intangible assets. Intangible assets excluding goodwill are amortised from the date that they are available for use. For a number of its acquisitions, the Group has identified intangible assets in respect of sole supply contracts, customer lists, brands and non-compete agreements. The values of these intangibles are recognised as part of the identifiable assets, liabilities and contingent liabilities acquired. The useful lives are estimated as follows:

- > Supply agreements                      – over the unexpired period of the contracts, up to five years
- > Customer lists                            – over the period of agreement, up to ten years
- > Brands                                        – over the period of use in the business, up to ten years
- > Non-compete agreements              – over the period of the agreement, up to five years



**FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS** CONTINUED

**1 Accounting policies** continued

**Impairments**

The carrying amounts of the Group’s non-financial assets, other than deferred tax, are reviewed at each reporting date to determine whether there is any impairment. If any such indication exists, then the asset’s recoverable amount is estimated, being the higher of net realisable value and value in use, and if there is an impairment loss then this loss is recognised such that the carrying amount is reduced accordingly.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis.

**Own shares held by Employee Benefits Trust**

Transactions of the Company-sponsored Employee Benefits Trust are treated as being those of the Company and are therefore reflected in the Company and Group Financial Statements. In particular, the Trust’s purchases of shares in the Company are charged directly to equity.

**Inventories**

Inventories are measured at the lower of cost and net realisable value, or, in the case of ex-hire equipment assets, at the lower of cost less accumulated depreciation and impairment at the date of transfer to inventory, or net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes; however derivatives that do not qualify for hedge accounting are accounted for as trading instruments and the movement in fair value is recognised in the income statement.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument expires, no longer meets the criteria for hedge accounting, is sold, is terminated or is exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**Trade and other receivables**

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and overnight deposits.

**1 Accounting policies** continued

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**Translation of foreign currencies**

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

Assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the period. Exchange differences resulting from the translation of the results and balances of overseas subsidiary undertakings are charged or credited directly to the foreign currency translation reserve.

Gains and losses on intercompany foreign currency loans that are long-term in nature, and which the Company does not intend to settle in the foreseeable future, are also recorded in the foreign currency translation reserve.

**Employee benefits**

**Pension schemes**

The Group has automatically enrolled all UK employees in a defined contribution pension plan and makes contributions to personal pension schemes for these UK employees and certain other non-UK employees. Obligations for contributions to these defined contribution pension plans are recognised as an expense in the income statement as incurred. In addition, a requirement exists in United Arab Emirates, where the Group operates, to pay terminal gratuities to employees based on their length of service when they leave the Group’s employment.

**Share-based payment transactions**

The Group operates a number of schemes that allow certain employees to acquire shares in the Company, including the Performance Share Plan, the Co-Investment Plan and the all-employee Sharesave Schemes. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured, using an appropriate option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where it is related to market based performance conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

**Start-up expenses and lease incentives**

Legal and start-up expenses incurred in respect of new hire depots are written off as incurred.

Premiums paid or incentives received (including rent-free periods extending beyond a depot’s opening date) on the acquisition of trading locations are written off on a straight-line basis over the period of the lease.

**Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, the obligation can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Exceptional items

Exceptional items are those material items that, by virtue of their size or incidence, are presented separately in the income statement to give a full understanding of the Group’s underlying financial performance. Transactions that may give rise to exceptional items include the restructuring of business activities and impairments within cash generating units.

Significant judgements and estimates

The preparation of Financial Statements requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following accounting policies are limited to those items that would be most likely to produce materially different results were the underlying judgements, estimates and assumptions changed.

The following are judgements that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Property, plant and equipment

In relation to the Group’s property, plant and equipment (note 14), useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. At 31 March 2018, the carrying value of hire equipment was £204.5m (2017: £194.8m), representing 85.4% (2017 restated<sup>1</sup>: 83.0%) of the total property, plant and equipment. The hire equipment depreciation charge for the year ended 31 March 2018 was £34.7m (2017: £35.2m), which represents 9.7% (2017: 9.7%) of the average original cost of hire equipment. Both useful economic lives and residual values are reviewed on a regular basis.

Bad debt provision

The Group monitors the risk profile of debtors regularly and makes a provision for amounts that may not be recoverable. When a trade receivable is not collectable it is written off against the bad debt provision. At 31 March 2018, the provision for bad debt was £4.2m (2017: £4.8m) against a total debtor book of £96.9m (2017: £90.2m). Further detail is provided in note 16, including an ageing analysis of unprovided debt.

2 Segmental analysis

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

	UK and Ireland £m	International £m	Corporate items £m	Total £m
For the year ended 31 March 2018				
Revenue	348.8	28.6	–	377.4
Segment result:				
EBITDA before exceptional costs	70.8	6.4	(4.2)	73.0
Depreciation	(40.6)	(2.4)	(0.8)	(43.8)
Operating profit/(costs) before amortisation and exceptional items	30.2	4.0	(5.0)	29.2
Amortisation	(0.2)	–	–	(0.2)
Exceptional (costs)/income	(8.2)	1.0	–	(7.2)
Operating profit/(costs)	21.8	5.0	(5.0)	21.8
Share of results of joint venture	–	0.8	–	0.8
Trading profit/(costs)	21.8	5.8	(5.0)	22.6
Financial expense				(4.1)
Exceptional financial expense				(0.5)
Profit before tax				18.0
Taxation				(3.9)
Profit for the financial year				14.1
Intangible assets	10.0	–	–	10.0
Investment in joint venture	–	5.1	–	5.1
Hire equipment	198.3	6.2	–	204.5
Non-hire equipment	32.4	2.6	–	35.0
Taxation assets	–	–	1.4	1.4
Current assets	97.0	9.7	0.9	107.6
Cash	–	–	9.8	9.8
Total assets	337.7	23.6	12.1	373.4
Liabilities	(70.9)	(10.6)	(5.3)	(86.8)
Borrowings	–	–	(79.2)	(79.2)
Taxation liabilities	–	–	(9.6)	(9.6)
Total liabilities	(70.9)	(10.6)	(94.1)	(175.6)

1 Adjusted for fair value adjustments, see note 24.



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segmental analysis continued

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

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

For the year ended 31 March 2017	UK and Ireland £m	International £m	Corporate items £m	Total £m
Revenue	342.9	26.5	–	369.4
Segment result:				
EBITDA before exceptional costs	62.2	5.0	(4.1)	63.1
Depreciation	(40.2)	(2.9)	(0.7)	(43.8)
Operating profit/(costs) before amortisation and exceptional items	22.0	2.1	(4.8)	19.3
Amortisation	(1.8)	–	–	(1.8)
Exceptional (costs)/income	(1.2)	1.6	(0.4)	–
Operating profit/(costs)	19.0	3.7	(5.2)	17.5
Share of results of joint venture	–	1.7	–	1.7
Trading profit/(costs)	19.0	5.4	(5.2)	19.2
Financial expense				(4.8)
Profit before tax				14.4
Taxation				(2.9)
Profit for the financial year				11.5
Intangible assets <sup>1</sup>	3.8	–	–	3.8
Investment in joint venture	–	5.7	–	5.7
Hire equipment	186.8	8.0	–	194.8
Non-hire equipment <sup>1</sup>	36.5	3.3	–	39.8
Taxation assets	–	–	1.7	1.7
Current assets <sup>1</sup>	87.1	9.9	0.6	97.6
Cash	–	–	5.6	5.6
Total assets	314.2	26.9	7.9	349.0
Liabilities	(63.5)	(8.4)	(4.4)	(76.3)
Borrowings	–	–	(77.0)	(77.0)
Taxation liabilities	–	–	(6.1)	(6.1)
Total liabilities	(63.5)	(8.4)	(87.5)	(159.4)

<sup>1</sup> Adjusted for fair value adjustments, see note 24.

2 Segmental analysis continued

Geographical information

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

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

Revenue by type

Revenue is attributed to the following activities:

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

Major customers

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

3 Exceptional items

For the year ended 31 March 2018

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

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

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

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

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

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Exceptional items continued

For the year ended 31 March 2017

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

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

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

4 Operating profit

Operating profit is stated after charging/(crediting):

	2018 £m	2017 £m
Amortisation of intangible assets	0.2	1.8
Depreciation of owned property, plant and equipment	43.6	43.6
Depreciation of leased property, plant and equipment	0.2	0.2
(Profit)/loss on disposal of hire equipment	(0.7)	1.5
Loss on disposal of other property, plant and equipment	–	0.3
Operating lease rentals		
– of land and buildings	12.9	13.3
– of vehicles	12.7	11.4
Auditor’s remuneration		
– audit of these Financial Statements	0.1	0.1
– audit of financial statements of subsidiaries	0.1	0.1
Total audit fees	0.2	0.2
Non-audit fees: audit-related services – interim review fee: £31,300 (2017: £31,000)	–	–
Total fees	0.2	0.2

5 Employees

The average number of people employed by the Group (including Directors) during the year was as follows:

	Number of employees	
	2018	2017
UK and Ireland	3,002	2,934
International	508	474
Central	228	233
	3,738	3,641

The aggregate payroll costs of these employees (including bonuses) were as follows:

	2018 £m	2017 £m
Wages and salaries	91.4	88.4
Social security costs	8.5	8.0
Pension costs	1.6	1.4
Share-based payments	1.2	0.8
	102.7	98.6

6 Directors’ remuneration

	2018 £’000s	2017 £’000s
<b>Directors’ emoluments</b>		
Basic remuneration, including benefits	924	872
Value of long-term incentives	50	–
Performance related bonuses	328	575
Termination payments	–	98
Company pension contributions to personal pension plans	90	88
	1,392	1,633
<b>Emolument of the highest paid Director</b>		
Basic remuneration, including benefits	369	364
Value of long-term incentives	50	–
Performance related bonuses	195	341
Company pension contributions to personal pension plans	53	52
	667	757

Further analysis of Directors’ remuneration can be found in the Remuneration Report.

All the Directors’ remuneration is paid by Speedy Support Services Limited, a wholly-owned subsidiary of Speedy Hire Plc.



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Financial expense

	2018 £m	2017 £m
<b>Financial expense</b>		
Interest on bank loans and overdrafts	3.0	3.7
Amortisation of issue costs	0.6	0.6
Total interest on borrowings	3.6	4.3
Hedge interest payable	0.4	0.4
Other finance costs	0.1	0.1
Exceptional financial expense (see note 3)	0.5	–
	4.6	4.8

8 Taxation

	2018 £m	2017 £m
<b>Tax charged in the Income Statement</b>		
<b>Current tax</b>		
UK corporation tax on profits for the period at 19% (2017: 20%)	3.3	3.8
Adjustment in respect of prior years	(0.2)	0.1
Total current tax	3.1	3.9
<b>Deferred tax</b> (note 21)		
UK deferred tax at 17% (2017: 17%)	0.8	(0.5)
Adjustment in respect of prior years	–	(0.2)
Impact of rate change	–	(0.3)
Total deferred tax	0.8	(1.0)
Total tax charge	3.9	2.9
<b>Tax credited in equity</b>		
<b>Current tax</b>		
Current tax on equity-settled share-based payments	0.1	–
Current tax on foreign exchange reserve	–	0.4
Total current tax	0.1	0.4
<b>Deferred tax</b> (note 21)		
Deferred tax on foreign exchange reserve	–	0.1
Total deferred tax charged in equity	–	0.1
Total tax charged to equity	0.1	0.5

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

8 Taxation continued

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

	2018 £m	2017 £m
Profit before tax	18.0	14.4
Accounting profit multiplied by the standard rate of corporation tax at 19% (2017: 20%)	3.4	2.9
Expenses not deductible for tax purposes	1.2	0.8
Non-taxable income	–	(0.1)
Share-based payments	0.2	0.2
Overseas profits not subject to tax	(0.4)	(0.2)
Share of joint venture income already taxed	(0.2)	(0.3)
Adjustment to deferred taxation relating to future changes in corporation tax rates	–	(0.3)
Difference between current and deferred tax rates	(0.1)	–
Adjustment to tax in respect of prior years	(0.2)	(0.1)
Tax charge for the year reported in the Income Statement	3.9	2.9
<b>Tax charged in equity</b>		
Current tax charge	0.1	0.4
Deferred tax charge (note 21)	–	0.1
Tax charged to equity	0.1	0.5

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

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Earnings per share

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

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

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

10 Dividends

The aggregate amount of dividend comprises:

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

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

The Employee Benefit Trust established to hold shares for the Performance Share Plan and Co-Investment Plan has waived its right to the interim and final proposed dividends. At 31 March 2018, the Trust held 4,118,744 ordinary shares (2017: 4,129,653).

