



Helphire Group plc

Interim report for the six months ended 31 December 2009

Business profile

Helphire Group plc is a market leader in the provision of accident assistance to not at fault drivers involved in motor accidents. In partnership with the insurance and motor industries, the Group provides accident management solutions to motorists, enabling them to stay mobile until their own vehicles are repaired, or until they are put in a position to obtain a replacement.

Contents

INTRODUCTION	Operational and financial key points01	OUR RESULTS	Condensed consolidated income statement11
	Chairman's statement02		Condensed consolidated statement of comprehensive income12
BUSINESS REVIEW	Business review04		Condensed consolidated statement of changes in equity13
			Condensed consolidated balance sheet14
			Condensed consolidated cash flow statement15
			Notes to the condensed consolidated cash flow statement16
			Notes to the interim statements17
			Directors' responsibility statement23
			Independent review report24
			Shareholder information26

INTRODUCTION

Operational and financial key points

Operational

- Annualised overhead reduction of £44.0m from December 2008 to December 2009
- Total open case count reduced by 24% to approximately 92,000 cases (2008: 121,000)
- Fleet utilisation averaging 85.7% in the period to 31 December 2009 (2008: 72.0%)
- Operating working capital reduction, including fleet, of £88.4m since February 2009
- New fixed price services agreed or in pilot with approximately 13% of current claims market and others under discussion
- Consolidation of operational centres, management teams and IT platforms leading to improved productivity and cost per case
- New referral contract wins underpinning future case volumes and strong pipeline of significant prospect opportunities

Financial

- Debtor days reduced by 11.7% to 234 days (2008: 265 days)
- Net operating cash inflow of £20.2m (2008: £2.9m outflow)
- Adjusted operating profit increased by 12.4% to £10.0m (2008: £8.9m)
- Adjusted PBT up 90% at £5.7m (2008: £3.0m)
- Statutory loss before tax of £0.4m (2008: £59.3m loss) inclusive of exceptional items
- Statutory diluted EPS of 0.06p loss (2008: 32.62p loss)
- Net debt reduced by £30.4m since 30 June 2009
- Adjusted gross margin restored to 29.0% from 2H FY2009 26.1% (2008: 29.2%)
- ABI cash receipts at 110% of adjusted ABI and repair revenue (2008: 89%)
- Unutilised fleet and working capital bank facilities of £44.6m at 31 December 2009
- No interim dividend declared



INTRODUCTION

Chairman's statement

Richard Rose
Chairman

The half year to 31 December 2009 was a period of continued change within the Group as we progressed our restructuring plans and dealt with the legacy issues with which we were faced. I am pleased to report that much progress has been made on all fronts. The Group is now smaller as we have exited from unprofitable business, but a great deal more efficient and, most importantly is cash generative, achieving a further pay down of £30.4m of debt during the half year under review. In October 2009, we reported a reduction in debt in the year to 30 June 2009 of £122.8m, bringing the total debt reduction to £153.2m since our restructuring programme began.

Adjusted revenues for the period under review were £152.5m (2008: £205.3m), with an adjusted operating profit of £10.0m (2008: £8.9m). The adjusted pre-tax profit for the half year was £5.7m (2008: £3.0m). After charging exceptional costs of £6.0m (2008: £60.4m), the statutory pre-tax loss was £0.4m (2008: £59.3m). Of the £6.0m exceptional costs, £5.7m relate to continued restructuring costs and are in line with our previous estimates.

The total open ABI case count at 31 December 2009 of 92,000 has reduced by 29,000 since 31 December 2008, with the majority of the reduction, 17,000 cases, occurring since 30 June 2009. The impairment provisions made against the legacy ABI debt, based on estimates at the time, are being carefully

monitored and have been reviewed against our actual experience and updated outlook on recovery and no adjustment in the overall settlement provision is required. Further adjustments (either way) may be required in the future as the cases are finally dealt with. Whilst challenges still remain in settling and closing legacy ABI cases, overall progress thus far is satisfactory and the Group continues to pursue claims through litigation where negotiated settlements cannot be reached. Recovery settlement rates on ABI cases incepted since 1 April 2009 are also performing in line with previous estimates.

Net trade receivables improved further by £2.2m as at 31 December 2009 to £190.4m (30 June 2009: £192.6m). ABI receivables were £165.4m (30 June 2009: £168.9m) and debtor days (for hire, repair and PI activities) were 234 (2008: 265).

The Group generated net cash flow from operations of £20.2m (2008: £2.9m outflow).

No dividend is being declared.

At the beginning of 2009, I set the Group an objective of reducing operating working capital, including fleet, by £100m through 30 June 2010 and I am pleased to report that we have achieved a reduction of £88.4m by 31 December 2009.

