



**Helphire Group plc**  
Annual Report and Accounts 2011

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## INTRODUCTION

## Operational and financial headlines

The financial year ended 30 June 2011 was a challenging one for the Group which saw the business face a number of demanding circumstances.

Having appropriately re-aligned and re-positioned the business during the previous financial period, the Group has been impacted by the combination of a downturn in its main trading environment and the emergence of prior year financial reporting overstatements, as detailed in the Business review of this Annual Report and Accounts. Whilst the financial statements reflect these factors, the Group is ensuring that it is cash generative and continues to pay down debt, through efficient operational processes and by optimising its working capital.

### Operational and financial headlines

- Adjusted\* operating profit down £2.0m to £3.4m
- Net cash inflow from operating activities of £20.5m (2010: £43.4m)
- Debtor days remain broadly at 2010 levels
- Operating working capital of £125.9m, including fleet, has reduced by £35.4m
- Net debt further reduced by £28.3m to £133.7m
- Exceptional costs of £28.8m (2010: £13.5m) due principally to impairment of goodwill of £25.7m
- Discovery of overstatement of prior years' ABI receivables of £29m
- Two new significant contract wins
- Successful renewal of several major partnerships across insurer, motor retail and motor manufacturing groups
- Open case count reduced by a further 20,700 cases to 61,000

	2011	2010 Restated	% movement
<b>Operational KPIs</b>			
Hire cases	<b>129,178</b>	149,530	(13.6)
Credit hire	<b>103,936</b>	124,063	(16.2)
Standard hire	<b>25,242</b>	25,467	(0.9)
Repair cases	<b>49,933</b>	58,254	(14.3)
% of credit hire cases	<b>48.0%</b>	47.0%	1.0pt
PI cases	<b>29,322</b>	34,043	(13.9)
% of credit hire cases	<b>28.2%</b>	27.4%	0.8pt
Hire days	<b>2,425,574</b>	3,214,304	(24.5)
Revenue generating utilisation	<b>80.7%</b>	87.1%	(6.4)pt
<b>Financial KPIs</b>			
Adjusted* revenue (£'000)	<b>234,840</b>	288,212	(18.5)
Adjusted* gross profit (£'000)	<b>50,721</b>	70,863	(28.4)
Adjusted* gross margin	<b>21.6%</b>	24.6%	(3.0)pt
Adjusted* operating profit (£'000)	<b>3,435</b>	5,405	(36.4)
Adjusted* operating margin	<b>1.4%</b>	1.9%	(0.5)pt
Exceptional costs (£'000)	<b>(28,801)</b>	(13,504)	113.3
Loss before tax (£'000)	<b>(34,145)</b>	(15,581)	119.1
Debtor days	<b>185</b>	184	-
ABI cash collected (£'000)	<b>236,117</b>	268,796	(12.2)

\* Adjusted measures exclude the impact of those items described as exceptional in Note 4.

## INTRODUCTION

## Business profile

Founded in 1992, Helphire Group plc provides accident assistance to non-fault motorists involved in road accidents. In partnership with the insurance and motor industries, the Group delivers accident management solutions to motorists, ensuring that they remain mobile until their own vehicles are repaired, or until they are put in a position to obtain a replacement.

### Our services

The Group offers a comprehensive package of motor claims accident management services, including vehicle replacement and repair management, full claims-handling assistance, uninsured loss recovery and personal injury management, as well as other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partial or fully outsourced case-handling facilities.

The Company is a first tier supplier under the ABI General Terms of Agreement and aims to be the preferred claims outsourcing partner for UK motor insurers, by providing claims solutions which reduce internal expenditure and administration. Our claims are made upon the at-fault motorists' insurers who represent the majority of our receivables at any given point.

### Our operations

Helphire provides replacement vehicle, repair management and legal expenses insurance services from two operational call centre sites in Peterlee, Co Durham and Northwich in Cheshire. Our business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers and repair centres. The Group also operates through a number of smaller subsidiary companies, providing specialised services in the field of accident and insurance claims management, namely Total Accident Management and Cab Aid.

The Group manages a fleet of approximately 7,000 vehicles.