11 Non-GAAP performance measures

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

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

12 Intangible fixed assets

	Goodwill £m	Customer lists £m	Non-compete agreements £m	Brands £m	Supply agreements £m	Total £m
<b>Cost</b>						
At 1 April 2016	95.6	36.4	4.9	4.1	19.8	160.8
Additions <sup>1</sup>	0.8	1.8	–	0.9	–	3.5
At 31 March 2017 <sup>1</sup>	96.4	38.2	4.9	5.0	19.8	164.3
Additions	6.2	0.1	–	0.1	–	6.4
At 31 March 2018	102.6	38.3	4.9	5.1	19.8	170.7
<b>Amortisation</b>						
At 1 April 2016	95.1	35.0	4.9	4.1	19.6	158.7
Charged in year	–	1.6	–	–	0.2	1.8
At 31 March 2017	95.1	36.6	4.9	4.1	19.8	160.5
Charged in year	–	0.1	–	0.1	–	0.2
At 31 March 2018	95.1	36.7	4.9	4.2	19.8	160.7
<b>Net book value</b>						
<b>At 31 March 2018</b>	<b>7.5</b>	<b>1.6</b>	<b>–</b>	<b>0.9</b>	<b>–</b>	<b>10.0</b>
At 31 March 2017 <sup>1</sup>	1.3	1.6	–	0.9	–	3.8
At 31 March 2016	0.5	1.4	–	–	0.2	2.1

1 Adjusted for fair value adjustments, see note 24.



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 Intangible fixed assets continued

The amount of goodwill that is tax-deductible is £nil (2017: £nil).

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

Goodwill arising on business combinations after 1 April 2004 has been allocated to the CGU that is expected to benefit from those business combinations. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment test has been performed in respect of the International CGU as there are no intangible assets allocated to the CGU.

The recoverable amounts of the assets allocated to the UK and Ireland CGU are determined by a value-in-use calculation. The value-in-use calculation uses cash flow projections based on five-year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, 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 the value-in-use calculation, the Group uses cash flow projections made up of the FY2019 budget and a subsequent four-year period using the Group’s business plan, together with a terminal value using long-term growth rates. The resulting forecast cash flows are discounted back to present value, using an estimate of the Group’s weighted average cost of capital, adjusted for risk factors associated with the individual CGU and market-specific risks.

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

	31 March 2018		31 March 2017	
	Pre-tax discount rate	Terminal value growth rate	Pre-tax discount rate	Terminal value growth rate
UK and Ireland	10.9%	2.5%	11.4%	2.5%

Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. A change of 1% in the pre-tax discount rate, with all other assumptions held constant, would impact discounted cash flows by £40m. A decrease of 1% in the forecast revenue growth, with all other assumptions held constant, would reduce discounted cash flows by £41m. In both cases, this would not result in an impairment charge.

13 Investment in joint venture

	Equity investment £m	Loan advances £m	Total £m
<b>Cost</b>			
At 1 April 2016	3.2	1.8	5.0
Effect of movement in foreign exchange rates	0.5	0.3	0.8
At 31 March 2017	3.7	2.1	5.8
Effect of movement in foreign exchange rates	(0.4)	(0.2)	(0.6)
At 31 March 2018	3.3	1.9	5.2
<b>Share of post-acquisition results</b>			
At 1 April 2016	(0.1)	–	(0.1)
Share of results for the year after tax	1.7	–	1.7
Share of other comprehensive income	0.3	–	0.3
Dividend received	(1.5)	–	(1.5)
Loan receipts	–	(0.5)	(0.5)
At 31 March 2017	0.4	(0.5)	(0.1)
Share of results for the year after tax	0.8	–	0.8
Share of other comprehensive income	(0.2)	–	(0.2)
Loan receipts	–	(0.6)	(0.6)
At 31 March 2018	1.0	(1.1)	(0.1)
<b>Net book value</b>			
<b>At 31 March 2018</b>	<b>4.3</b>	<b>0.8</b>	<b>5.1</b>
At 31 March 2017	4.1	1.6	5.7
At 31 March 2016	3.1	1.8	4.9

On 11 November 2013, Speedy acquired 50% of the share capital of Turner and Hickman Limited, a joint venture company that 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.

In addition to the investment in share capital, Speedy provided a loan of US\$2.5m to the joint venture with an equivalent amount provided by the joint venture partner. A repayment of £0.6m (\$0.8m) was received during the year.

This joint venture is not considered to be individually material.

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 Property, plant and equipment

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

<sup>1</sup> Adjusted for fair value adjustments, see note 24.

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

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

An impairment review has been completed during the year on the basis set out in note 12.

15 Inventories

	2018 £m	2017 £m
Raw materials and consumables	–	0.2
Work in progress	<b>0.8</b>	0.4
Finished goods and goods for resale <sup>1</sup>	<b>7.1</b>	6.0
	<b>7.9</b>	6.6

<sup>1</sup> Adjusted for fair value adjustments, see note 24.

The amount of inventory expensed in the year amounted to £30.3m (2017: £45.4m) and is included within cost of sales. A £0.4m (2017: £0.1m) provision is recorded in respect of inventory held at the year end.

16 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	<b>91.7</b>	83.3
Other receivables	<b>5.1</b>	4.9
Prepayments and accrued income	<b>2.9</b>	2.8
	<b>99.7</b>	91.0

There are £32.5m (2017: £30.7m) 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 2018 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:

	2018 £m	2017 £m
Not past due	<b>59.2</b>	52.6
Past due 0-30 days	<b>21.6</b>	19.2
Past due 31-120 days	<b>8.2</b>	8.1
More than 120 days past due	<b>2.7</b>	3.4
	<b>91.7</b>	83.3

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

	2018 £m	2017 £m
At 1 April	<b>4.8</b>	8.7
Impairment provision charged/(credited) as exceptional to the Income Statement	<b>1.8</b>	(1.6)
Impairment provision charged/(credited) to the Income Statement	<b>1.8</b>	(0.4)
Written off in the year	<b>(4.2)</b>	(1.9)
At 31 March	<b>4.2</b>	4.8



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Trade and other payables

	2018 £m	2017 £m
Trade payables	45.5	39.2
Other payables	9.2	7.2
Accruals	29.0	28.0
	83.7	74.4
Non-current	–	0.2
Current	83.7	74.2
	83.7	74.4

18 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 2018		31 March 2017	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Trade and other receivables	99.6	99.6	91.0	91.0
Cash	9.8	9.8	5.6	5.6
Bank overdraft	(5.4)	(5.4)	(4.1)	(4.1)
Secured bank borrowings	(73.3)	(73.3)	(72.1)	(72.1)
Finance lease liabilities	(0.5)	(0.5)	(0.8)	(0.8)
Interest rate swaps and caps, used for hedging	0.1	0.1	(0.4)	(0.4)
Trade and other payables	(54.7)	(54.7)	(46.4)	(46.4)
	(24.4)	(24.4)	(27.2)	(27.2)
Unrecognised gain/(loss)		–		–

18 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 10.9% (2017: 11.4%).

Fair value hierarchy

The Group’s financial assets and liabilities are principally short-term in nature and therefore their fair value is not materially different from their carrying value. The valuation method for the Group’s financial assets and liabilities can be defined as follows in accordance with IFRS 7:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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 that provide the Group’s asset based finance 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.

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 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 2018, the Group had a loan facility amounting to £180.0m (2017: £180.0m), as detailed in note 19. The undrawn availability on this facility as at 31 March 2018 was £73.5m (2017: £75.8m) based on the Group’s eligible hire equipment and trade receivables. In addition to the loan facility, the Group owns several assets under finance lease agreements.

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 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.

	Undiscounted cash flows – 31 March 2018				
At 31 March 2018	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
Asset based finance facility	–	–	–	78.7	78.7
Finance lease liability	0.2	0.2	0.1	–	0.5
Interest payments	2.4	2.4	2.4	1.4	8.6
Trade and other payables	54.7	–	–	–	54.7
	57.3	2.6	2.5	80.1	142.5

	Undiscounted cash flows – 31 March 2017				
At 31 March 2017	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Asset based finance facility	–	–	76.3	–	76.3
Finance lease liability	0.3	0.2	0.2	0.1	0.8
Interest payments	2.9	2.9	1.4	–	7.2
Trade and other payables	46.2	0.2	–	–	46.4
	49.4	3.3	77.9	0.1	130.7

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

With over 5% of the Group’s revenue generated in currencies other than sterling, the Group’s Balance Sheet and Income Statement are affected by movements in exchange rates. The revenue and costs of overseas operations normally arise in the same currency and consequently the exposure to exchange differences is not normally significant and consequently not hedged. Overseas operations maintain local currency bank facilities, which provide partial mitigation against balance sheet risk.

At 31 March 2018, if sterling had weakened or strengthened by 10% against the US dollar (to which key Middle Eastern currencies are linked) with all other variables held constant, post-tax profit for the year would have been £0.4m (2017: £0.3m) higher or lower respectively.

18 Financial instruments continued

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, 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 80% of its net borrowings are covered by hedging instruments.

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

	31 March 2018		31 March 2017	
	Fair value £m	Notional amount £m	Fair value £m	Notional amount £m
Designated as cash flow hedges				
Fixed interest rate swaps	0.1	65.0	(0.4)	45.0

Future cash flows associated with the above instruments are dependent upon movements in the London Inter Bank Offered Rate (LIBOR) over the contractual period. Interest is paid or received under the instruments on a quarterly 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 1.09% (2017: 1.12%) and the instruments are for a weighted average period of 20 months (2017: 19 months). The maximum contractual period is 36 months (2017: 36 months).

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 2018 it is estimated that an increase of 1% in interest rates would decrease the Group’s profit before tax by approximately £0.3m. Interest rate swaps have been included in this calculation.

Capital management

The Group requires capital for, among other things, purchasing hire equipment to replace the existing asset base that has reached the end of its useful life, and for 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 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 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.



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 Borrowings

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

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

- (a) A secured overdraft facility, provided by Barclays Bank Plc, which secures by cross guarantees and debentures the bank deposits and overdrafts of the Company and certain subsidiary companies up to a maximum of £5m. The reported overdraft balance at 31 March 2018 of £5.4m excluded cash in transit at that date; the actual overdraft balance was £3.3m.
- (b) An asset based finance facility of up to £175m, based on the Group’s hire equipment and trade receivables balance. The undrawn availability of this facility as at 31 March 2018 was £73.5m (2017: £75.8m) based on the Group’s eligible hire equipment and trade receivables.

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

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

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

Analysis of consolidated net debt

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

19 Borrowings continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018 £m	2017 £m
– Not later than one year	0.3	0.3
– Later than one year and not later than five years	0.2	0.5
	0.5	0.8

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

20 Provisions

	Onerous property contracts £m
At 1 April 2016	3.4
Created in the year	0.5
Provision utilised in the year	(2.4)
At 31 March 2017	1.5
Created in the year	3.3
Provision utilised in the year	(1.7)
<strong>At 31 March 2018</strong>	<strong>3.1</strong>

Of the £3.1m provision at 31 March 2018, £1.6m (2017: £1.2m) is due within one year and £1.5m (2017: £0.3m) is due after one year. The provision is calculated based on a gross liability to 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.

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 Deferred tax

	Property, plant and equipment £m	Intangible assets £m	Share-based payments £m	Other items £m	Total £m
At 1 April 2016	7.1	(0.7)	(0.3)	(0.5)	5.6
Transfer	–	–	0.2	(0.2)	–
Acquisition through business combinations	–	0.3	–	–	0.3
Recognised in income	(1.0)	–	–	–	(1.0)
Recognised in equity	–	–	–	0.1	0.1
At 31 March 2017	6.1	(0.4)	(0.1)	(0.6)	5.0
Transfer	–	–	–	–	–
Acquisition through business combinations	1.4	(0.3)	–	(0.2)	0.9
Recognised in income	0.7	0.1	(0.2)	0.2	0.8
Recognised in equity	–	–	0.1	–	0.1
At 31 March 2018	8.2	(0.6)	(0.2)	(0.6)	6.8

The Group has gross trading losses carried forward at 31 March 2018 amounting to approximately £12.1m (2017: £12.5m). No deferred tax asset has been recognised in respect of these losses. The Group also has gross capital losses carried forward at 31 March 2018 amounting to approximately £5.3m (2017: £5.1m). No deferred tax asset has been recognised in respect of these losses.

22 Share capital

	2018 £m	2017 £m
<b>Allotted, called-up and fully paid</b>		
523.7m (2017: 523.6m) ordinary shares of 5 pence each	26.2	26.2

During the year, 0.1m ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Schemes (2017: 0.3m).

An Employee Benefits Trust was established in 2004 (the 'Trust'). The Trust holds shares issued by the Company in connection with the Performance Share Plan and Co-Investment Plan. No shares were allotted to the Trust during the year and 10,909 shares were transferred to employees during the year. At 31 March 2018, the Trust held 4,118,744 (2017: 4,129,653) shares.

The movement in issued share capital was as follows:

	Number (m)	£m
At 1 April 2016	523.3	26.1
Exercise of Sharesave Scheme options	0.3	0.1
At 31 March 2017	523.6	26.2
Exercise of Sharesave Scheme options	0.1	–
At 31 March 2018	523.7	26.2

23 Share incentives

At 31 March 2018, options and awards over 13,069,649 shares (2017: 10,156,935) were outstanding under employee share schemes. The Group operates three share incentive schemes. During the year 137,306 ordinary shares of 5 pence were issued on exercise of options under the Speedy Hire Sharesave Schemes (2017: 245,544).

As at 31 March 2018, options to acquire 6,934,945 (2017: 5,704,384) Speedy Hire Plc shares were outstanding under the Speedy Hire Sharesave Schemes. These options are exercisable by employees of the Group at prices between 27 and 56 pence (2017: 27 and 56 pence) at dates between April 2018 and July 2021 (2017: April 2017 and July 2020). At 31 March 2018, options to acquire 6,134,704 shares (2017: 4,452,551) under the Performance Share Plans were outstanding. These options are exercisable at nil cost between August 2017 and June 2027 (2017: November 2017 and June 2026).

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

	2018		2017	
	WAEP pence	Number	WAEP pence	Number
Outstanding at 1 April	20	10,156,935	17	8,834,103
Granted	24	4,773,978	14	6,795,760
Exercised	45	(137,306)	4	(2,195,557)
Lapsed	27	(1,723,958)	9	(3,277,371)
Outstanding at 31 March	20	13,069,649	20	10,156,935
Exercisable at 31 March	56	650,884	51	344,353

Options and awards outstanding at 31 March 2018 have weighted average remaining contractual lives as follows:

	2018 Years	2017 Years
Exercisable at nil pence	1.4	2.1
Exercisable at 27 pence	0.7	1.7
Exercisable at 34 pence	1.7	2.7
Exercisable at 44 pence	1.8	–
Exercisable at 56 pence	–	0.7



FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 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 2017	December 2016	December 2015	December 2014	December 2013
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	44p	34p	27p	56p	51p
Share price volatility	41.0%	46.9%	44.9%	40.8%	39.3%
Option life	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years
Expected dividend yield	2.0%	1.4%	1.8%	0.8%	1.0%
Risk-free interest rate	0.6%	0.3%	0.9%	0.9%	1.0%

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 Share Plan

	June 2017	July 2016	August 2015	November 2014	July 2013
Pricing model used	Stochastic	Stochastic	Stochastic	Stochastic	Stochastic
Exercise price	Nil	Nil	Nil	Nil	Nil
Share price volatility	49.5%	47.5%	41.8%	39.9%	39.0%
Option life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	0.3%	0.5%	1.0%	0.9%	0.7%

24 Acquisition of subsidiaries

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

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS > NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Acquisition of subsidiaries continued

Prior year acquisition

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

	Book value at acquisition £m	Fair value adjustment <sup>1</sup> £m	Fair value <sup>1</sup> £m
Other property, plant and equipment	0.4	(0.2)	0.2
Inventory	0.3	0.1	0.4
Intangible assets – customer relationship and trade name	–	2.7	2.7
Deferred tax	–	(0.3)	(0.3)
	0.7	2.3	3.0
Goodwill capitalised			0.8
Total consideration			3.8
Satisfied by:			
– cash consideration			3.8
			3.8

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

25 Contingent liabilities

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.

The Directors do not consider any provision is necessary in respect of guarantees and bonds.

26 Commitments

The Group had contracted capital commitments amounting to £7.5m (2017: £3.1m) 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 are as follows:

	Land and buildings		Other	
	2018 £m	2017 £m	2018 £m	2017 £m
Total future minimum lease payments				
– not later than one year	12.5	10.7	8.6	6.0
– later than one year and not later than five years	28.0	29.1	9.4	8.7
– later than five years	6.3	12.9	0.3	–
	46.8	52.7	18.3	14.7

Where the Group has vacated a property prior to the end of the lease term, the Group will attempt to sub-let such vacant space on short-term lets. The sub-lease rental income for the year to 31 March 2018 was £0.7m (2017: £0.6m). The minimum rent receivable under non-cancellable operating leases is as follows:

	2018 £m	2017 £m
Total future minimum lease payments		
– not later than one year	0.6	0.6
– later than one year and not later than five years	0.5	1.1
– later than five years	–	–
	1.1	1.7

27 Post-balance sheet events

Dividends

The Directors have proposed a dividend of 1.15 pence per share as a final dividend in respect of the year ended 31 March 2018. No charge in respect of the proposed dividend has been made in the Income Statement for the year, and there were no tax consequences. The total amount payable if the dividend is approved at the Annual General Meeting is as follows:

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

28 Related party disclosures

Key management remuneration

The Group’s key management personnel are the Executive and Non-Executive Directors as identified in the Remuneration Report.

In addition to salaries, the Group also provides non-cash benefits to Executive Directors, and contributes to approved pension schemes on their behalf. Executive Directors also participate in the Group’s share option schemes.

Non-Executive Directors receive a fee for their services to Speedy Hire Plc.

Full details of key management personnel compensation and interests in the share capital of the Company as at 31 March 2018 are given in the Remuneration Report.



FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

AT 31 MARCH 2018

	Note	2018 £m	2017 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	30	93.5	93.5
Deferred tax asset	35	–	0.1
		93.5	93.6
<b>Current assets</b>			
Trade and other receivables	31	321.5	325.1
Current tax receivable		3.5	–
		325.0	325.1
<b>Total assets</b>		418.5	418.7
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	34	(1.4)	(0.4)
Trade and other payables	32	(96.1)	(98.4)
Other financial liabilities		–	(0.4)
Current tax liability		–	(1.5)
		(97.5)	(100.7)
<b>Non-current liabilities</b>			
Borrowings	34	(75.9)	(74.7)
<b>Total liabilities</b>		(173.4)	(175.4)
<b>Net assets</b>		245.1	243.3
<b>EQUITY</b>			
Share capital	36	26.2	26.2
Share premium		–	191.4
Merger reserve		2.3	2.3
Hedging reserve		(0.1)	(0.6)
Retained earnings		216.7	24.0
<b>Total equity</b>		245.1	243.3

The Company Financial Statements on pages 118 to 125 were approved by the Board of Directors on 15 May 2018 and were signed on its behalf by:

**Russell Down**  
Director

**Thomas Christopher Morgan**  
Director

Company registered number: 00927680

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings equity £m	Total £m
At 1 April 2016	26.1	191.4	2.3	(0.9)	47.3	266.2
Loss for the financial year	–	–	–	–	(20.3)	(20.3)
Effective portion of change in fair value of cash flow hedges	–	–	–	0.3	–	0.3
Equity-settled share-based payments	–	–	–	–	0.8	0.8
Dividends	–	–	–	–	(3.8)	(3.8)
Issue of shares under the Sharesave Scheme	0.1	–	–	–	–	0.1
At 31 March 2017	26.2	191.4	2.3	(0.6)	24.0	243.3
Profit for the financial year	–	–	–	–	6.1	6.1
Effective portion of change in fair value of cash flow hedges	–	–	–	0.5	–	0.5
Dividends	–	–	–	–	(6.1)	(6.1)
Equity-settled share-based payments	–	–	–	–	1.2	1.2
Issue of shares under the Sharesave Scheme	–	0.1	–	–	–	0.1
Capital reduction transfer <sup>1</sup>	–	(191.5)	–	–	191.5	–
<b>At 31 March 2018</b>	<b>26.2</b>	<b>–</b>	<b>2.3</b>	<b>(0.1)</b>	<b>216.7</b>	<b>245.1</b>

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

FINANCIAL STATEMENTS

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
<b>Cash generated from operating activities</b>		
Profit/(loss) before tax	6.0	(19.2)
Financial income	(5.8)	(5.3)
Decrease in trade and other receivables	3.6	84.4
Decrease in trade and other payables	(1.4)	(22.1)
Equity-settled share-based payments	1.2	0.8
<b>Cash generated from operations</b>	3.6	38.6
Interest received	5.4	5.3
Tax paid	(4.9)	(2.0)
<b>Net cash flow from operating activities</b>	4.1	41.9
<b>Cash flow from financing activities</b>		
Drawdown of loans	401.9	374.7
Payment of loans	(401.0)	(419.3)
Proceeds from the issue of Sharesave Scheme shares	0.1	0.1
Dividends paid	(6.1)	(3.8)
<b>Net cash flow from financing activities</b>	(5.1)	(48.3)
<b>Decrease in cash and cash equivalents</b>	(1.0)	(6.4)
(Overdraft)/cash at the start of the financial year	(0.4)	6.0
<b>Overdraft at the end of the financial year</b>	(1.4)	(0.4)

NOTES TO THE COMPANY  
FINANCIAL STATEMENTS

29 Accounting policies

The Company Financial Statements have been prepared in accordance with the accounting policies set out in note 1, supplemented as below. The Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement or statement of comprehensive income and related notes that form part of the approved Financial Statements. The amount of the profit for the financial year dealt with in the Financial Statements of the Company is disclosed in the Company Statement of Changes in Equity.

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent that they represent a realised profit for the Company.

The Company does not have any employees. Directors are paid by other Group companies.

30 Investments

	Investments in related undertakings £m
<b>Cost</b>	
At 1 April 2016, 31 March 2017 and 31 March 2018	113.3
<b>Provisions</b>	
At 1 April 2016, 31 March 2017 and 31 March 2018	(19.8)
<b>Net book value</b>	
At 1 April 2016, 31 March 2017 and 31 March 2018	93.5

Following the impairment testing performed in accordance with IAS 36 (see note 12), the Company's carrying value of investment in related undertakings has been reviewed and no impairment has been made (2017: £nil).

The Company's related undertakings are as follows:

	Incorporation and operation	Principal activity	Ordinary share capital held
Allen Contracts Limited <sup>3</sup>	UK	Dormant	100%
Allen Investments Limited <sup>3</sup>	UK	Dormant	100%
Buck Access Rentals Limited <sup>1,3</sup>	UK	Dormant	100%
Chestview (North East) Limited <sup>3</sup>	UK	Dormant	100%
Crewe Plant Hire Limited <sup>1,3</sup>	UK	Dormant	100%
Drain Technology (1985) Limited <sup>4</sup>	UK	Dormant	100%
Drain Technology Limited <sup>4</sup>	UK	Dormant	100%
Hire-A-Tool Limited <sup>3</sup>	UK	Dormant	100%
OHP Limited <sup>1,3</sup>	UK	Holding company	100%
Platform Sales & Hire Limited <sup>1,3</sup>	UK	Hire services	100%
Prolift Access Limited <sup>1,3</sup>	UK	Hire services	100%
Rail Hire (UK) Limited <sup>1,3</sup>	UK	Dormant	100%
SHH 501 Limited <sup>1,3</sup>	UK	Dormant	100%
Speedy Asset Leasing Limited <sup>3</sup>	UK	Dormant	100%
Speedy Asset Services Limited <sup>3</sup>	UK	Hire services	100%
Speedy Engineering Services Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire (Ireland) Limited <sup>5</sup>	UK	Hire services	100%
Speedy Hire (Ireland) Limited <sup>1,6</sup>	Ireland	Hire services	100%
Speedy Hire (Scotland) Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire (UK) Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire Centres (Midlands) Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire Centres (Northern) Limited <sup>3</sup>	UK	Dormant	100%

FINANCIAL STATEMENTS > NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

30 Investments continued

	Incorporation and operation	Principal activity	Ordinary share capital held
Speedy Hire Centres (Southern) Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire Centres (Western) Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire Centres Limited <sup>3</sup>	UK	Dormant	100%
Speedy Hire Direct Limited <sup>1,3</sup>	UK	Dormant	100%
Speedy Industrial Services Limited <sup>3</sup>	UK	Dormant	100%
Speedy International Asset Services (Holdings) Limited <sup>3</sup>	UK	Holding company	100%
Speedy International Asset Services Equipment Rental LLC <sup>1,2,7</sup>	UAE	Hire services	49%
Speedy International Asset Services LLC (Egypt) <sup>1,8</sup>	Egypt	Dormant	100%
Speedy International Asset Services LLC (Qatar) <sup>1,2,9</sup>	Qatar	Dormant	49%
Speedy International Leasing Limited <sup>1,3</sup>	UK	Leasing services	100%
Speedy LCH Generators Limited <sup>4</sup>	UK	Dormant	100%
Speedy LGH Limited <sup>3</sup>	UK	Dormant	100%
Speedy Lifting Limited <sup>3</sup>	UK	Dormant	100%
Speedy Plant Hire Limited <sup>3</sup>	UK	Dormant	100%
Speedy Power Limited <sup>3</sup>	UK	Dormant	100%
Speedy Pumps Limited <sup>3</sup>	UK	Dormant	100%
Speedy Rail Services Limited <sup>3</sup>	UK	Dormant	100%
Speedy Safemaker Limited <sup>1,3</sup>	UK	Dormant	100%
Speedy Services Limited <sup>3</sup>	UK	Dormant	100%
Speedy Space Limited <sup>3</sup>	UK	Dormant	100%
Speedy Support Services Limited <sup>3</sup>	UK	Provision of group services	100%
Speedy Survey Limited <sup>3</sup>	UK	Dormant	100%
Speedy Transport Limited <sup>3</sup>	UK	Provision of group services	100%
Speedy Zholdas LLP <sup>10</sup>	Kazakhstan	Hire services	
Speedyloo Limited <sup>3</sup>	UK	Dormant	100%
Stockton Investments (North East) Limited <sup>3</sup>	UK	Dormant	100%
Tidy Group Limited <sup>3</sup>	UK	Dormant	100%
Turner & Hickman Limited <sup>11</sup>	UK	Holding company	50%
Waterford Hire Services Limited <sup>12</sup>	Ireland	Dormant	100%

1 Indirect holding via a 100% subsidiary undertaking.  
2 Although the Group holds less than half of the voting rights, it is able to govern the financial and operating policies of the company. The Group therefore consolidates the company.  
3 Registered office: Chase House, 16 The Parks, Newton-le-Willows, Merseyside, WA12 0JQ.  
4 Registered office: 123 St Vincent Street, Glasgow, G2 5EA.  
5 Registered office: Unit 2 Duncrue Pass, Duncrue Road, Belfast, Antrim, Northern Ireland, BT3 9DL.  
6 Registered office: Unit 2, Glen Industrial Estate, Broombridge Road, Glasnevin, Dublin 11, Republic of Ireland.  
7 Registered office: Sector # MW5, Inside ESNAAD Base, ICAD-1, Musafah Industrial Area, Near National Petroleum Construction Company, PO Box 127149, Abu Dhabi, UAE.  
8 Registered office: City Light Tower A3, Third Floor, Office No. 303, 1 Makram Ebeid Street, Nasr City, Cairo, Egypt.  
9 Registered office: PO Box 4619, Doha, Qatar.  
10 The Group has a 50% investment in Turner & Hickman Limited, which has a 90% investment in Speedy Zholdas LLP. The registered office of Speedy Zholdas LLP is Building 276, Traffic Atyrau – Dossor, Atyrau City, Kazakhstan.  
11 Registered office: 19 Woodside Crescent, Glasgow, G3 7UL.  
12 Registered office: Kingsmeadow Retail Park, Ring Road, Waterford, Republic of Ireland.

The Company holds voting rights in each related undertaking in the same proportion to its holdings in the ordinary share capital of the respective undertakings.

31 Trade and other receivables

	2018 £m	2017 £m
Amounts owed by Group undertakings	319.4	323.3
Other receivables	2.1	1.8
	321.5	325.1

32 Trade and other payables

	2018 £m	2017 £m
Amounts owed to Group undertakings	95.3	98.0
Accruals	0.8	0.4
	96.1	98.4

33 Financial instruments

The Company financial instruments are stated in accordance with note 18.  
The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, are as follows:

	31 March 2018		31 March 2017	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Trade and other receivables	321.5	321.5	325.1	325.1
Bank overdraft	(1.4)	(1.4)	(0.4)	(0.4)
Secured bank borrowings	(75.9)	(75.9)	(74.7)	(74.7)
Interest rate swaps and caps, used for hedging	0.1	0.1	(0.4)	(0.4)
Trade and other payables	(95.3)	(95.3)	(98.0)	(98.0)
	149.0	149.0	151.6	151.6
Unrecognised gain/(loss)		–		–



**FINANCIAL STATEMENTS > NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED**

**34 Borrowings**

	2018 £m	2017 £m
<b>Current borrowings</b>		
Bank overdraft	<b>1.4</b>	0.4
<b>Non-current borrowings</b>		
Maturing between two and five years		
– Asset based finance facility	<b>75.9</b>	74.7
Total borrowings	<b>77.3</b>	75.1
Less: cash	<b>–</b>	–
<b>Net debt</b>	<b>77.3</b>	75.1

The Company borrowings are stated in accordance with note 19.

Both the overdraft and asset based finance facility are secured by a fixed and floating charge over all the assets of the Group and are rated pari passu.

**Analysis of net debt**

	31 March 2017 £m	Non-cash movement £m	Cash flow £m	31 March 2018 £m
Bank overdraft	(0.4)	–	(1.0)	<b>(1.4)</b>
Borrowings	(74.7)	(0.8)	(0.4)	<b>(75.9)</b>
	(75.1)	(0.8)	(1.4)	<b>(77.3)</b>

**35 Deferred tax**

Company asset	Total £m
At 1 April 2016	0.3
Transfer out to subsidiary	(0.2)
At 31 March 2017	0.1
Recognised in income	(0.1)
<b>At 31 March 2018</b>	<b>–</b>

**36 Share capital and share incentives**

The Company share capital is stated in accordance with note 22.

**37 Contingent liabilities and commitments**

The Company contingent liabilities and commitments are stated in accordance with notes 25 and 26.

**38 Post-balance sheet events**

The Company post-balance sheet events are stated in accordance with note 27.

**39 Related party disclosures**

The Company related party disclosures are stated in accordance with note 28.

FINANCIAL STATEMENTS

FIVE-YEAR SUMMARY

	2018 £m	2017 Restated £m	2016 £m	2015 £m	2014 £m
<b>Income Statement</b>					
Revenue	377.4	369.4	329.1	386.0	349.7
Gross profit	204.7	191.7	184.2	210.9	214.6
<b>Analysis of operating profit/(loss)</b>					
Operating profit before amortisation and exceptional costs	29.2	19.3	10.0	26.4	22.1
Amortisation	(0.2)	(1.8)	(2.7)	(2.7)	(2.9)
Exceptional costs	(7.2)	–	(59.9)	(16.8)	(4.7)
<b>Operating profit/(loss)</b>	<b>21.8</b>	17.5	(52.6)	6.9	14.5
Share of results of joint ventures	0.8	1.7	0.7	0.6	(0.1)
Net financial expense	(4.1)	(4.8)	(5.7)	(5.1)	(7.4)
Net financial expense – exceptional	(0.5)	–	–	(0.3)	–
Total net financial expense	(4.6)	(4.8)	(5.7)	(5.4)	(7.4)
<b>Profit/(loss) before taxation</b>	<b>18.0</b>	14.4	(57.6)	2.1	7.0
<b>Non-GAAP performance measures</b>					
EBITDA before exceptional items	73.0	63.1	53.1	72.7	68.7
Adjusted profit before tax, exceptional costs and amortisation	25.9	16.2	5.0	21.9	14.6
<b>Balance sheet</b>					
Hire equipment – original cost	364.8	350.7	378.5	364.3	386.6
Hire equipment – net book value	204.5	194.8	219.9	212.3	225.5
Total equity	197.8	189.6	178.4	234.0	239.3
<b>Cash flow</b>					
Cash flow generated from operations	37.2	48.9	25.9	13.3	63.8
Free cash flow	17.4	35.0	8.6	(16.2)	(8.2)
Purchase of hire equipment	44.8	40.5	57.8	68.6	65.8
Profit/(loss) on disposal of hire equipment	0.7	(1.5)	0.7	5.0	3.7
<b>In pence</b>					
Dividend per share (interim and final dividend in year)	1.65	1.00	0.70	0.70	0.61
Adjusted earnings per share <sup>1</sup>	4.04	2.45	0.79	3.23	2.05
Net assets per share	37.7	36.2	34.1	44.8	46.0
<b>In percentages</b>					
Gearing	35.1	37.7	57.2	45.0	35.3
Return on capital (operating) <sup>1</sup>	11.5	7.7	3.2	8.0	7.0
EBITDA margin <sup>1</sup>	19.3	17.1	16.1	18.9	19.6
<b>In ratios</b>					
Net debt/EBITDA <sup>1</sup>	0.95	1.13	1.93	1.45	1.23
Net debt/net tangible fixed assets	0.29	0.30	0.39	0.42	0.33
<b>In numbers</b>					
Average employee numbers	3,738	3,641	3,657	3,889	3,729
Depot numbers	217	210	208	220	247

1 Before amortisation and exceptional items.

CORPORATE INFORMATION

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting ('AGM') will be held at the offices of Instinctif at 65 Gresham Street, London, EC2V 7NQ on 19 July 2018 at 11.00a.m.

Details of the business of the AGM and the resolutions to be proposed will be sent to those shareholders who have opted to continue receiving paper communications, which is also available to other shareholders and the public on our website at [speedyservices.com/investors](http://speedyservices.com/investors).

Shareholders will be asked to approve the Directors' Remuneration Report and the re-election of all Directors.

Other resolutions will include proposals to renew, for a further year, the Directors' general authority to allot shares in the Company, to allot a limited number of shares for cash on a non-pre-emptive basis and to buy back the Company's own shares.

Share price information/performance

The latest share price is available at [speedyservices.com/investors](http://speedyservices.com/investors).

By selecting share price information under the investor information section, shareholders can check the value of their shareholding online or review share charts illustrating annual share price performance trends.

Shareholders can download copies of our Annual Report and Accounts and interim accounts from [speedyservices.com/investors](http://speedyservices.com/investors).

Dividend reinvestment plan (DRIP)

You can choose to reinvest dividends received to purchase further shares in the Company through a DRIP. A DRIP application form is available from our registrar, whose contact details are 0371 384 2769, or from overseas +44 (0)121 415 7047. Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). Alternatively you can write to our registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Electronic communications

You can elect to receive shareholder communications electronically by signing up to Equiniti's portfolio service at [shareview.co.uk](http://shareview.co.uk). This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Enquiries on shareholdings

Any administrative enquiries relating to shareholdings in the Company, such as dividend payment instructions or a change of address, should be notified direct to the registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Your correspondence should state Speedy Hire Plc and the registered name and address of the shareholder. Information on how to manage your shareholdings can be found at [help.shareview.co.uk](http://help.shareview.co.uk).

If your question is not answered by the information provided, you can send your enquiry via secure email from these pages. You will be asked to complete a structured form and to provide your shareholder reference, name and address. You will also need to provide your email address, if this is how you would like to receive your response.

Boiler room fraud

Share scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares. While such scams promise high returns, those who invest usually end up losing their money.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- > get the name of the person and organisation contacting you;
- > search the list of unauthorised firms to avoid at [fca.org.uk/consumers/scams](http://fca.org.uk/consumers/scams) to ensure they are authorised;
- > only use the details on the FCA Register to contact the firm; and
- > call the Consumer Helpline on 0800 111 6768 if you suspect the caller is fraudulent.

REMEMBER: if it sounds too good to be true, it probably is!

Forward-looking statements

This Annual Report and Accounts 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, the Disclosure and Transparency Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date of this Annual Report and Accounts.

Contact details

We are happy to answer queries from current and potential shareholders. Similarly, please let us know if you wish to receive past, present or future copies of the Annual Report and Accounts. Please contact us by telephone, email or via the website.

Speedy Hire Plc

Chase House  
16 The Parks  
Newton-le-Willows  
Merseyside  
WA12 0JQ

Telephone 01942 720 000  
Email [plc.admin@speedyservices.com](mailto:plc.admin@speedyservices.com)  
Website [speedyservices.com/investors](http://speedyservices.com/investors)

## CORPORATE INFORMATION

# REGISTERED OFFICE AND ADVISERS

### Registered office

#### Speedy Hire Plc

Chase House  
16 The Parks  
Newton-le-Willows  
Merseyside  
WA12 0JQ

Telephone 01942 720 000

Facsimile 01942 402 870

Email [plc.admin@speedyservices.com](mailto:plc.admin@speedyservices.com)

Website [speedyservices.com/investors](http://speedyservices.com/investors)

Registered number: 00927680

### Company Secretary

Neil Hunt

### Financial advisers

#### NM Rothschild & Sons Limited

1 King William Street  
London  
EC4N 7AR

### Stockbrokers

#### Liberum Capital Limited

Ropemaker Place, Level 12  
25 Ropemaker Street  
London  
EC2Y 9LY

### Legal advisers

#### Pinsent Masons LLP

1 Park Row  
Leeds  
LS1 5AB

### Auditors

#### KPMG LLP

1 St Peter's Square  
Manchester  
M2 3AE

### Bankers

#### Barclays Bank PLC

1st Floor  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AP

#### The Royal Bank of Scotland PLC

Corporate Banking  
1 Spinningfields Square  
Manchester  
M3 3AP

#### Bank of America Merrill Lynch

2 King Edward Street  
London  
EC1A 1HQ

#### HSBC Invoice Finance (UK) Ltd

21 Farncombe Road  
Worthing  
West Sussex  
BN11 2BW

#### HSBC Bank Plc

8 Canada Square  
Canary Wharf  
London  
E14 5HQ

#### Wells Fargo Capital Finance (UK) Limited

Bow Bells House  
1 Bread Street  
London  
EC4M 9BE

### Public relations

#### Instinctif Partners

65 Gresham Street  
London  
EC2V 7NQ

### Registrars and transfer office

#### Equiniti Limited

Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### Insurance brokers

#### JLT Specialty Limited

St James's Tower  
7 Charlotte Street  
Manchester  
M1 4DZ