Management's focus on our fleet asset has resulted in revenue-generating fleet utilisation in the period to 31 December 2009 averaging

85.7% (2008: 72.0%), with the December month averaging 88.3% versus 70.3% in December 2008. With higher than previously estimated residual values also being achieved, the Group has become far more cost effective in this important area for the business.

Our business restructuring actions have been proceeding well, and are in fact ahead of plan. The overhead cost base has fallen significantly with annualised savings at 31 December 2009 now exceeding £44.0m and productivity has risen as a result.

Outlook and current trading

We are currently experiencing a good demand for our services. We have secured additional referrer contracts in the period and have a pipeline of new business generation. We continue to seek ways of reducing the ABI cash cycle, and have agreed terms and are carrying out trials with a number of insurers, where we provide fixed price services. In return we receive cash recoveries far earlier than previous experience. This approach also reduces frictional operating costs and strengthens productivity.

The lower cost base and good demand for our services underpins the progress we are making within the business and provides me with confidence for the continued recovery of the Group going forward.

Our people

It has been a very difficult period for our people as we have made substantial reductions to our headcount in light of the business difficulties faced. I extend my continued appreciation to our dedicated team who have performed admirably in the face of the many challenges they have experienced.

Richard Rose

Chairman

25 February 2010



Business review

Martin Ward
Group Managing
Director

Ian Wardle
Chief Financial
Officer

The first half of the current financial year reflects the emerging benefits of the continued restructuring of the Group together with improved trading conditions and the cessation, as previously announced, of a major referrer midway through the period.

Financial review

Certain items have been reported and disclosed as exceptional on the face of the Income statement and these items are commented on separately further in the Financial review. The Income statement captions excluding these exceptional items more properly reflect the comparable operating performance of the business and for ease of reference are referred to as “adjusted”.

For the six months ended 31 December 2009, the Group achieved an adjusted operating profit of £10.0m (2008: £8.9m) together with an adjusted profit before tax of £5.7m (2008: £3.0m) and a loss before tax on a statutory basis of £0.4m (2008: £59.3m).

A summary of the key performance indicators and financial results on an adjusted basis is set out in the following table.

Revenue

Adjusted Group revenue of £152.5m for the period ending 31 December 2009 (2008: £205.3m) principally reflected the 26% lower credit hire case volumes from referrers, together with lower volumes in associated credit repair and personal injury activities. Additionally, hire related revenues were impacted by the 9.3% lower average hire length experienced versus the comparable prior period.

Although average hire length declined against the comparable prior year period, the rolling three month average hire length at 31 December 2009 saw an increase of 1.4 days or 7% to 20.5 versus the 30 June 2009 low point of 19.1 days, reflecting a partial recovery of the hire length decline experienced in the previous financial year.

Adjusted gross profit and adjusted operating profit

Adjusted gross profit of £44.2m (2008: £59.9m) fell by £15.7m versus the comparable prior period reflecting the decline in revenues experienced. Gross margin of 29.0% (2008: 29.2%) saw an increase of 2.9% points versus the six month period to 30 June 2009, reflecting improved fleet holding costs and revenue generating utilisation, offset by the increased content

Continued on page 06.

	Unaudited 6 months ended 31 December 2009	Unaudited 6 months ended 31 December 2008	Audited 12 months ended 30 June 2009
Operational KPI's			
Hire cases	77,503	98,774	187,040
Credit hire	64,961	87,495	162,489
Standard hire	12,542	11,279	24,551
Repair cases	30,177	39,253	71,658
% of credit hire cases	46.5%	44.9%	44.1%
PI cases	17,503	18,129	34,473
% of credit hire cases	26.9%	20.7%	21.2%
Hire days	1,557,151	2,187,681	3,986,893
Financial KPI's			
Adjusted revenue* (£'000)	152,545	205,302	374,078
Adjusted gross profit* (£'000)	44,226	59,883	103,983
Adjusted gross margin*	29.0%	29.2%	27.8%
Direct fleet holding costs as a % of net hire revenue	19.0%	28.5%	26.4%
Adjusted operating profit* (£'000)	10,016	8,877	4,663
Adjusted operating margin*	6.6%	4.3%	1.3%
Exceptional costs (£'000)	(6,058)	(62,340)	(143,834)
Loss before tax (£'000)	(350)	(59,333)	(149,004)
Debtor days (hire, repair, PI)	234	265	223
ABI cash collected (£'000)	135,288	171,526	354,702
* Adjusted measures exclude the impact, as relevant, of the items reported as exceptional.			
Adjusted revenue and gross profit also includes £2,368,000 for the 6 months ended 31 December 2008 and £5,582,000 for the year ended 30 June 2009, which was classified as other operating income in the previously published results. Adjusted operating profit is reconciled to the income statement as follows:			
	Unaudited 6 months ended 31 December 2009 £m	Unaudited 6 months ended 31 December 2008 £m	Audited 12 months ended 30 June 2009 £m
Adjusted operating profit – continuing operations	10.0	8.9	4.7
Adjustments			
Restructuring costs	(5.7)	(1.5)	(11.8)
Fleet impairment	0.4	(5.4)	(7.8)
Revised estimate of settlement of receivables	–	(34.5)	(62.4)
Onerous contract provision	–	(0.6)	(0.6)
Intangible assets impairment	–	–	(11.6)
Loss on deconsolidation	–	–	(19.0)
Goodwill impairment	–	(18.7)	(27.1)
IFRS 2 Share based payment (charge)/credit	(0.4)	0.6	0.6
Amortisation of intangible assets	(0.3)	(0.3)	(0.7)
Statutory operating profit/(loss)	4.0	(51.5)	(135.7)

Business review

continued

of the lower margin credit repair activities and higher referral commissions relative to revenue due to the lower credit hire length.

Adjusted operating profit of £10.0m (2008: £8.9m) increased by £1.1m versus the comparable prior period representing the decline in adjusted gross margin of £15.7m described previously, more than offset by reduced overheads of £16.8m due to the Group's ongoing restructuring programme. The annualised overhead reduction for December 2009 versus December 2008 is £44.0m.

Versus the comparable prior period, the Group has reduced the employee base by 1,074 heads or 34% as at 31 December, closed a UK operating centre, consolidated its management structure and business responsibilities including reducing the size of Group support functions, closed its Spanish credit hire operation and discontinued the Legal Services business, eliminating associated overhead. Further restructuring activities will continue into the second half of the current financial year.

Adjusted operating margin was 6.6% (2008: 4.3%), an increase of 2.3% points.

Adjusted profit before tax

Adjusted profit before tax of £5.7m (2008: £3.0m) is an increase of £2.7m versus the comparable prior period and is due to the higher adjusted operating profit (£1.1m), together with a lower interest charge (£1.6m) due principally to the lower average non fleet debt across the period.

Exceptional items

The Board has continued its review of the Group's financial position which, together with the continued restructuring of the Group's operations, has led to further exceptional items in the period to 31 December 2009. These are summarised below:

Restructuring costs

During the period, the Group has continued its restructuring programme with a reduction in the period to 31 December 2009 of 453 heads, decommissioning of the discontinued Expedite IT platform, termination of the final relationship within the Legal Services business and transfer of open litigation cases to a third party panel legal firm. Redundancy and transition costs of £3.6m have been incurred, together with a vacant property impairment charge of £1.2m, reflecting the net present value of future lease related obligations, together with the impairment of associated fixtures and fittings of £0.9m,

giving a total exceptional charge of £5.7m. The continued restructuring activities in the second half of the current financial year will incur further exceptional restructuring costs estimated at approximately £10.0m.

Fleet impairment

During the period to 31 December 2009, the Group has continued the disposal of previously impaired vehicles and has recognised a net exceptional credit of £0.4m as a result of proceeds generated on disposal exceeding previous estimates.

Consistent with previous years, the adjusted result excludes the share-based payment charge of £0.4m (2008: £0.6m credit) and the amortisation of intangibles charge of £0.3m (2008: £0.3m). Including these two items, the total pre-tax exceptional charges are £6.0m (2008: £62.3m), which together with a tax credit of £0.1m (2008: £1.0m) results in a post tax exceptional loss of £5.9m (2008: £61.3m).

Statutory pre-tax losses are £0.4m (2008: £59.3m) and statutory post-tax losses are £0.2m (2008: £53.6m).

Statutory diluted EPS is 0.06p loss (2008: 32.62p loss).

Balance sheet

The Group has continued its focus on the reduction of operating working capital (including fleet) under the Project Century initiative (whose objective is to reduce working capital, including fleet, measured from February 2009 by £100m at 30 June 2010) to de-leverage the balance sheet and improve liquidity. During the period to 31 December 2009, fleet net assets have reduced by £22.5m and net trade receivables have reduced by £2.2m. Overall, against the Project Century target, operating working capital including fleet has reduced by £88.4m since February 2009.

As at 31 December 2009, debtor days were 234 days (2008: 265 days) reflecting the improved relative performance in net trade receivables collection (representing principally ABI receivables i.e. credit hire and repair claims due from at fault third party insurers) net of the impact of reduced associated revenues. ABI cash receipts in the period were £135.3m (2008: £171.5m) and represented 110% of adjusted ABI hire and repair revenue in the period, versus 89% in the comparable prior period.

Net assets at 31 December 2009 were £84.6m (2008: £121.1m) representing a reduction of £1.0m since 30 June 2009.

Business review

continued

	Unaudited 6 months ended 31 December 2009 £m	Unaudited 6 months ended 31 December 2008 £m	Audited 12 months ended 30 June 2009 £m
Fleet			
Finance leases	95.7	166.8	120.6
Fleet facility	20.9	29.7	21.5
Total fleet	116.6	196.5	142.1
Corporate			
Working capital	30.5	*75.7	39.2
Term loan	43.1	49.2	47.0
Share purchase loan	7.5	7.5	7.5
Mortgages	10.4	10.2	10.4
Finance leases	5.0	12.8	8.1
Unamortised debt arrangement fees	(3.0)	(0.9)	(3.3)
Total corporate	93.5	154.5	108.9
Total debt	210.1	351.0	251.0
Cash	1.0	*3.3	11.5
Net debt	209.1	347.7	239.5

* The comparatives for 31 December 2008 have been re-stated to be consistent with the presentation of amounts owed under a revolving credit facility as bank loans rather than overdrafts. This treatment is consistent with that adopted in the audited accounts for the year ended 30 June 2009.

Cash flow

As a result of the continued focus on reducing working capital, cash generated from operations was £22.8m (2008: £9.6m) an increase of £13.2m. After other operating outflows/inflows of interest and taxation, net cash flow from operating activities was a £20.2m inflow (2008: £2.9m outflow) and after the purchase and sale of fixed assets (principally fleet) there was a net repayment of debt of £30.4m (2008: £14.7m after

receipt of £42.3m proceeds from the issue of ordinary shares and payment of a £7.9m dividend).

Financing

Total net debt at 31 December 2009 was £209.1m (2008: £347.7m), a reduction of £30.4m versus £239.5m at 30 June 2009, and comprised fleet related funding of £116.6m (30 June 2009: £142.1m) and other corporate borrowings of £92.5m (30 June 2009: £97.4m) net of cash in hand.

In September 2009, the Group amended certain conditions of its principal bank borrowing facilities committed until April 2012 including a phased reduction in facility limits to £115.6m at March 2012 and at 31 December 2009, the Group's bank facilities comprising revolving working capital, fleet, term, share purchase and mortgage related facilities totalled £156.0m of which £44.6m were unutilised at 31 December 2009.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 14 to 16 of the Annual Report and Accounts for the year ended 30 June 2009. The following risks may particularly affect the performance of the Group in the balance of the financial year:

Liquidity

The Group is dependent upon the continued availability of bank working capital and fleet facilities whose ongoing availability are dependent upon, inter alia, continued covenant compliance for the bank facilities as a whole, together with the continued availability of uncommitted fleet finance facilities to finance replacement vehicle purchases.

Settlement of ABI receivables

The Group's accident management business involves the provision of goods and services on credit. As the sum receivable by the Group is recorded as a claim based on the assessment of liability for the accident and the customer's need, there is a risk that the sum is not fully recoverable from the party at fault. This assessment is made on the basis of historical and expected net recovery from the settlement of claims, which is influenced by the approach taken towards the settlement of amounts claimed. The assessment is reviewed and adjusted as necessary over the period a claim remains outstanding.

Customer and referrer relationships

In the past, new business referral commission rates have seen increases due to market pressures so that the effective cost of acquiring and renewing business volumes has increased, potentially diluting gross profit and operating profit margins. Based upon profit contribution analysis, the Group may decide that renewal terms for contracts are uneconomic for the Group and consequently gross revenues may decline.

Business review

continued

Fleet costs and residual values

The cost to the Group of holding vehicles for hire is dependent upon a number of factors, including the purchase price, the average period over which the vehicles are held, financing costs represented by LIBOR and applicable margins together with the expected residual value at the date of disposal. The most variable component is the change in the estimated residual value during the life of the vehicle and the impact upon depreciation, and whilst the Group seeks to mitigate this risk, the majority of the Group's hire vehicles are subject to a market residual value.

Systems

As previously announced, the Group is undertaking a strategic plan during the balance of this financial year to migrate the core accident management activities onto a single operational IT platform. The programme has an appropriate project management structure in place with regular executive reviews. However, any such project involves execution risks together with the risk associated with the concentration of the Group's activities on a single platform, and the associated failure and business interruption risk, for which disaster recovery plans are in place.

Going concern

The Directors are of the opinion that the Group has adequate financial resources to fund its operations for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the interim statements; see note 1 page 17 of the Notes to the interim statements for further details.

The principal risks and uncertainties potentially affecting the Group are discussed above. In arriving at their opinion with regard to the going concern basis of preparation of the interim statements, the Directors have reviewed appropriate sensitivities and mitigating actions to the current forecast for the business; however, if events and risks are materially different to those evaluated then adjustment to the Group's banking terms and conditions including covenant performance ratios could be required.

Related party transactions

There were no related party transactions during the six months ended 31 December 2009 that require disclosure.

Martin Ward

Group Managing Director

Ian Wardle

Chief Financial Officer

25 February 2010

Condensed consolidated income statement

for the six months ended 31 December 2009

Unaudited	Note	6 months ended 31 Dec 2009 Adjusted*	6 months ended 31 Dec 2009 Exceptional items*	6 months ended 31 Dec 2009	6 months ended 31 Dec 2008 Adjusted*	6 months ended 31 Dec 2008 Exceptional items*	6 months ended 31 Dec 2008
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Revenue	3	152,545	–	152,545	205,302	–	205,302
Revised estimate of settlement of receivables		–	–	–	–	(34,533)	(34,533)
Total revenue		152,545	–	152,545	205,302	(34,533)	170,769
Cost of sales		(108,319)	–	(108,319)	(145,419)	–	(145,419)
Fleet charges	5	–	405	405	–	(5,954)	(5,954)
Total cost of sales		(108,319)	405	(107,914)	(145,419)	(5,954)	(151,373)
Gross profit/(loss)		44,226	405	44,631	59,883	(40,487)	19,396
Administrative expenses:							
Share-based payment (charge)/credit	5	–	(369)	(369)	–	564	564
Amortisation of intangible assets	5	–	(334)	(334)	–	(344)	(344)
Goodwill impairment charge		–	–	–	–	(18,721)	(18,721)
Restructuring expense	5	–	(5,760)	(5,760)	–	(1,454)	(1,454)
Other		(34,210)	–	(34,210)	(51,006)	–	(51,006)
Total administrative expenses		(34,210)	(6,463)	(40,673)	(51,006)	(19,955)	(70,961)
Operating profit/(loss) – continuing operations		10,016	(6,058)	3,958	8,877	(60,442)	(51,565)
Finance costs		(4,308)	–	(4,308)	(5,870)	–	(5,870)
Change in fair value of derivative financial instrument		–	–	–	–	(1,898)	(1,898)
Profit/(loss) before taxation		5,708	(6,058)	(350)	3,007	(62,340)	(59,333)
Tax	6	–	154	154	4,678	1,071	5,749
Profit/(loss) for the period attributable to equity holders of the parent		5,708	(5,904)	(196)	7,685	(61,269)	(53,584)
Earnings/(loss) per share							
Basic	7	1.72	(1.78)	(0.06)	4.68	(37.30)	(32.62)
Diluted	7	1.72	(1.78)	(0.06)	4.65	(37.30)	(32.62)

* Adjusted profit excludes the impact of those items described as exceptional, namely the revised estimate of settlement of receivables, the fleet charge, amortisation and impairment of intangible assets, other restructuring costs and the share-based payment (charge)/credit. See note 5 for further details.

* Revenue and gross profit/(loss) for the 6 months ended 31 December 2008 includes income of £2,368,000 which was classified as other operating income in the published Interim report for that period, but which the Directors consider meets the definition of revenue.

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2009

Unaudited	6 months ended 31 Dec 2009 £'000	6 months ended 31 Dec 2008 £'000
Loss for the period	(196)	(53,584)
Other comprehensive income		
Cash flow hedges		
Losses arising during the period	(1,139)	–
Total comprehensive income for the period, attributable to the owners of the Company	(1,335)	(53,584)

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2009

	Share capital	Share premium account	ESOP reserve	Equity reserve	Hedging reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 December 2009							
Balance at 1 July 2009	16,565	107,103	(7,499)	6,665	(292)	(37,000)	85,542
Loss for the period	–	–	–	–	–	(196)	(196)
Other comprehensive income	–	–	–	–	(1,139)	–	(1,139)
Total comprehensive income for the period	–	–	–	–	(1,139)	(196)	(1,335)
Share-based incentive plans	–	–	–	369	–	–	369
Balance at 31 December 2009	16,565	107,103	(7,499)	7,034	(1,431)	(37,196)	84,576
	Share capital	Share premium account	ESOP reserve	Equity reserve	Hedging reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 December 2008							
Balance at 1 July 2008	6,945	70,045	(7,499)	7,413	–	63,823	140,727
Loss for the period	–	–	–	–	–	(53,584)	(53,584)
Total comprehensive income for the period	–	–	–	–	–	(53,584)	(53,584)
Issue of new ordinary shares (net of expenses)	2,046	40,266	–	–	–	–	42,312
Share-based incentive plans	–	–	–	(564)	–	–	(564)
Deferred tax – consisting of share-based incentive plans	–	–	–	125	–	–	125
Dividend paid (note 8)	–	–	–	–	–	(7,919)	(7,919)
Balance at 31 December 2008	8,991	110,311	(7,499)	6,974	–	2,320	121,097

Condensed consolidated balance sheet

as at 31 December 2009

	Note	Unaudited 31 December 2009 £'000	Audited 30 June 2009 £'000
Non-current assets			
Goodwill	9	44,626	44,626
Intangible assets	10	283	617
Property, plant and equipment (including vehicles)	11	124,331	143,491
Investments		300	300
Deferred tax asset		1,820	1,759
		171,360	190,793
Current assets			
Trade and other receivables		198,614	202,833
Assets held for sale	11	1,229	8,216
Current tax receivable		2,745	3,808
Cash and cash equivalents		989	11,470
		203,577	226,327
Total assets		374,937	417,120
Current liabilities			
Trade and other payables		(69,794)	(71,175)
Obligations under finance leases	13	(65,566)	(71,943)
Short-term borrowings and overdrafts	12	(8,536)	(7,509)
Provisions		(1,282)	(1,416)
		(145,178)	(152,043)
Net current assets		58,399	74,284
Non-current liabilities			
Long-term borrowings and overdrafts	12	(100,794)	(114,764)
Obligations under finance leases	13	(35,173)	(56,709)
Other financial liabilities		(1,431)	(292)
Deferred tax liability		(1,926)	(2,020)
Long-term provisions		(5,859)	(5,750)
		(145,183)	(179,535)
Total liabilities		(290,361)	(331,578)
Net assets		84,576	85,542
Equity			
Share capital	14	16,565	16,565
Share premium account	14	107,103	107,103
ESOP reserve		(7,499)	(7,499)
Equity reserve		7,034	6,665
Hedging reserve		(1,431)	(292)
Retained earnings		(37,196)	(37,000)
Total equity		84,576	85,542

Condensed consolidated cash flow statement

for the six months ended 31 December 2009

	Unaudited 6 months ended 31 December 2009		Audited 6 months ended 31 December 2008	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Operating profit/(loss)	3,958		(51,565)	
Depreciation, amortisation and impairment charges	15,738		47,147	
Loss on sale of tangible fixed assets	303		1,871	
Profit on sale of assets held for resale	(414)		-	
Share-based payment charges/(credits)	369		(564)	
Decrease in receivables	4,219		6,447	
(Decrease)/increase in payables	(1,380)		6,251	
Cash generated from operations		22,793		9,587
Bank and loan interest paid	(3,122)		(5,285)	
Interest element of finance lease rentals	(556)		(585)	
		(3,678)		(5,870)
Taxation received/(paid)		1,062		(6,629)
Net cash flow from operating activities		20,177		(2,912)
Cash flows from investing activities				
Purchase of property, plant and equipment	(290)		(932)	
Purchase of other intangible assets	-		(1,388)	
Proceeds from sale of property and equipment	8,313		27,556	
Proceeds from sale of assets held for resale	8,304		-	
Deferred consideration on acquisitions	-		(1,200)	
Net cash flow from investing activities		16,327		24,036
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital	-		42,312	
Net proceeds from issue of new loans*	20,684		8,301	
Repayment of borrowings	(34,257)		(8,311)	
Finance lease principal repayments	(33,412)		(60,099)	
Dividends paid to shareholders	-		(7,919)	
Net cash flow from financing activities		(46,985)		(25,716)
Net decrease in cash and cash equivalents		(10,481)		(4,592)
Cash and cash equivalents at beginning of period*		11,470		7,920
Cash and cash equivalents at end of period		989		3,328
Cash and cash equivalents consist of:				
Cash at bank and in hand*		989		3,028
Cash held in restricted deposit		-		300
		989		3,328

* The prior period comparatives have been restated to be consistent with the presentation of amounts owed under a revolving credit facility as bank loans rather than overdrafts. This treatment is consistent with that adopted in the audited accounts for the year ended 30 June 2009.

Notes to the condensed consolidated cash flow statement

for the six months ended 31 December 2009

	Audited 1 July 2009 £'000	Cash flow £'000	Other non-cash charges £'000	(Increase)/ decrease in net debt £'000	Unaudited 31 December 2009 £'000
Analysis and reconciliation of net debt					
Net cash and cash equivalents	11,470	(10,481)	–	(10,481)	989
Debt due within one year	(7,509)	–	(1,027)	(1,027)	(8,536)
Debt due after more than one year	(114,764)	13,573	397	13,970	(100,794)
Finance leases	(128,652)	33,412	(5,499)	27,913	(100,739)
	(250,925)	46,985	(6,129)	40,856	(210,069)
Net debt	(239,455)	36,504	(6,129)	30,375	(209,080)

	Audited 1 July 2008 £'000	Cash flow £'000	Other non-cash charges £'000	(Increase)/ decrease in net debt £'000	Unaudited 31 December 2008 £'000
Analysis and reconciliation of net debt					
Net cash and cash equivalents*	7,920	(4,592)	–	(4,592)	3,328
Debt due within one year*	(110,619)	(2,661)	–	(2,661)	(113,280)
Debt due after more than one year	(60,845)	2,671	–	2,671	(58,174)
Finance leases	(198,797)	60,099	(40,852)	19,247	(179,550)
	(370,261)	60,109	(40,852)	19,257	(351,004)
Net debt	(362,341)	55,517	(40,852)	14,665	(347,676)

* The prior period comparatives have been restated to be consistent with the presentation of amounts owed under a revolving credit facility as bank loans rather than overdrafts. This treatment is consistent with that adopted in the audited accounts for the year ended 30 June 2009.

Notes to the interim statements

1 Basis of preparation

The condensed consolidated financial statements are prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard ('IAS') 34, 'Interim Financial Reporting'.

The information for the year ended 30 June 2009 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements have been prepared under the going concern assumption.

As noted in the Business review, the Group has made progress in its plans to reduce operating working capital (including fleet) and reduce its net debt.

This has resulted in a reduction in net debt (including fleet financing) from £239.5m at 30 June 2009 to £209.1m at 31 December 2009. In September 2009, the Group completed the amendment of certain conditions of its principal bank borrowing facilities, which are committed until April 2012. As at 31 December 2009 these facilities totalled £156.0m, of which £44.6m were unutilised. The banking agreement includes a phased reduction in facility limits to £115.6m at March 2012.

The Group is currently in full compliance with the financial covenants contained in its financing agreements. The Directors have prepared detailed profit and cash flow forecasts through to March 2011, and in doing so have carefully considered the implicit assumptions and sensitivities. This includes scenario testing carried out to demonstrate performance and headroom under stressed conditions including appropriate mitigating actions. This takes account of reasonable possible changes in its trading performance, and shows that the Group will be able to operate within the existing financing facilities.

As part of the ongoing process to monitor the Group's working capital position, a number of strategic developments have been implemented that should result in improved cash flow and headroom against financial covenants.

Having undertaken this work, the Directors are of the opinion that the Group has adequate resources to finance its operations for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the Interim report.

2 Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been applied in these condensed consolidated financial statements as were applied in the Group's financial statements for the year ended 30 June 2009, except for the adoption of IFRS 8 'Operating Segments'.

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying value of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the interim statements

continued

2 Significant accounting policies continued

The estimates and underlying 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.

IAS 1 (revised) requires the presentation of a Statement of Changes in Equity as a primary statement, separate from the Income Statement and Statement of Comprehensive Income. As a result, a Condensed Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented.

The most critical judgements affecting the Group's interim financial statements are the valuation of the receivables (see note 3) and depreciation of the vehicle fleet (see note 11).

3 Revenue

An analysis of the Group's revenues is as follows:

	Unaudited 6 months ended 31 December 2009 £'000	Unaudited 6 months ended 31 December 2008 £'000
Accident management assistance and related services, primarily vehicle hire	108,932	*113,987
Vehicle repairs	43,613	56,782
	152,545	170,769

As fully disclosed within note 15 to the consolidated financial statements for the year ended 30 June 2009, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the Income statement.

Revenue recorded in the period includes amounts initially recorded on transactions together with subsequent revisions for the expected adjustment arising on settlement of claims, as follows:

	Unaudited 6 months ended 31 December 2009 £'000	Unaudited 6 months ended 31 December 2008 £'000
Revenue initially recorded on transactions	152,378	*204,100
Revision of expected adjustment arising on settlement	167	1,202
Exceptional revision of expected adjustment arising on settlement	–	(34,533)
Total	152,545	170,769

* Includes £2,368,000 which was classified as other operating income in the published Interim report for the 6 months ended 31 December 2008 and has been reclassified as revenue.

4 Business segments

The condensed consolidated financial statements are in respect of the Group's sole business segment of non-fault accident services, conducted principally in the United Kingdom. The Group is managed as a single business and accordingly the Directors consider that the business comprises a single segment within the meaning of IFRS 8, 'Operating Segments'.

5 Exceptional items

The Group's accounting policy is that costs or gains treated as exceptional costs or gains when they are associated with normal activities but are of a non-recurring nature and/or an exceptional magnitude such that if they were not shown separately the accounts would not present a true and fair view.

Restructuring expense

The restructuring expense of £5.7m (2008: £1.5m) relates to severance costs of £3.6m (2008: £1.5m) and an onerous property lease commitment of £1.2m (2008: £nil) and related asset impairments of £0.9m (2008: £nil). The tax effect of this exceptional charge is a tax credit of £nil.

Fleet charges

The exceptional fleet credit of £0.4m (2008: charge of £6.0m) comprises a £0.4m (2008: charge of £5.4m) fleet impairment credit and £nil (2008: £0.6m) onerous referral contract costs. The tax effect of the exceptional fleet credit (2008: charge) is a tax credit of £nil (2008: £1.1m).

Adjusted profit

As discussed in the Business review, in order to provide a comparable view of the underlying performance of the Group, the adjusted profit has been presented in the condensed consolidated income statement. Adjusted profit excludes the impact of those items described as exceptional, as well as share-based payments charge of £0.4m (2008: credit of £0.6m) and amortisation of intangible assets of £0.3m (2008: £0.3m).

Share-based payment charge/(credit) and amortisation of intangible assets

As in previous periods, the share based payment charge/(credit) and amortisation of intangible assets together with the related tax impact, have been excluded in arriving at adjusted profit/(loss) for the period. The tax effect of these items is a credit of £0.1m.

Notes to the interim statements

continued

6 Tax credit

The tax credit comprises the following:

	Unaudited 6 months ended 31 December 2009 £'000	Unaudited 6 months ended 31 December 2008 £'000
Deferred tax credit	154	5,749

The effective tax rate for the interim period is a 44% tax credit on the pre-tax loss of £350,000. This tax credit is expected to be utilised in the full year as sufficient profits are forecast. This profit is expected to be relieved against brought forward trading tax losses leading to a lower full year effective tax rate.

7 Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Unaudited 6 months ended 31 December 2009 £'000	Unaudited 6 months ended 31 December 2008 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being net (loss)/profit attributable to equity holders	(196)	(53,584)
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	331,347,667	164,279,410
Effect of dilutive potential ordinary shares – share options and other share plans	723,031	866,608
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	332,070,698	165,146,018

Adjusted earnings per share

The calculation of basic and diluted adjusted (loss)/earnings per share is based on the same number of shares as for the unadjusted (loss)/earnings per share set out above and the adjusted profit of £5.7m (2008: £7.7m).

In accordance with IAS 33 dilutive potential ordinary shares are only considered to be dilutive to the extent that they decrease earnings per share or increase loss per share.

8 Dividends

	Unaudited 6 months ended 31 December 2009 £'000	Unaudited 6 months ended 31 December 2008 £'000
Final dividend for the year ended 30 June 2008 of 5.8p per ordinary share	–	7,919

No interim or final dividend for the year ended 30 June 2009 has been declared and no interim dividend for the 6 month period to 31 December 2009 has been declared.

9 Goodwill

There was no movement in goodwill in the six months ended 31 December 2009.

10 Intangible assets

The movement in intangible assets during the period was the amortisation charge described in note 5.

11 Property, plant and equipment (including vehicles)

During the period the Group spent approximately £5.8m on additions, being principally vehicles. £5.5m of this was funded by finance leases. It also disposed of plant and equipment (predominantly vehicles) with a carrying amount of £8.6m for disposal proceeds of £8.3m. Depreciation and impairment charges of £15.5m were incurred during the period, and £0.9m was transferred to assets held for sale.

Assets held for sale of £1.2m (30 June 2009: £8.2m) comprised vehicles impaired as part of the restructuring carried out during the financial year to 30 June 2009.

12 Bank borrowings

At 31 December 2009 the Group's bank loans of £109.3m (30 June 2009: £122.3m) comprised a revolving credit facility of £30.5m (30 June 2009: £39.2m), a term loan of £43.1m (30 June 2009: £47.0m), a revolving fleet funding facility of £20.9m (30 June 2009: £21.5m), a term loan of £7.5m (30 June 2009: £7.5m) and mortgages totalling £10.4m (30 June 2009: £10.4m) secured on the Northwich, Stoke and Chesterfield offices, less unamortised debt arrangement fees.

The £43.1m term loan is repayable at a rate of £7.7m per annum with a bullet payment of £25.8m due by 30 April 2012. The revolving fleet funding facility is repayable in full by 30 April 2012. The £7.5m term loan is repayable with a bullet payment by 30 April 2012. The mortgages of £10.4m are payable at a rate of £1.0m semi-annually commencing in October 2010 with a bullet payment of £6.4m due by 30 April 2012.

The interest applicable to the revolving working capital and term loan facilities are 3.4% to 4.5% above LIBOR dependent on specific financial ratios. The fleet and mortgage facilities are subject to interest at 4% above LIBOR.

The combined bank facility is secured by a fixed and floating charge over the assets of the Group.

Notes to the interim statements

continued

13 Obligations under finance leases

During the period the Group entered into new finance leases with a principal value of £5.5m and made principal repayments of existing finance leases of £33.4m.

14 Share capital and share premium account

There were no changes in share capital and share premium account during the period.

15 Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 25 February 2010.

Martin Ward

Group Managing Director

Ian Wardle

Chief Financial Officer

Directors' responsibility statement

in respect of the interim financial statements

The Directors are responsible for the preparation of the condensed consolidated financial statements and Business review comprising this set of Interim results for the six months ended 31 December 2009, each of whom accordingly confirms that to the best of his knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34;
- the Business review includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- the Business review includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Martin Ward
Group Managing Director

Ian Wardle
Chief Financial Officer

Independent review report to Helphire Group plc

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 31 December 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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.

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 United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 31 December 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Bristol, United Kingdom
25 February 2010

Shareholder information

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Financial calendar

2010

26 February – Interim results announcement
May – Interim management statement
01 October – Final results announcement
November – Interim management statement
25 November – Annual General Meeting

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