### Our locations

Helphire Group plc employs over 1,200 people across its head office in Bath and its operational sites in Peterlee, Northwich and Epsom. With a national network of 25 branches and fleet of approximately 7,000 vehicles, the Group is well-placed to ensure that replacement vehicles can be delivered to customers within four hours if required.

#### Operational sites

Bath (Head office)  
Epsom  
Northwich  
Peterlee

Bridgend

Brighton

Bristol

Carlisle

Doncaster

Dorchester

Edinburgh

Epsom

Exeter

Haydock

Leeds

Leicester

Lincoln

London/Acton

Milton Keynes

Newcastle

Norwich

Oxford

Southampton

Stansted

Stoke

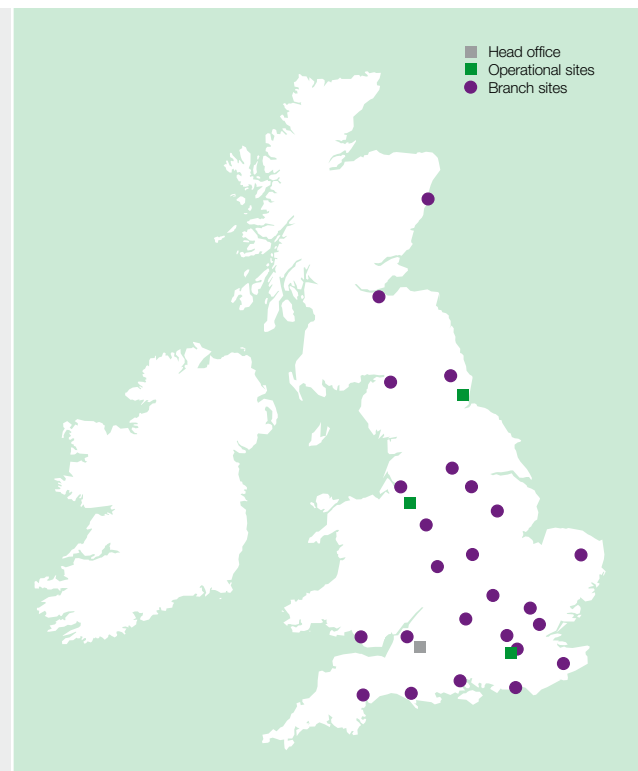
#### Branch sites

Aberdeen

Ashford

Birmingham

Brentwood



## INTRODUCTION

# Chairman's statement

The year ended 30 June 2011 was very difficult for the Group with a number of adverse developments. Nevertheless, substantial progress continued to be made in reducing the Group's debts.

The Group's main trading environment in credit hire experienced a downturn due to economic factors which, together with high fuel prices, led UK motorists to cut back on car journeys, resulting in fewer road accidents. Additionally, hire length, a major contributor to our profitability, declined in the twelve months to 30 June 2011, to an average of 18.7 days from an average of 21.5 days in 2010 due, we believe, to body shop capacity facilitating shorter vehicle repair times.

Regrettably, the situation was compounded by the discovery of prior years' overstatements of ABI receivables in the Group's financial reporting systems, on which the Board acted swiftly, appointing KPMG LLP to carry out an immediate review, which established the cause and effects of the overvaluation, full details of which are explained in the Business review of this Annual Report and Accounts.

Your management team has made enormous efforts in seeking to restore the Group's fortunes since it was appointed. The overstatement of ABI claims that emanated from the error at December 2008 has been extremely worrying and frustrating for our people, funders and shareholders.

The Board made consequential adjustments to increase provisions by £8.5m at 30 June 2010, along with an additional charge of £4.3m to this year's results.

The impact of the poor trading environment and the adjustments to ABI receivables are reflected in these financial statements. Adjusted\* revenues were 18.5% lower than the restated comparable period last year, reflecting the factors referred to above, along with the discontinuation of certain business contracts from 2010 and the slow start from new contracts.

Despite the reduced trade, the business collected £236.1m in ABI cash receipts in the year, and the Board is encouraged that a substantial number of open cases have been closed, reducing overall caseload, particularly older cases, to more manageable levels.

## Debt reduction

The Group continues to generate cash from operations and pay down debt. At 30 June 2011, total net debt was £133.7m, a reduction in the year of £28.3m, culminating in a reduction of £105.8m since 30 June 2009. It remains the Board's intention to reduce debt further and the business has the continuing support of its banks. As the priority for the Group is to use any surplus cash to pay down debt, no dividend will be declared this year.

## Outlook

Challenging market conditions prevail and these are not likely to improve substantially in the near term. We are seeing some modest signs of upturn, for example, a dip in fuel prices and a small increase in traffic and accident occurrence. Having further reduced its head office overhead since the year end, the Group is ensuring that it remains efficiently scaled to the level of its operations and is reducing open case numbers.

Hire length, however, has shown no improvement, a factor which is likely to offset any volume improvements should the trend persist. Accordingly, the Board remains cautious in its outlook.

## Our people

The significant restructuring programme which we undertook in 2009 and 2010 saw a reduction of nearly 1,700 staff from the Group. We thank our employees for their support, hard work and loyalty during these difficult times.

## Annual General Meeting

The Group's Annual General Meeting will be held on Friday, 18 November 2011. The Notice of the Meeting accompanies this Report and Accounts.

## Richard Rose

Chairman  
28 September 2011

\* The adjusted basis is defined in the Chief Financial Officer's review.

## BUSINESS REVIEW

# Group Managing Director's report

This year was very challenging for the Group, with a continuation of adverse trading conditions and also a discovery of an overstatement of ABI receivables in the accounting records. The Group's focus remains the generation of cash through efficient operations and positive working capital management enabling debt to be paid down.

### Trading

On an adjusted basis, revenues of £234.8m in the year to 30 June 2011 were 18.5% lower than the prior year (2010: restated £288.2m) due mainly to two trading factors.

Firstly, higher fuel prices and the weak economic climate impacted negatively on the driving behaviour of motorists, leading to less road miles travelled. This in turn resulted in fewer accidents and a lower number of claims. At the same time, capacity in the market to repair vehicles has outstripped demand, decreasing the turnaround time in which vehicles are repaired. Consequently, notwithstanding a change in the mix of the referrer base, the Group saw a reduction in the average hire period to 18.7 days in the year to 30 June 2011 compared to 21.5 days in the year to 30 June 2010.

Secondly, there were 15,500 hire cases transacted in 2010 relating to discontinued contracts. Taking these into consideration, there was a reduction in the period of 5,000 cases in the underlying business on a like for like basis compared to the year to 30 June 2010.

The combined reduction of hire cases and hire length meant that total hire days were 2.4m (2010: 3.2m), an overall reduction of 24.5%.

The Group secured new contracts during the second and third quarters of the financial year, and renewed several key contracts, including Hastings Direct which has been performing well.

On an adjusted basis, operating profit for the year ended 30 June 2011 reduced to £3.4m (2010: restated £5.4m). Exceptional costs were £28.8m (2010: £13.5m). After finance costs of £8.8m (2010: £7.5m), there was a pre-tax loss for the year ended 30 June 2011 of £34.1m (2010: restated £15.6m).

### Vehicle fleet

The Group continues to operate highly effective fleet services through a hybrid solution of ownership, contract hire and cross-hiring from daily rental companies for peak periods. This combination allows flexibility to dispose of excess fleet in the event of a downturn and to maximise fleet, without incurring ownership costs, in short peak periods. Contract hiring and cross-hiring is more expensive than ownership and therefore margin is ceded. During the reporting period, fleet utilisation was 80.7% (2010: 87.1%). The lower utilisation this year reflects the delay between lower than expected trading and disposal of fleet surplus to requirements. The Group aims to operate a utilisation run rate of between 80%-85% which is considered to be optimum.

### Overstatement of reported ABI receivables

In the early part of 2011, following the consolidation of a number of systems within the Group as part of its significant restructuring programme, management identified a discrepancy in the reported amount of ABI receivables when compared to the operational systems data. The Board engaged KPMG LLP to carry out an independent review of the ABI receivables to corroborate the quantum of the discrepancy and the impact on reported numbers. The principal cause of the overstatement was identified as an erroneous calculation made at 31 December 2008 to estimate the settlement value of ABI receivables. The error resulted in an understatement of the exceptional adjustment to reduce the carrying value of ABI receivables from the maximum rate that might potentially be recovered, to the ABI GTA 30 day value\*. An estimating process was put in place at 31 December 2008 to value the new ABI receivables at the 30 day value going forward and inaccuracies in this process compounded the overstatement in subsequent periods.

The effect of the above was an overstatement of £26.8m in ABI receivables. Whilst undertaking this review it was also identified that an associated £2.4m in credit repair receivables was overstated in June 2009, making the total overstatement £29.2m.

Notwithstanding the above, there was no impact on daily claims settlement which is negotiated, managed and recorded at an individual case level.

\* ABI GTA 30 day value is the carrying value of claims, being either 30 day rate for members of the ABI GTA or the Group's full tariff rates for those insurers outside of the ABI GTA. ABI GTA 30 day rate is the minimum rate applicable for credit hire claims under the ABI GTA, being the agreed amount insurers should pay if settled within 30 days of a payment request being sent out.

## Settlement provision and case management

The settlement provision is the adjustment made to allow for claims that are settled and closed at a lower amount than their carrying value. Over the last two years, management has focussed on reducing the number of open cases to a more manageable level and has reduced case numbers from circa 122,000 in June 2009 to circa 61,000 cases in June 2011 and has collected £504.9m of cash from ABI receivables during this time. Should cases not settle in-house they are passed to solicitors to commence proceedings. From a peak of 36,000 cases with solicitors in October 2010 the number of cases with solicitors has been reduced to 25,000 at 30 June 2011 and this reduction continues.

Recovery rates, which directly impact profitability, are affected by a number of factors including the speed of settlement by the third party insurer and the quality and age of the case submitted for payment. Forecasts of recovery rates and settlement provision levels are largely based on historical trends but the external influences outside of the Group's control make such calculations difficult to achieve with accuracy, such that they require and receive regular reviews.

Along with the adjustment to reported ABI receivables, on 27 June 2011 the Board announced that it had also increased the settlement provision by a further £12m, of which £8.5m relates to consequential amendments at 30 June 2010.

## Cash and debt

The reduction of debt remains a stated priority within the business and debt has reduced by £220.8m from a peak of £352.0m in June 2008. Total net debt at 30 June 2011 was £133.7m (2010: £162.0m), a reduction of £28.3m in the year. At 30 June 2011 £63.3m related to fleet funding (2010: £81.1m) and £70.4m related to bank borrowings (2010: £80.9m).

## Market and business model

Significant press coverage has appeared in recent months in respect of referral fees paid to insurers and brokers, particularly in relation to personal injury cases. On 09 September 2011 the Government announced its proposal to ban personal injury referral fees.

The Group has an interest in the income generated from personal injury referral fees, however until full details emerge, a thorough assessment of the impact on the business cannot be undertaken.

Notwithstanding the significant market and industry pressures, the requirement to service customers who have had non-fault accidents has not diminished and insurers do not wish to burden their own balance sheet with the costs of providing these services and making the recovery themselves. Therefore, we remain confident in future demand for the Group's services and remain open to innovative ways of providing these services.

### Martin Ward

Group Managing Director  
28 September 2011

## BUSINESS REVIEW

# Chief Financial Officer's review

### Performance

The financial results for the year to 30 June 2011 reflect the cessation of certain Partner referral contracts that were not sufficiently profitable, together with weaker trading activity during the current financial year, to some extent offset by benefits from the continued restructuring of the Group, particularly in lower overheads.

The continued exceptional financial items that have occurred during the period have been disclosed separately on the face of the consolidated income statement in order to provide clarity as to their nature and relative impact on the results for the financial year ended 30 June 2011. Exceptional items are commented upon separately in the review of financial performance. The consolidated income statement captions excluding these exceptional items more properly reflect the comparable operational performance of the business and, for ease of reference, these are referred to as 'adjusted'.

In addition to the above, changes have also been made to the prior year financial information to reflect adjustments required following the identification of overvaluations of ABI receivables in the financial systems. Further details of these changes are given in Note 5 to the financial statements. Captions within these financial statements where such changes have been made are shown as 'restated'.

Adjusted revenue has declined by 18.5% or £53.4m to £234.8m (2010: restated £288.2m), principally reflecting the 13.6% reduction in hire cases following the cessation of Partner referral contracts, weaker trading activity, lower associated revenues from credit repair volumes and personal injury activities.

Adjusted gross profit of £50.7m (2010: restated £70.9m) has declined by £20.2m reflecting the decline in revenues referred to above, lower recovery rates on settled claims than in previous periods, and increased vehicle holding costs included within gross profit (including the interest cost of fleet related finance).

Adjusted gross margin of 21.6% has decreased by 3.0% points from 24.6% (restated) in the prior year due principally to the lower recovery rates on settled claims and a change in mix.

Adjusted administrative expenses of £47.3m are £18.2m lower than the prior year (2010: restated £65.5m), reflecting the overhead reduction impact of the restructuring plan, implemented during the previous financial year and substantially completed in the first half of this financial year. The restructuring plan has delivered a total annual overhead reduction compared with the 30 June 2009 year of £52.0m, together with a reduction in average headcount across the Group of 1,643 Full Time Equivalent heads.

Adjusted operating profit of £3.4m has declined by £2.0m from the prior year (2010: restated £5.4m) with the benefit of the overhead savings of £18.2m falling short of the reduction in gross profit of £20.1m.

Adjusted operating margin of 1.4% has decreased by 0.5% points (2010: restated 1.9%).

Adjusted finance costs of £8.8m have increased by £1.3m, reflecting higher borrowing margins and fees across the period versus the prior year, partially offset by lower average debt outstanding.

Adjusted loss before tax of £5.3m has declined by £3.2m versus the prior year restated loss of £2.1m.

The adjusted tax charge of £1.4m (2010: credit of £1.9m) reflects a reduction in the recognition of deferred tax assets following the reduced anticipated future taxable profits utilising brought forward tax losses.

Adjusted diluted EPS is 2.0p loss (2010: restated 0.0p loss).

No final dividend is payable (2010: nil).

### Results of ABI receivables investigation

On 27 June 2011 the Group announced the results of the investigation into the carrying value of its ABI receivables amounting to a net £29m adjustment to shareholders funds. In addition, the Group also announced an increase in its settlement provision of £12m, of which £8.5m relates to the position at 30 June 2010. These adjustments require restatement of prior years and as a result the Notes to the financial statements contain additional explanatory schedules detailing the appropriate adjustments reconciling the relevant information as previously reported to the restated values. In summary, the financial effects on the results of the current and prior years are as follows:

	Per 27 June 2011 Announcement	Audited adjustments Financial years		
	£m	2011 £m	2010 £m	2009 £m
ABI credit hire receivables	27	–	7.5	19.3
ABI credit repair receivables	2	–	–	2.4
Overstatement	29	–	7.5	21.7
Increase in settlement provision	12	4.3	8.5	–
<b>Total adjustment</b>	<b>41</b>	<b>4.3</b>	<b>16.0</b>	<b>21.7</b>

Note 5 to the financial statements details the prior year adjustments and the consequent restatement effects in the accounts mentioned above are detailed in the relevant Notes as appropriate.

### Exceptional items

The exceptional charge for the year is £28.8m (2010: £12.2m), full details of which are included in Note 4 to the accounts.

The main exceptional item is the goodwill impairment charge of £25.7m as discussed fully in Note 11.

Further costs associated with the Board's previously announced restructuring programme of £6.2m (2010: £13.2m) of which redundancy and employee related costs, fees related to transition to the Proclaim IT operational platform, legal fees relating to litigation of legacy (pre April 2009) cases, termination costs of onerous data and voice communication contracts and other closure costs amounted to £4.5m with a further £1.7m property impairment charge relating to vacant property.

In addition, there is an exceptional credit arising from disputes settled during the year in relation to the former Legal Services business, for which exceptional provision had been made in 2009, of £3.0m (2010: £nil), together with other costs of £0.2m (2010: £1.0m credit).

Loss before tax is £34.1m (2010: restated £15.6m) and loss for the year attributable to equity shareholders is £35.5m (2010: restated £12.4m).

### Balance sheet

The Group has continued to focus on the reduction of its working capital (including fleet) to de-leverage the balance sheet and improve liquidity. During the period, net fleet assets, including assets held for sale, have reduced by £21.2m, and net trade receivables have reduced by £23.5m.

At 30 June 2011, debtor days were 185 days (2010: restated 184 days).

Net assets at 30 June 2011 were £16.3m, a decrease of £34.4m in the financial year due principally to the exceptional charges of £28.8m and adjusted net loss of £6.7m.

### Cash flow

As a result of the continued focus on reducing working capital, cash generated from operations was £29.3m (2010: £46.3m). After other operating outflows/inflows of interest and taxation, net cash flow from operating activities was £20.5m (2010: £43.4m) and after the purchase and sale of fixed assets and a net repayment of finance leases (principally fleet), there was a net repayment of bank debt of £10.1m (2010: £22.1m).

### Financing

Total net debt at 30 June 2011 was £133.7m (2010: £162.0m) comprising obligations under finance leases £55.0m (2010: £73.2m), other borrowings £80.8m (2010: £98.0m), net of cash and cash equivalents £2.1m (2010: £9.2m).

Since the year end our bank facilities have been renewed and extended to 31 December 2012 as set out in Note 16 to the accounts.

### Simon Poulton

Interim Chief Financial Officer  
28 September 2011

## GOVERNANCE

**Board of Directors****Richard Rose****Chairman**

Richard, 55, was appointed Chairman of Helphire Group plc in January 2009 and became an executive director in April 2009. He is non-executive chairman of Booker Group plc and also holds a number of other chairmanships including AIM listed businesses Crawshaw Group and Kiotech International.

**Martin Ward****Group Managing Director**

Martin, 44, joined Helphire Group plc in August 2005 as Managing Director of its subsidiary business, Albany Assistance Limited. In February 2009 Martin became Managing Director of the Group's combined Accident Management Business and in April of the same year was appointed to Group Managing Director.

Martin has extensive insurance industry experience, having jointly founded the Rarrigini & Rosso Group in 1994, a leading independent wholesale motor fleet, property and risk management insurance business, where he was commercial and operations director. This business built a membership network of over 500 leading commercial insurance brokers throughout the UK and marketed schemes on behalf of insurance companies. The business was acquired by THB plc in 2003. Martin has an MBA from Durham University.

**Simon Poulton****Interim Chief Financial Officer**

Simon, 55, joined the Group as Interim Chief Financial Officer on 27 June 2011. Simon is a Fellow of the Institute of Chartered Accountants having qualified in 1980 with Price Waterhouse, London and is a member of the Institute For Turnaround. He has acted as chief financial officer and chief restructuring officer for a number of quoted companies.

**The Rt. Hon. Lord Howard of Lympne  
CH QC PC (Michael Howard)****Non-Executive Director**

Michael, 70, joined the Board as Senior Independent Director in March 2009. Having entered parliament in 1983 and the Cabinet as Secretary of State for Employment in 1990, he became Home Secretary from 1993 to 1997. Michael went on to become Shadow Foreign Secretary, Shadow Chancellor and in 2003 was elected Leader of the Opposition. He brings to the Board extensive experience both as a QC and a statesman which, in addition to his role as a non-executive director, assists in managing the Company's key external relationships. Michael was a distinguished barrister and, for a time, specialised in personal injury and accident cases. He is currently Chairman of Northern Racing Ltd., and Luup Ltd., deputy chairman of Entrée Gold, Inc and is also a member of the Board of Orca Exploration Inc.

### **Andrew Cripps**

#### **Non-Executive Director**

Andrew, 54, joined the Board as non-executive director and chairman of the Audit Committee in March 2009. Andrew qualified as a chartered accountant with KPMG, before spending over twenty years with Rothmans International and BAT plc. Since then he has been independent board member of a number of companies in the UK and internationally. He currently serves as deputy chairman of Swedish Match AB, the Stockholm listed international consumer goods group, and is a non-executive director of Booker Group plc, where he chairs the audit committee. Andrew brings extensive experience in business restructuring and corporate finance from a background in consumer facing businesses. He was most recently non-executive director of Molins plc, Trifast plc and Carreras Group.

### **Mark McCafferty**

#### **Non-Executive Director**

Mark, 52, joined Helphire's Board as non-executive director and chairman of the Remuneration Committee, in March 2009. He brings extensive sector management and commercial experience, having spent six years as CEO of Avis Europe PLC. Prior to Avis, Mark was managing director of Thomas Cook's global travel businesses, and previous to that spent seven years with Midland Bank International in corporate finance and international operations. He is currently CEO of Premiership Rugby and has previously held non-executive directorships with HVM Group plc, UMBRO plc and Horserace Totalisator (Tote).

### **Stephen Barber**

#### **Non-Executive Director**

Stephen, 59, joined the Board in March 2011 as a non-executive director. Stephen is a chartered accountant and has held a number of executive and non-executive roles within various listed companies. He is currently a non-executive director and chairman of the audit committee of Next plc. His previous executive directorships include group finance director of Mirror Group plc until its sale to Trinity plc and chief operating officer of Whitehead Mann Group plc after its acquisition by Palladian Group Limited. Stephen has also previously been a senior partner at the accountancy firms Ernst & Young and Price Waterhouse.

# Directors' report

## Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 30 June 2011. The Corporate governance section set out on pages 15 to 18 forms part of this report.

## Principal activities

The principal activity of the Company is that of a holding company and its principal subsidiaries are set out on page 58. The principal activities of the Group are the provision of non-fault accident management assistance and related services exclusively in the United Kingdom. The main income is derived from replacement vehicle hire, the financing of vehicle repairs and the management of personal injury claims for the innocent parties involved in motor accidents.

## Business review

To the extent not set out in this report, the Business review required by section 417 of the Companies Act 2006 can be found at the following pages and are incorporated into this report by reference:

- Key performance indicators on page 01; and
- Review of the business and operating and financial review on pages 04 to 07.

Information about the use of financial instruments by the Group is given in Note 23 to the financial statements.

## Environmental, employee and social community matters

The directors recognise the requirements of the Group to balance the interests of its stakeholder groups, particularly the impact of its day to day operations on the environment and matters relating to its employees and the community in which it operates.

## Helphire and the environment

It is recognised that the Group's business has an unavoidable impact on the environment and it is our intention to minimise these effects wherever and whenever practicable. It has been difficult for the business to advance these aims in the current economic climate.

## People

The Company's employees continue to support and remain loyal to the business despite the challenges the Group has faced over the last two years. The Company offers relevant training and development opportunities when it is able to do so.

## Helphire in the community

The Group continues to make a positive contribution to the local communities in which it operates, and has over the last financial year maintained its support for local communities and national causes, whilst minimising the associated financial impact on the Group. In 2011, The Group and its employees continued to support a variety of charitable causes, raising in excess of £9,000 from monthly, 'dress-down' Friday charity collections and one-off initiatives led by our staff.

## Results and dividends

The loss before tax for the year ended 30 June 2011 was £34.1m (2010: restated £15.6m) and a loss after tax for the year of £35.5m (2010: restated £12.4m) was transferred to reserves.

The directors do not recommend payment of a dividend (2010: £nil).

## Principal risks and uncertainties

The Group faces a range of risks and uncertainties. The processes that the Board has established to safeguard both shareholder value and the assets of the Group are described in the Corporate governance report. Set out here are those specific risks and uncertainties that the directors believe could have the most significant adverse impact on the Group's business. The risks and uncertainties described below are not intended to be an exhaustive list.

## Principal risks and uncertainties continued

### Adverse economic conditions

The sustained, suppressed economic situation in the United Kingdom continues to affect the Group's performance. Continued or further changes to driving patterns and car usage and ownership may result in still fewer accidents (further reducing the number of potential accident management opportunities) and reduce business volumes. Adverse effects on the Group's business might affect its relationship and/or terms of business with, and ultimately even the loss of, some key business partners. The current economic uncertainty might affect its key business partners and referrers and/or generally have an adverse impact on the insurance or other industries in which the Group's key trading partners operate. This could lead to more onerous terms of business or the inability of the Group's debtors to pay monies due. The economic uncertainty may have an adverse effect on the Group's bankers or the banking industry generally which may affect the Group's relationship with lenders or its ability to obtain or maintain finance on suitable terms.

### Competition

Barriers to entry into the general credit hire and credit repair markets are relatively low. There is also the potential for referrers of business to the Group and/or providers of services to motorists or other consumer groups, either alone or in collaboration with others, to adopt alternative business models for the provision of replacement vehicles or the repair of damaged vehicles. If the Group is unable to respond adequately to the competitive challenges faced by it, it may lose market share and/or there may be pressure on the Group's terms of trade.

### Customer and referrer relationships

Whilst the Group's business is not dependent on any one particular referrer, a number of individual referrers generate a significant proportion of this business. Some referrals come from insurance companies who may choose tactically to withhold business from the Company or the credit hire industry altogether. The cost of acquiring business may continue to rise.

### Insurance industry protocols

The Group is a subscriber to voluntary protocols developed by accident management companies and the ABI known as the GTA. There is no guarantee that insurers and accident management companies will continue to subscribe to the GTA and they may seek alternative arrangements.

### Regulation

Certain of the Group's activities and arrangements are subject to regulation. Whilst the Group seeks to conduct its business in compliance with all applicable regulations, there remains a risk that regulators will find that the Group has not complied fully with such regulations.

### Legal

There are a number of historic cases relating to the provision of credit hire and related services which have affected the credit hire market. The Group believes that its credit hire and repair arrangements are enforceable. Insurance companies may however bring further challenges to the legality of credit hire and repair arrangements or the rates payable.

### Recovery of receivables

The Group's accident management business involves the provision of services on credit. The sum receivable by the Group relates to the outcome of a customer's claim. There is a risk that the sum is not fully recoverable from the party at fault and/or there may be significant delays in the receipt of payment. The amount of the receivable is estimated by reference to the assessment of liability for the accident and the customer's need for a vehicle. The Group manages this risk by ensuring that services are only provided to customers after a full risk assessment process.

### Fleet costs and residual values

The cost to the business of holding vehicles is dependent on a number of factors including the purchase price of vehicles, the level of discounts available from dealers and manufacturers, financing costs and the residual value at the date of disposal. There is a risk that changes in any of these factors could mean that the Group's fleet costs are increased. The Group's fleet management system enables the business to manage the fleet effectively and to maximise the utilisation of its vehicles in order to minimise the cost to the business of holding vehicles. Risk is further mitigated by managing vehicle holding periods.

# Directors' report

continued

## Principal risks and uncertainties continued

### Operational risks and systems

Operational risks are present in all of the Group's businesses, including the risk of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems, from fraud or human error or from external events. The Group's business is dependent on processing a large number of claims and vehicle hires. There could be a failure, weakness in, or security breach of, the Group's systems, processes or business continuity arrangements. However, the Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled.

### Financial

The principal financial risks and uncertainties include capital risk, interest rate risk and credit risk. Further details of these risks and their management are contained in Note 23 to the consolidated financial statements on pages 50 to 53.

### Referral fees and Alternative Business Structures ('ABS')

Following a recent Government announcement, changes are proposed to the referral fee system which may have an effect on the net income generated by the Group from the referral of personal injury claims to solicitors. Further details of the Government's proposals are awaited and any financial consequences for the Group will be assessed at that time.

From December 2011 non lawyers will be able to set up regulated structures offering to the public legal services previously reserved to solicitors and barristers. This would include personal injury services such that there is a risk that some referrers of personal injury cases would in the future deal with such cases 'in-house' through an ABS.

### Going concern

The Group's business activities, analysis of its financial performance and position, and factors likely to affect its future development, are set out in the reports of the Group Managing Director and Interim Chief Financial Officer. The financial resources available to the Group are discussed in detail in the Interim Chief Financial Officer's review and in Note 16 to the financial statements. The forward risks faced by the Group are also discussed in the section on principal risks and uncertainties above. In addition, Note 23 to the financial statements sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors have assessed the future funding requirements of the Group and the Company, and have compared them to the level of available borrowing facilities. The assessment included a review of current financial projections to 2020, and a review of the forecast performance against the financial covenants contained in the Group's banking arrangements. Recognising the considerable uncertainty surrounding financial projections in the current economic environment, in particular with regard to the demand for the Group's services and the cash collection profiles from insurers, the directors considered a number of scenarios and the mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this work, the directors are of the opinion that the Group has access to adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

## Directors

Details of the directors of the Company who served during the year, their dates of appointment and resignation, their titles, roles and committee memberships and chairmanships are set out in a table at page 15 of this Annual Report.

The names and biographies of the directors appear on pages 08 and 09.

### