



Speedy Hire Plc

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

Results for the six months to 30 September 2019

Continuing progress against strategic objectives

Speedy, the UK's leading tools, equipment and plant hire services company, operating across the construction, infrastructure and industrial markets, announces results for the six months to 30 September 2019.

Key points

	6 months ended 30 September 2019 (£m)	6 months ended 30 September 2018 (£m)	Change %	Change % (excluding IFRS 16)
Revenue (excluding disposals)	204.2	192.8	5.9	5.9
Revenue	205.7	194.6	5.7	5.7
Operating profit*	17.9	16.1	11.2	7.1
Adjusted profit before tax ^{1,*}	16.4	13.7	19.7	13.4
Profit before tax*	16.4	13.5	21.5	15.2
Adjusted earnings per share ^{2,*}	2.56p	2.10p	21.9	16.0
Basic earnings per share*	2.58p	2.06p	25.2	19.3
Net debt ³	85.3	62.7	36.0	36.0
Return on Capital Employed ⁴	12.7%	12.3%	3.3	3.3
Dividend (pence per share)	0.70p	0.60p	16.7	16.7

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

Strategic and Operational highlights

- Profit before tax up 21.5% to £16.4m (2018: £13.5m)
- ROCE⁴ (including goodwill and intangibles) increased to 12.7% (2018: 12.3%)
- Strong balance sheet and cash generation. Net debt³ reduced to £85.3m (31 March 2019: £89.4m), with leverage⁵ of 1.1x (31 March 2019: 1.1x)
- Increasing resilience:
 - Reducing reliance on construction sector
 - Training growth c.400%
 - Testing growth c.20%
 - Average age of hire fleet reduced to 3.2 years (2018: 3.6 years) following further investment
- Continuing growth in higher margin SME customer numbers and revenues
- Asset utilisation in the UK and Ireland improved to 56.5% (2018: 56.2%)
- Machine learning supporting growth through fleet optimisation and identification of revenue opportunities
- Board strengthened with appointment of Rhian Bartlett in June 2019, bringing significant experience of digital applications

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

"I am pleased with the continuing momentum in the business and to be reporting another positive set of results for Speedy. Our strong balance sheet and financial performance are underpinned by excellent customer service, with continuing progress against our strategic objectives. I am particularly encouraged by the growth in higher margin SME customer revenues and progress with our digital roll out where we have continued to make significant investment.

Over 40% of our revenue now comes from Services compared to around 30% three years ago. This, combined with our more diverse customer base, provides us with a strong platform for further growth. In spite of the current uncertain UK political backdrop we remain confident of delivering full year results in line with our expectations."

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Notes:

Explanatory notes:

¹ See note 9

² See note 7

³ See note 12

⁴ Return on Capital Employed: Profit from operations before amortisation and exceptional items (rolling 12 month basis) divided by the average capital employed (where capital employed equals shareholders' funds and net debt³), for the last 12 months. This metric excludes the impact of IFRS 16.

⁵ Leverage: Net debt³ covered by EBITDA¹ (rolling 12 month basis). This metric excludes the impact of IFRS 16.

Inside Information: This announcement contains inside information.

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

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

Chief Executive's statement

Overview

The Group has reported results which are once again well ahead of the prior period. In line with our strategy, operating margins, before amortisation and exceptional items, have increased to 9.0% (2018: 8.4%) and ROCE⁴ has improved to 12.7% (2018: 12.3%).

The results include the acquisitions of Geason Training and Lifterz that were completed in the second half of FY19. Both businesses are providing cross selling opportunities in growth markets and realising synergies in line with expectations.

Results

Revenue (excluding disposals) for the period to 30 September 2019 increased by 5.9% to £204.2m (2018: £192.8m). Revenue increased 5.7% to £205.7m (2018: £194.6m). Hire revenue increased by 0.8% following the acquisition of Lifterz and strong SME revenue growth, offset by rate deflation due to the more competitive landscape. The hire fleet increased by 1.9% to £221.0m (31 March 2019: £216.9m) due to further investment in core equipment. UK and Ireland average asset utilisation rates for the period increased to 56.5% (2018: 56.2%) as a result of improved management of our core fleet. Services revenue grew by 14.2% following the acquisition of Geason Training, and growth in our Lloyds British testing business.

EBITDA¹ increased by 5.4% to £52.7m (2018: £50.0m). EBITA¹ increased by 14.1% to £18.6m (2018: £16.3m). Profit before tax, amortisation and exceptional items for the period increased to £16.4m (2018: £13.7m). Profit before tax was £16.4m (2018: £13.5m).

Adjusted earnings per share² were 2.56 pence (2018: 2.10 pence).

As at 30 September 2019, net debt³ amounted to £85.3m (31 March 2019: £89.4m) after £24.8m of capital expenditure on the hire fleet and £4.8m on IT and depot refurbishments. After the period end the Group concluded an agreement to sell its surplus land to Bellway Homes Ltd for £4m and will recognise an exceptional pre-tax profit on sale of c.£3.9m in the second half. The proceeds have been received in cash and will be used to pay down debt. The Group's continued good working capital management and low gearing levels provide the opportunity to capitalise on market opportunities through further value enhancing acquisitions.

Dividend

The Board has declared an increase in the interim dividend of 16.7% to 0.70 pence per share (2019 interim dividend: 0.60 pence per share), to be paid on 10 January 2020 to shareholders on the register on 6 December 2019. This represents a fourth consecutive year of significant dividend growth, at a CAGR of 35%.

Strategy and operational review

In the UK and Ireland we set up our customer relationship centre in 2018 to provide a first class service to our SME customers. This has resulted in revenues to that segment increasing by a CAGR of over 25% since inception. As a result we have recently expanded this centre to manage the relationship with some of our larger customers more efficiently. We acquired powered access specialist Lifterz in March 2019 in order to complete our national presence. Following this acquisition and continued organic growth, Speedy now has the second largest powered access fleet in the UK with which to service both national and local customers. Lifterz has performed well with strong utilisation rates and opportunities for cost synergies as we integrate the business into the wider network. Services revenues grew strongly in the period following the acquisition of Geason Training in December 2018. Training revenues have grown strongly and significant cross selling opportunities exist between both businesses. With growth from our rehire and testing businesses, over 40% of our revenue now comes from Services compared to around 30% three years ago.

Our cost base remains tightly controlled; as a result UK and Ireland staff numbers reduced slightly over the period.

We have continued to develop technological solutions, including artificial intelligence, to better manage our business. Depot stocking levels for our most popular products are set based on predictive demand and utilisation models and have been rolled out across the network. This has resulted in improved utilisation and consequently will be expanded to further products over the coming months.

Our mobile app has simplified our ability to transact with customers and we have invested in developing further functionality during the period. The app has the capability to on and off hire equipment, reserve equipment for collection and track deliveries and collections in real time. We are seeing increasing demand for this service, particularly from major customers.

The International business has continued to perform well with our major ADNOC contracts in Abu Dhabi being renewed until May 2020. Business development activities have increased and revenue grew to £17.7m (2018: £17.4m). EBITA¹ fell by 13.8% to £2.5m reflecting the commercial terms negotiated to secure the contract extensions. The Kazakhstan JV performed well in the period due to improved asset utilisation and cyclical shutdown activity; share of results increased to £1.5m (2018: £0.9m).

Board and people

Rhian Bartlett joined the Board on 1 June 2019 as a non-executive director. She has a wealth of experience in digital applications and her experience is proving valuable as we invest in new technologies and increase customer adoption rates for our digital solutions.

The Group's headcount at 30 September 2019 was 4,070 (31 March 2019: 4,063). In the UK and Ireland headcount fell slightly to 3,447 (31 March 2019: 3,458); headcount in the International business increased to 623 (31 March 2019: 605) as a result of revenue growth.

Summary and outlook

I am pleased with the continuing momentum in the business and to be reporting another positive set of results for Speedy. Our strong balance sheet and financial performance are underpinned by excellent customer service, with continuing progress against our strategic objectives. I am particularly encouraged by the growth in higher margin SME customer revenues and progress with our digital roll out where we have continued to make significant investment.

Over 40% of our revenue now comes from Services compared to around 30% three years ago. This, combined with our more diverse customer base, provides us with a strong platform for further growth. In spite of the current uncertain UK political backdrop we remain confident of delivering full year results in line with our expectations.

Russell Down
Chief Executive

Financial review

Impact of reporting under IFRS 16 Leases

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

The financial impact of IFRS 16 in the period has been to increase EBITA¹ by £2.9m and increase profit before tax by £1.2m. In the Balance Sheet, the right of use asset recognised at 30 September 2019 is £66.4m and the corresponding lease liability recognised is £75.1m. In the Income Statement, an additional £11.7m of depreciation has been charged and an incremental interest charge of £1.7m has been recognised, largely offset by £14.6m of rental charges no longer recognised.

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

Group financial performance

Revenue (excluding disposals) for the period to 30 September 2019 increased by 5.9% to £204.2m (2018: £192.8m). Revenue from disposals was £1.5m (2018: £1.8m); total revenue for the period increased by 5.7% to £205.7m (2018: £194.6m).

Gross profit was £113.6m (2018: £106.1m), an increase of 7.1%. The gross margin increased to 55.2% (2018: 54.5%), reflecting the mix impact of training at higher margin, and increased revenue from SME customers at better rates.

EBITA¹ increased by 14.1% to £18.6m (2018: £16.3m) and profit before taxation, amortisation and exceptional costs increased to £16.4m (2018: £13.7m). The Group recognised an exceptional financial credit of £0.7m (2018: £nil) relating to net changes in the fair value of contingent consideration.

After taxation, amortisation and exceptional items, the Group made a profit of £13.4m, compared to a profit of £10.7m in 2018.

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 £2.3m (2018: £2.7m), which have reduced 14.8% reflecting continued cost control.

UK and Ireland	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Movement %	Movement (excluding IFRS 16) %
Revenue (excluding disposals)	186.5	175.4	6.3	6.3
EBITDA ^{1,*}	50.8	48.1	5.6	3.1
EBITA ^{1,*}	18.4	16.1	14.3	10.7

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

Excluding disposals, revenue increased by 6.3% to £186.5m (2018: £175.4m) with an increase across both Hire and Services. Revenue for the period benefited from the acquisitions of Geason Training and Lifterz.

Hire revenues increased by 0.9%. Increased telemarketing activity at our customer relationship centre in Newport, South Wales continued to result in significant revenue uplift from SME customers, which grew 27.0% on a like for like basis. This growth helped offset less favourable trading conditions, Carillion comparatives and Easter timing. The addition of Lifterz in March 2019 has complemented Speedy's previous powered access acquisitions, creating a comprehensive national presence. We now have the second largest fleet in the UK.

Services revenues grew by 16.9%. This has been achieved through new Geason Training opportunities, and testing and rehire growth.

Gross margins improved from 57.2% to 57.7%. Hire margin increased to 77.0% (2018: 76.5%), and was supported by the growth in the higher margin SME market, which more than offset price deflation. Services margin strengthened due to the mix benefit of the training growth. Overheads remain under tight control and, excluding acquisitions, continued to improve, 3.2% lower than the comparative period. Headcount has decreased since the year end to 3,447, compared to 3,458 at 31 March 2019.

Following the ongoing application of strict processes to manage capital expenditure, number of product lines, disposal decisions and ROCE⁴, asset utilisation continued to improve to 56.5% (2018: 56.2%).

The business continues to perform well in a more competitive market despite ongoing uncertainty associated with the UK's departure from the European Union. The Board has prepared for a number of likely scenarios and continues to monitor developments in this area.

International	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Movement %	Movement (excluding IFRS 16) %
Revenue	17.7	17.4	1.7	1.7
EBITDA ^{1,*}	3.8	4.2	(9.5)	(10.0)
EBITA ^{1,*}	2.5	2.9	(13.8)	(13.8)

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

International revenue in the United Arab Emirates increased by 1.7%. This slowdown in growth from previous periods was anticipated due to lower rehire and consumable sales. Contract extensions with our principal customer, Abu Dhabi National Oil Company, have now been confirmed through to May 2020. The renegotiation to secure the extensions has impacted commercial terms, contributing to a decrease in EBITA¹, which fell by 13.8%. Despite the fall, EBITA¹ margin was 14.1% (2018: 16.7%) reflecting continued strong returns from the asset base.

Our share of profit from the joint venture in Kazakhstan increased to £1.5m (2018: £0.9m) having benefited from further increased cyclical shutdown activity in the period.

Exceptional items

There were no exceptional administrative items incurred during the period (2018: £nil). After the reporting date, the Group sold a plot of surplus land for cash consideration of £4.0m. The resulting pre-tax profit of c.£3.9m will be recognised as an exceptional item in the full year accounts to 31 March 2020.

An exceptional financial item of £0.7m has been credited to the income statement in relation to changes in the fair value of contingent consideration payable for the Geason Training acquisition.

Interest

The Group's net financial expense before exceptional items increased to £3.7m (2018: £3.5m).

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a variable margin, while any unutilised commitment is charged at 35% of the applicable margin. During the period, the margin payable over LIBOR on the outstanding debt fluctuated between 1.50% and 2.10% dependent on the Group's performance in relation to leverage and the weighting of borrowings between receivables and plant and machinery. The effective average margin in the period was 1.84% (2018: 1.80%).

The Group utilises interest rate hedges to manage fluctuations in LIBOR. The fair value of these hedges was not material at 30 September 2019 and they have varying maturity dates to April 2022.

Interest on lease liabilities of £1.7m (2018: £1.8m) was incurred during the period, following the implementation of IFRS 16 (see note 1 Basis of Preparation).

Taxation

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

The tax charge for the period was £3.0m (2018: £2.8m), with an effective tax rate of 18.3% (2018: 20.7%); the decrease in effective rate includes the impact of the exceptional credit in the period.

Shares, earnings per share and dividends

At 30 September 2019, 525,386,975 Speedy Hire Plc ordinary shares were outstanding, of which 5,516,473 were held in the Employee Benefits Trust.

Adjusted earnings per share² was 2.56 pence (2018: 2.10 pence), an increase of 21.9%. Basic earnings per share was 2.58 pence (2018: 2.06 pence).

The Board has declared an interim dividend of 0.70 pence per share (2018: 0.60 pence), which represents a cash cost of approximately £3.6m (2018: £3.1m). The dividend will be paid on 10 January 2020 to shareholders on the register at 6 December 2019. This represents a fourth consecutive year of significant dividend growth, at a CAGR of 35%.

Capital expenditure and disposals

Total capital expenditure during the period amounted to £32.2m (2018: £34.4m), of which £27.4m (2018: £31.5m) related to equipment for hire, and £4.8m related to other property, plant and equipment (2018: £2.9m), which included investment in IT in order to deliver our digital strategy.

Expenditure in the period reflects further investment in tools, access, generators and fencing to improve availability in these categories. Since November 2017 the Group has also invested over £50m in the powered access market in line with its strategy to build a national presence through in-fill acquisitions and organic capital expenditure, and now has the second largest fleet in the UK.

Capital expenditure has resulted in the average age of the fleet again reducing to 3.2 years from 3.3 years as at 31 March 2019. Total disposal proceeds were £5.8m (2018: £6.3m). During the period we further optimised our stockholdings across the network, applying machine learning to inform decisions on returns and asset utilisation, which highlighted those areas requiring investment. The number of product lines has further reduced, and this has enabled us to continually improve the efficiency of our supply chain.

Balance sheet

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

Net assets at 30 September 2019 were £209.7m (31 March 2019: £202.0m), equivalent to 39.9 pence per share.

Net property, plant and equipment (excluding IFRS 16 right of use assets) was £253.3m at 30 September 2019 (31 March 2019: £249.1m), of which equipment for hire represents 87.2% (31 March 2019: 87.1%). Of the equipment for hire, £8.6m related to the International business (31 March 2019: £7.1m).

Intangibles remained broadly flat at £39.7m (31 March 2019: £40.4m), including fair value adjustments to recent acquisitions.

Right of use assets of £66.4m (31 March 2019: £72.2m) and corresponding lease liabilities of £75.1m (31 March 2019: £82.4m) were recognised at 30 September 2019 following the implementation of IFRS 16.

Gross trade receivables totalled £99.7m at 30 September 2019 (2018: £99.1m). Bad debt and credit note provisions were £3.4m at 30 September 2019 (2018: £5.5m), equivalent to 3.4% of gross trade receivables (2018: 5.5%). Debtor days were 68.2 days (2018: 67.8 days).

Trade payables and accruals were £93.2m (2018: £93.0m). Creditor days were 100.5 days (2018: 103.2 days).

Cash flow and net debt³

Cash generated from operations for the period was £38.7m (2018: £32.8m). Free cash flow (before dividends and financing activities) decreased slightly to £24.2m (2018: £25.4m), reflecting timing of tax payments and investment in IT development.

Net debt³ decreased by £4.1m from £89.4m at the beginning of the period to £85.3m at 30 September 2019. This excludes the impact of £4.0m cash received for the sale of surplus land following the end of the reporting period. Net debt³ to EBITDA¹ (rolling 12 months basis) remained at 1.1x (31 March 2019: 1.1x).

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

Capital allocation policy

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

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

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

Capital structure and treasury

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

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

The average gross borrowings under the facility during the period ended 30 September 2019 increased to £110.3m (2018: £87.0m) following the acquisitions of Geason Training and Lifterz. The facility includes quarterly leverage⁵ and fixed charge cover covenant tests which are only applied if headroom in the facility falls below £18m. The Group had significant headroom against these tests throughout the period.

Return on capital

ROCE⁴ is a key performance measure for the Group. ROCE⁴ increased to 12.7% (2018: 12.3%), which exceeds the Group's weighted average cost of capital of 9.2%, and continues to reflect the improved profitability and balance sheet discipline.

Chris Morgan

Group Finance Director

Interim condensed consolidated income statement

	Note	Six months ended 30 September 2019			Six months ended 30 September 2018 <i>Restated</i> ¹		
		Before Exceptional items £m	Exceptional items £m	Total £m	Before Exceptional items £m	Exceptional items £m	Total £m
Revenue	4	205.7	-	205.7	194.6	-	194.6
Cost of sales		(92.1)	-	(92.1)	(88.5)	-	(88.5)
Gross profit		113.6	-	113.6	106.1	-	106.1
Distribution and administrative costs ¹		(95.7)	-	(95.7)	(90.0)	-	(90.0)
Analysis of operating profit							
Operating profit before amortisation and exceptional items		18.6	-	18.6	16.3	-	16.3
Amortisation		(0.7)	-	(0.7)	(0.2)	-	(0.2)
Exceptional items	3	-	-	-	-	-	-
Operating profit		17.9	-	17.9	16.1	-	16.1
Share of results of joint venture		1.5	-	1.5	0.9	-	0.9
Profit from operations		19.4	-	19.4	17.0	-	17.0
Financial expense ¹	5	(3.7)	0.7	(3.0)	(3.5)	-	(3.5)
Profit before taxation		15.7	0.7	16.4	13.5	-	13.5
Taxation	6	(3.0)	-	(3.0)	(2.8)	-	(2.8)
Profit for the financial period		12.7	0.7	13.4	10.7	-	10.7
Earnings per share							
- Basic (pence) ¹	7			2.58			2.06
- Diluted (pence) ¹	7			2.55			2.04
Non-GAAP performance measures							
EBITDA before exceptional items ¹	9	52.7			50.0		
Profit before tax, amortisation and exceptional items ¹	9	16.4			13.7		
Adjusted earnings per share (pence) ¹	7	2.56			2.10		

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

Interim condensed consolidated income statement (continued)

	Note	Year ended 31 March 2019 <i>Restated</i> ¹		
		Before Exceptional items £m	Exceptional items £m	Total £m
Revenue	4	394.7	-	394.7
Cost of sales		(180.3)	-	(180.3)
Gross profit		214.4	-	214.4
Distribution and administrative costs ¹		(178.4)	(1.2)	(179.6)
Analysis of operating profit				
Operating profit before amortisation and exceptional items		36.7	-	36.7
Amortisation		(0.7)	-	(0.7)
Exceptional items ¹	3	-	(1.2)	(1.2)
Operating profit		36.0	(1.2)	34.8
Share of results of joint venture		1.9	-	1.9
Profit from operations		37.9	(1.2)	36.7
Net financial expense ¹	5	(7.2)	(0.8)	(8.0)
Profit before taxation		30.7	(2.0)	28.7
Taxation ¹	6	(5.5)	-	(5.5)
Profit for the financial period		25.2	(2.0)	23.2
Earnings per share				
- Basic (pence) ¹	7			4.47
- Diluted (pence) ¹	7			4.43
Non-GAAP performance measures				
EBITDA before exceptional items ¹	9	104.8		
Profit before tax, amortisation and exceptional items ¹	9	31.4		
Adjusted earnings per share (pence) ¹	7	4.96		

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

Interim condensed consolidated statement of comprehensive income

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 <i>Restated</i> ¹ £m	Year ended 31 March 2019 <i>Restated</i> ¹ £m
Profit for the financial period ¹	13.4	10.7	23.2
Other comprehensive income that may be reclassified subsequently to the Income Statement:			
- Effective portion of change in fair value of cash flow hedges	(0.2)	(0.2)	(0.6)
- Exchange difference on retranslation of foreign operations ¹	1.3	0.7	0.4
- Tax on items	-	0.1	0.1
Other comprehensive income/(loss), net of tax	1.1	0.6	(0.1)
Total comprehensive income for the financial period	14.5	11.3	23.1

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

Interim condensed consolidated balance sheet

		30 September 2019	30 September 2018 <i>Restated</i> ^{1,2}	31 March 2019 <i>Restated</i> ^{1,2}
	Note	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets ²		39.7	10.9	40.4
Investment in joint venture		7.6	6.2	5.8
Property, plant and equipment				
- Hire equipment ²	10	221.0	211.2	216.9
- Non-hire equipment ¹	10	32.3	32.7	32.2
Right of use assets ¹	11	66.4	68.1	72.2
Deferred tax assets ^{1,2}		2.8	3.6	3.0
		<u>369.8</u>	<u>332.7</u>	<u>370.5</u>
Current assets				
Inventories ²		8.8	8.2	9.1
Trade and other receivables ^{1,2}		105.7	99.3	102.7
Cash	12	5.3	10.4	11.5
		<u>119.8</u>	<u>117.9</u>	<u>123.3</u>
Total assets		<u>489.6</u>	<u>450.6</u>	<u>493.8</u>
LIABILITIES				
Current liabilities				
Borrowings ¹	12	-	(0.8)	(1.1)
Lease liabilities ¹		(20.1)	(21.4)	(22.3)
Other financial liabilities		(0.5)	-	(0.3)
Trade and other payables ^{1,2}		(93.2)	(93.0)	(83.5)
Current tax liabilities		(1.2)	(4.2)	(4.6)
Provisions ^{1,2}		(1.8)	(1.8)	(6.8)
		<u>(116.8)</u>	<u>(121.2)</u>	<u>(118.6)</u>
Non-current liabilities				
Borrowings ¹	12	(90.4)	(71.9)	(99.5)
Lease liabilities ¹		(55.0)	(58.6)	(60.1)
Provisions ^{1,2}		(10.7)	(0.1)	(6.5)
Deferred tax liabilities ^{1,2}		(7.0)	(6.5)	(7.1)
		<u>(163.1)</u>	<u>(137.1)</u>	<u>(173.2)</u>
Total liabilities		<u>(279.9)</u>	<u>(258.3)</u>	<u>(291.8)</u>
Net assets		<u>209.7</u>	<u>192.3</u>	<u>202.0</u>
EQUITY				
Share capital		26.3	26.2	26.3
Share premium		0.4	0.1	0.4
Merger reserve		1.0	1.0	1.0
Hedging reserve		(0.9)	(0.3)	(0.7)
Translation reserve		0.5	(0.3)	(0.7)
Retained earnings ¹		182.4	165.6	175.7
		<u>209.7</u>	<u>192.3</u>	<u>202.0</u>

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

² Restated for fair value adjustments relating to acquisitions made in the prior year – see Note 1 (Basis of preparation)

Interim condensed consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Hedging reserve	Translation reserve	Retained earnings <i>Restated¹</i>	Total equity <i>Restated¹</i>
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2018 ¹	26.2	-	1.0	(0.1)	(0.9)	161.1	187.3
Total comprehensive income/ (loss) ¹	-	-	-	(0.2)	0.6	10.9	11.3
Dividends	-	-	-	-	-	(6.0)	(6.0)
Equity-settled share-based payments	-	-	-	-	-	0.7	0.7
Issue of shares under the Sharesave Scheme	-	0.1	-	-	-	-	0.1
Purchase of own shares to satisfy share schemes	-	-	-	-	-	(1.1)	(1.1)
At 30 September 2018 ¹	26.2	0.1	1.0	(0.3)	(0.3)	165.6	192.3
Total comprehensive income/ (loss) ¹	-	-	-	(0.4)	(0.4)	12.6	11.8
Dividends	-	-	-	-	-	(3.1)	(3.1)
Tax on items taken directly to equity	-	-	-	-	-	0.4	0.4
Equity-settled share-based payments	-	-	-	-	-	0.2	0.2
Issue of shares under the Sharesave Scheme	0.1	0.3	-	-	-	-	0.4
At 31 March 2019 ¹	26.3	0.4	1.0	(0.7)	(0.7)	175.7	202.0
Total comprehensive income/ (loss)	-	-	-	(0.2)	1.2	13.5	14.5
Dividends	-	-	-	-	-	(7.3)	(7.3)
Tax on items taken directly to equity	-	-	-	-	-	0.1	0.1
Equity-settled share-based payments	-	-	-	-	-	0.4	0.4
At 30 September 2019	26.3	0.4	1.0	(0.9)	0.5	182.4	209.7

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

Interim condensed consolidated statement of cash flows

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 <i>Restated</i> ¹ £m	Year ended 31 March 2019 <i>Restated</i> ¹ £m
Cash generated from operating activities			
Profit before tax ¹	16.4	13.5	28.7
Finance expense ¹	3.7	3.5	7.2
Exceptional financial items	(0.7)	-	0.8
Amortisation	0.7	0.2	0.7
Depreciation ¹	34.1	33.7	68.1
Share of profit from joint venture	(1.5)	(0.9)	(1.9)
Loss/(profit) on disposal of hire equipment	0.3	(0.3)	(1.2)
Profit on termination of lease contracts	(0.6)	-	(1.0)
Decrease/(increase) in inventories	0.3	(0.3)	(0.9)
Increase in trade and other receivables ¹	(3.0)	(2.2)	(0.7)
Increase/(decrease) in trade and other payables ¹	8.3	8.9	(2.7)
Movement in provisions ¹	(0.8)	(0.1)	(0.3)
Equity-settled share-based payments	0.5	0.8	0.9
	<u>57.7</u>	<u>56.8</u>	<u>97.7</u>
Cash generated from operations before changes in hire fleet			
Purchase of hire equipment	(24.8)	(30.3)	(54.3)
Proceeds from disposal of hire equipment	5.8	6.3	17.8
	<u>38.7</u>	<u>32.8</u>	<u>61.2</u>
Cash generated from operations			
Interest paid ¹	(3.4)	(3.3)	(6.7)
Tax paid	(6.3)	(1.6)	(4.7)
	<u>29.0</u>	<u>27.9</u>	<u>49.8</u>
Net cash flow from operating activities			
Cash flow from investing activities			
Purchase of non-hire property, plant and equipment	(4.8)	(2.9)	(6.5)
Acquisitions, net of cash acquired	-	(0.5)	(30.9)
Movement in investment in joint venture	-	0.9	1.2
	<u>(4.8)</u>	<u>(2.5)</u>	<u>(36.2)</u>
Net cash flow from investing activities			
Net cash flow before financing activities	<u>24.2</u>	<u>25.4</u>	<u>13.6</u>
Cash flow from financing activities			
Payments for the principle element of leases ¹	(12.7)	(11.7)	(23.7)
Drawdown of loans	197.3	213.4	468.7
Repayment of loans	(206.6)	(214.9)	(442.9)
Purchase of own shares to satisfy share schemes	-	(1.1)	(1.1)
Proceeds from the issue of Sharesave Scheme shares	-	0.1	0.5
Dividends paid	(7.3)	(6.0)	(9.1)
	<u>(29.3)</u>	<u>(20.2)</u>	<u>(7.6)</u>
Net cash flow from financing activities			
Decrease/(increase) in cash and cash equivalents	<u>(5.1)</u>	<u>5.2</u>	<u>6.0</u>
Cash and cash equivalents at the start of the period	10.4	4.4	4.4
	<u>5.3</u>	<u>9.6</u>	<u>10.4</u>
Cash and cash equivalents at the end of the period			
Analysis of cash and cash equivalents			
Cash	12	5.3	10.4
Bank overdraft	12	-	(0.8)
	<u>5.3</u>	<u>9.6</u>	<u>10.4</u>

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

1 Basis of preparation

Speedy Hire Plc ('the Company') is a company incorporated and domiciled in the United Kingdom. The interim condensed consolidated financial statements of the Company as at and for the six months ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as 'the Group').

The financial statements of the Group for the year ended 31 March 2019 are available from the Company's registered office, or from the website: www.speedyservices.com.

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

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

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

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU) and the Disclosure and Transparency Rules (DTR) of the UK FCA. As required by the latter, the interim condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the Company's published consolidated financial statements for the year ended 31 March 2019 except as described below. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 March 2019.

The comparative figures for the financial year ended 31 March 2019 are not the Company's statutory accounts for that financial year. Those accounts which were prepared under IFRS as adopted by the EU (adopted IFRS) have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The interim report was approved by the Board of Directors on 12 November 2019.

Significant accounting policies

Transition to IFRS 16 'Leases'

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

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

The Group has applied the fully retrospective transition approach to these financial statements, and therefore has restated comparative amounts as at 1 April 2018, for the 6 month period ended 30 September 2018, and the year ended 31 March 2019. Under IFRS 16, the Group will experience a different pattern of expense within the Income Statement, with the IAS 17 operating lease expense replaced by depreciation and interest expense. The interest expense is weighted towards the earlier years of the leases and as a result a reduction in reserves of £10.5m has been recognised upon transition. There is no impact on the Group's underlying cash flows.

1 Basis of preparation (continued)

Significant accounting policies (continued)

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

Income statement impact	6 months ended 30 September 2019			6 months ended 30 September 2018		
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m
Operating profit	15.0	2.9	17.9	14.0	2.1	16.1
EBITDA	38.1	14.6	52.7	37.0	13.0	50.0
EBITA	15.7	2.9	18.6	14.2	2.1	16.3
Financial expense (before exceptional items)	(2.0)	(1.7)	(3.7)	(1.7)	(1.8)	(3.5)
Profit before tax, amortisation and exceptional items	15.2	1.2	16.4	13.4	0.3	13.7
Profit before tax	15.2	1.2	16.4	13.2	0.3	13.5

	Year ended 31 March 2019		
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m
Operating profit	29.8	5.0	34.8
EBITDA	78.7	26.1	104.8
EBITA	32.7	4.0	36.7
Financial expense (before exceptional items)	(3.7)	(3.5)	(7.2)
Profit before tax, amortisation and exceptional items	30.9	0.5	31.4
Profit before tax	27.2	1.5	28.7

Balance sheet impact	30 September 2019			30 September 2018		
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m
Right of use assets	-	66.4	66.4	-	68.1	68.1
Non-hire equipment	32.8	(0.5)	32.3	33.4	(0.7)	32.7
Deferred tax assets	1.3	1.5	2.8	1.4	2.2	3.6
Lease liabilities	(0.2)	(74.9)	(75.1)	(0.4)	(79.6)	(80.0)
Other working capital	27.1	(1.2)	25.9	25.8	(0.9)	24.9
Provisions	(12.8)	0.3	(12.5)	(2.6)	0.7	(1.9)

	31 March 2019		
	Excluding IFRS 16 £m	IFRS 16 impact £m	Reported £m
Right of use assets	-	72.2	72.2
Non-hire equipment	32.8	(0.6)	32.2
Deferred tax assets	1.1	1.9	3.0
Lease liabilities	(0.3)	(82.1)	(82.4)
Other working capital	41.3	(1.5)	39.8
Provisions	(14.2)	0.9	(13.3)

1 Basis of preparation (*continued*)

Significant accounting policies (*continued*)

Accounting for leasing activities under IFRS 16

The Group holds leases for a number of properties and vehicles. Rental contracts are typically entered into for fixed periods of one to ten years but may have break options or extension options as set out below. Such leases can contain a wide range of different terms and conditions.

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

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

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

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

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

Fair value adjustments relating to prior year acquisitions

During the previous financial year the Group acquired the entire share capital of both Lifterz Holdings Limited ("Lifterz") and Geason Holdings Limited ("Geason"). The fair values disclosed as provisional as at 31 March 2019 have been revised during the period ended 30 September 2019. These adjustments comprise £1.3m of additional intangible assets, a £0.6m reduction in the book value of hire fleet acquired, a £0.2m reduction in working capital, and an additional £0.5m of non-current payables.

Other accounting policies

The accounting policies applied by the Group in these interim condensed consolidated financial statements are otherwise the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2019.

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee ('IFRIC') have not issued or endorsed any new standards or interpretations since the date of the 31 March 2019 year end financial statements.

1 Basis of preparation (*continued*)

Seasonality

In addition to economic factors, revenue is subject to a small element of seasonal fluctuation. Whilst construction activity tends to increase in the summer months, the equipment range helps to mitigate the impact, specifically with heating, lighting and power generation products being more in demand during the winter months. Overall, the Directors do not feel that these factors have a material effect on the performance of the Group when comparing first half results to those achieved in the second half.

2 Changes in estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty for the consolidated financial statements for the year ended 31 March 2019 continued to apply.

3 Exceptional items

During the period, no exceptional administrative items were incurred.

An exceptional financial item of £0.7m has been credited to the Income Statement in relation to changes in the fair value of contingent consideration during the period.

Prior period – restatement for IFRS 16

Under previous accounting policies for the year ended 31 March 2019, net exceptional items of £2.2m were charged to operating profit. On transition to IFRS 16, an additional exceptional credit of £1.0m was recognised for the year ended 31 March 2019 in relation to a gain on termination of a distribution centre lease.

4 Segmental analysis

The segmental disclosure presented in the interim condensed consolidated 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.

For the six months ended 30 September 2019

	UK and Ireland	International	Corporate items	Total
	£m	£m	£m	£m
Revenue	188.0	17.7	-	205.7
Segment result:				
EBITDA before exceptional items	50.8	3.8	(1.9)	52.7
Depreciation	(32.4)	(1.3)	(0.4)	(34.1)
Operating profit/(costs) before amortisation and exceptional items	18.4	2.5	(2.3)	18.6
Amortisation	(0.7)	-	-	(0.7)
Exceptional items	-	-	-	-
Operating profit/(costs)	17.7	2.5	(2.3)	17.9
Share of results of joint venture	-	1.5	-	1.5
Trading profit/(costs)	17.7	4.0	(2.3)	19.4
Financial expense				(3.7)
Exceptional financial item				0.7
Profit before tax				16.4
Taxation				(3.0)
Profit for the financial period				13.4
Intangible assets	39.7	-	-	39.7
Investment in joint venture	-	7.6	-	7.6
Hire equipment	212.4	8.6	-	221.0
Non-hire equipment	30.0	2.3	-	32.3
Right of use assets	63.7	2.7	-	66.4
Taxation assets	-	-	2.8	2.8
Current assets	99.4	13.1	2.0	114.5
Cash	-	-	5.3	5.3
Total assets	445.2	34.3	10.1	489.6
Lease liabilities	(70.7)	(4.4)	-	(75.1)
Other liabilities	(87.6)	(14.1)	(4.5)	(106.2)
Borrowings	-	-	(90.4)	(90.4)
Taxation liabilities	-	-	(8.2)	(8.2)
Total liabilities	(158.3)	(18.5)	(103.1)	(279.9)

4 Segmental analysis (continued)

For the six months ended 30 September 2018

	UK and Ireland	International	Corporate items	Total
	Restated ¹ £m	Restated ¹ £m	Restated ¹ £m	Restated ¹ £m
Revenue	177.2	17.4	-	194.6
Segment result:				
EBITDA before exceptional items ¹	48.1	4.2	(2.3)	50.0
Depreciation ¹	(32.0)	(1.3)	(0.4)	(33.7)
Operating profit/(costs) before amortisation and exceptional items	16.1	2.9	(2.7)	16.3
Amortisation	(0.2)	-	-	(0.2)
Exceptional (costs)/income	-	-	-	-
Operating profit/(costs)	15.9	2.9	(2.7)	16.1
Share of results of jointly controlled entity	-	0.9	-	0.9
Trading profit/(costs)	15.9	3.8	(2.7)	17.0
Financial expense ¹				(3.5)
Profit before tax				13.5
Taxation ¹				(2.8)
Profit for the financial period				10.7
Intangible assets	10.9	-	-	10.9
Investment in joint venture	-	6.2	-	6.2
Hire equipment	204.9	6.3	-	211.2
Non-hire equipment ¹	30.1	2.6	-	32.7
Right of use assets ¹	65.1	3.0	-	68.1
Taxation assets ¹	-	-	3.6	3.6
Current assets ¹	94.8	11.0	1.7	107.5
Cash	-	-	10.4	10.4
Total assets	405.8	29.1	15.7	450.6
Lease liabilities ¹	(75.4)	(4.6)	-	(80.0)
Other liabilities ¹	(77.5)	(12.3)	(5.1)	(94.9)
Borrowings ¹	-	-	(72.7)	(72.7)
Taxation liabilities	-	-	(10.7)	(10.7)
Total liabilities	(152.9)	(16.9)	(88.5)	(258.3)

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

4 Segmental analysis (continued)

For the year ended 31 March 2019

	UK and Ireland	International	Corporate items	Total
	Restated ^{1,2} £m	Restated ^{1,2} £m	Restated ^{1,2} £m	Restated ^{1,2} £m
Revenue	358.6	36.1	-	394.7
Segment result:				
EBITDA before exceptional items ¹	100.5	8.5	(4.2)	104.8
Depreciation ¹	(64.3)	(2.6)	(1.2)	(68.1)
Operating profit/(costs) before amortisation and exceptional items	36.2	5.9	(5.4)	36.7
Amortisation	(0.7)	-	-	(0.7)
Exceptional (costs)/income ¹	(1.2)	-	-	(1.2)
Operating profit/(costs)	34.3	5.9	(5.4)	34.8
Share of results of jointly controlled entity	-	1.9	-	1.9
Trading profit/(costs)	34.3	7.8	(5.4)	36.7
Financial expense ¹				(7.2)
Exceptional finance expense				(0.8)
Profit before tax				28.7
Taxation ¹				(5.5)
Profit for the financial period				23.2
Intangible assets	40.4	-	-	40.4
Investment in joint venture	-	5.8	-	5.8
Hire equipment ²	209.8	7.1	-	216.9
Non-hire equipment ¹	29.7	2.5	-	32.2
Right of use assets ¹	69.4	2.8	-	72.2
Taxation assets ^{1,2}	-	-	3.0	3.0
Current assets ¹	98.9	12.0	0.9	111.8
Cash	-	-	11.5	11.5
Total assets	448.2	30.2	15.4	493.8
Lease liabilities ¹	(77.9)	(4.5)	-	(82.4)
Other liabilities ^{1,2}	(81.6)	(11.4)	(4.1)	(97.1)
Borrowings ¹	-	-	(100.6)	(100.6)
Taxation liabilities	-	-	(11.7)	(11.7)
Total liabilities	(159.5)	(15.9)	(116.4)	(291.8)

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

²Restated for fair value adjustments relating to acquisitions made in the prior year – see Note 1 (Basis of preparation)

4 Segmental analysis (*continued*)

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

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

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.

	Six months ended 30 September 2019		Six months ended 30 September 2018		Year ended 31 March 2019	
	Revenue £m	Total assets £m	Revenue £m	Total assets ¹ £m	Revenue £m	Total assets ¹ £m
UK	182.7	442.1	172.0	407.9	347.8	449.6
Ireland	5.3	13.2	5.2	13.6	10.8	14.0
United Arab Emirates	17.7	34.3	17.4	29.1	36.1	30.2
	205.7	489.6	194.6	450.6	394.7	493.8

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

Revenue by type

Revenue is attributed to the following activities:

	Six months ended September 2019	Six months ended 30 September 2018	Year ended 31 March 2019
	£m	£m	£m
Hire and related activities	120.4	119.4	236.4
Services	83.8	73.4	152.8
Disposals	1.5	1.8	5.5
	205.7	194.6	394.7

Major customer

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

5 Financial expense

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 <i>Restated</i> ¹ £m	Year ended 31 March 2019 <i>Restated</i> ¹ £m
Interest on bank loans and overdrafts	1.8	1.3	2.9
Amortisation of issue costs	0.2	0.2	0.4
	<u>2.0</u>	<u>1.5</u>	<u>3.3</u>
Total interest on borrowings			
Interest on lease liabilities	1.7	1.8	3.5
Hedge interest payable	0.1	0.1	0.1
Other finance (income)/costs	(0.1)	0.1	0.3
Exceptional financial items (see note 3)	(0.7)	-	0.8
	<u>3.0</u>	<u>3.5</u>	<u>8.0</u>

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

6 Taxation

The corporation tax charge for the six months ended 30 September 2019 is based on an effective rate of taxation of 18.3% before exceptional items and amortisation (2018: 20.4%); and 18.3% (2018: 20.7%) after exceptional items and amortisation. This has been calculated by reference to the projected charge for the full year ending 31 March 2020, applying the applicable UK corporation tax rate of 19% (2018: 19%). Deferred tax is provided using the tax rates that are expected to apply to the period in which the liability is settled, based on the tax rates that have been enacted at the balance sheet date.

7 Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity holders of the Company of £13.4m (2018: £10.7m) and the weighted average number of 5 pence ordinary shares in issue and is calculated as follows:

	Six months ended 30 September 2019	Six months ended 30 September 2018 <i>Restated¹</i>	Year ended 31 March 2019 <i>Restated¹</i>
Profit (£m)			
Profit for the period after tax – basic earnings ¹	13.4	10.7	23.2
Intangible amortisation charge (after tax)	0.6	0.2	0.5
Exceptional items (after tax)	(0.7)	-	2.0
Adjusted earnings (after tax)	13.3	10.9	25.7
Weighted average number of shares in issue (m)			
Number of shares at the beginning of the period	519.5	519.6	519.6
Exercise of share options	-	-	0.3
Movement in shares owned by the Employee Benefit Trust	0.1	(0.5)	(1.4)
Weighted average for the period – basic number of shares	519.6	519.1	518.5
Share options	5.3	3.8	4.4
Employee share schemes	0.7	0.9	1.2
Weighted average for the period – diluted number of shares	525.6	523.8	524.1
Earnings per share (pence)			
Basic earnings per share	2.58	2.06	4.47
Amortisation	0.11	0.04	0.10
Exceptional items	(0.13)	-	0.39
Adjusted earnings per share	2.56	2.10	4.96
Basic earnings per share	2.58	2.06	4.47
Share options	(0.03)	(0.02)	(0.04)
Diluted earnings per share	2.55	2.04	4.43
Adjusted earnings per share	2.56	2.10	4.96
Share options	(0.03)	(0.03)	(0.05)
Adjusted diluted earnings per share	2.53	2.07	4.91

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

The total number of shares outstanding at 30 September 2019 amounted to 525,386,975, including 5,516,473 shares held in the Employee Benefit Trust, which are excluded in calculating the earnings per share.

8 Dividends

The aggregate amount of dividend comprises:

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
2018 final dividend (1.15 pence on 523.7m ordinary shares)	-	6.0	6.0
2019 interim dividend (0.60 pence on 523.7m ordinary shares)	-	-	3.1
2019 final dividend (1.40 pence on 525.3m ordinary shares)	7.3	-	-
	<u>7.3</u>	<u>6.0</u>	<u>9.1</u>

Subsequent to the end of the period, and not included in the results for the period, the Directors have declared an interim dividend of 0.70 pence (2019 interim dividend: 0.60 pence) per share, to be paid on 10 January 2020 to shareholders on the register on 6 December 2019.

9 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.

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 <i>Restated</i> ¹ £m	Year ended 31 March 2019 <i>Restated</i> ¹ £m
Operating profit	17.9	16.1	34.8
Add back: amortisation	0.7	0.2	0.7
Add back: exceptional items	-	-	1.2
Operating profit before amortisation and exceptional items (EBITA)	18.6	16.3	36.7
Add back: depreciation	34.1	33.7	68.1
EBITDA before exceptional items	52.7	50.0	104.8
Profit before tax	16.4	13.5	28.7
Add back: amortisation	0.7	0.2	0.7
Add back: exceptional items	(0.7)	-	2.0
Profit before tax, amortisation and exceptional items	16.4	13.7	31.4

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

10 Property, plant and equipment

	Land and buildings	Hire equipment <i>Restated</i> ²	Other <i>Restated</i> ¹	Total <i>Restated</i> ^{1,2}
	£m	£m	£m	£m
Cost				
At 1 April 2018 ¹	50.5	364.0	71.6	486.1
Foreign exchange	0.3	0.2	-	0.5
Additions	0.6	31.5	2.3	34.4
Disposals	-	(12.0)	-	(12.0)
Transfers to inventory	-	(6.1)	-	(6.1)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2018 ¹	51.4	377.6	73.9	502.9
Foreign exchange	(0.2)	(0.4)	-	(0.6)
Acquisition through business combinations ²	0.3	10.7	0.9	11.9
Additions	0.8	23.6	3.0	27.4
Disposals	(0.1)	(13.5)	-	(13.6)
Transfers to inventory	-	(12.2)	-	(12.2)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019 ^{1,2}	52.2	385.8	77.8	515.8
Foreign exchange	0.3	0.7	-	1.0
Additions	0.8	27.4	4.0	32.2
Disposals	-	(12.5)	-	(12.5)
Transfers to inventory	-	(4.9)	-	(4.9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	53.3	396.5	81.8	531.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
At 1 April 2018 ¹	29.9	160.3	58.0	248.2
Foreign exchange	0.1	0.1	-	0.2
Charged in period	1.5	18.2	3.1	22.8
Disposals	-	(7.9)	-	(7.9)
Transfers to inventory	-	(4.3)	-	(4.3)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2018 ¹	31.5	166.4	61.1	259.0
Foreign exchange	-	(0.1)	-	(0.1)
Charged in period	1.7	17.9	3.6	23.2
Disposals	(0.1)	(6.8)	-	(6.9)
Transfers to inventory	-	(8.5)	-	(8.5)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019 ^{1,2}	33.1	168.9	64.7	266.7
Foreign exchange	0.4	0.1	-	0.5
Charged in period	1.7	17.8	2.9	22.4
Disposals	-	(7.7)	-	(7.7)
Transfers to inventory	-	(3.6)	-	(3.6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	35.2	175.5	67.6	278.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 30 September 2019	18.1	221.0	14.2	253.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2019 ^{1,2}	19.1	216.9	13.1	249.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2018 ¹	19.9	211.2	12.8	243.9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

² Restated for fair value adjustments relating to acquisitions made in the prior year – see Note 1 (Basis of preparation)

11 Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 April 2018	119.2	41.7	160.9
Foreign exchange	0.5	-	0.5
Additions	2.5	9.3	11.8
Disposals	(1.5)	(2.8)	(4.3)
	<hr/>	<hr/>	<hr/>
At 30 September 2018	120.7	48.2	168.9
Foreign exchange	(0.2)	-	(0.2)
Additions	12.0	4.4	16.4
Disposals	(4.5)	(2.7)	(7.2)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	128.0	49.9	177.9
Foreign exchange	0.6	-	0.6
Additions	3.0	3.3	6.3
Disposals	(5.7)	(3.3)	(9.0)
	<hr/>	<hr/>	<hr/>
At 30 September 2019	125.9	49.9	175.8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 1 April 2018	71.6	21.0	92.6
Foreign exchange	0.3	-	0.3
Charged in period	5.3	5.6	10.9
Disposals	(1.4)	(1.6)	(3.0)
	<hr/>	<hr/>	<hr/>
At 30 September 2018	75.8	25.0	100.8
Foreign exchange	(0.1)	-	(0.1)
Charged in period	5.5	5.7	11.2
Disposals	(4.0)	(2.2)	(6.2)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	77.2	28.5	105.7
Foreign exchange	0.4	-	0.4
Charged in period	5.9	5.8	11.7
Disposals	(5.7)	(2.7)	(8.4)
	<hr/>	<hr/>	<hr/>
At 30 September 2019	77.8	31.6	109.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 30 September 2019	48.1	18.3	66.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2019	50.8	21.4	72.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2018	44.9	23.2	68.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Borrowings

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Current borrowings			
Bank overdraft	-	0.8	1.1
Non-current borrowings			
Maturing between two and five years - ABF facility	90.4	71.9	99.5
Total borrowings	90.4	72.7	100.6
Less: Cash	(5.3)	(10.4)	(11.5)
Net borrowings	85.1	62.3	89.1
Add: Finance lease liabilities excluded under IFRS 16	0.2	0.4	0.3
Net debt	85.3	62.7	89.4

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

- (a) A secured overdraft facility, provided by Barclays Bank Plc which secures by cross guarantees and debentures the bank deposits and overdrafts of the Company and certain subsidiary companies up to a maximum of £5m.
- (b) An asset based finance facility of up to £175m, based on the Group's hire equipment and trade receivables balance. The undrawn availability of this facility as at 30 September 2019 was £76.7m (2018: £84.2m) 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 London Inter Bank Offered Rate applicable to the period drawn, plus a margin of 150 to 250 basis points, depending on leverage and on the components of the borrowing base. During the period, the effective margin was 1.84% (2018: 1.80%).

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

13 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.

14 Commitments

The Group had contracted capital commitments amounting to £1.2m (2018: £5.4m) at the end of the financial period for which no provision has been made.

15 Related party disclosures

There has been no significant change to the nature and size of related party transactions, including the remuneration provided to the key management, from that disclosed in the 2019 Annual Report.

16 Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2020 financial year have not changed from those set out on pages 38 to 45 of the Group's 2019 Annual Report, which is available at www.speedyservices.com. These risks and uncertainties include, but are not limited to the following:

- Safety, health and environment;
- Service;
- Revenue and trading performance;
- Project and change management;
- People;
- Partner and supplier service levels;
- Operating costs;
- Information technology and data integrity;
- Funding;
- Economic vulnerability, including the potential effects of the UK's departure from the European Union;
- Corporate culture;
- Business continuity; and
- Asset holding and integrity.

17 Post balance sheet events

On 29 October 2019, the Group sold a plot of surplus land. Consideration of £4.0m was paid in cash in full at completion. The land had a book value £0.1m and the resultant profit, after any related costs, will be recognised as an exceptional item in the full year accounts to 31 March 2020.

Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

Thomas Christopher Morgan
Director
12 November 2019

Independent Review Report to Speedy Hire Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated cash flow statement, interim condensed consolidated statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Independent Review Report to Speedy Hire Plc *(continued)*

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Chris Hearld
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
12 November 2019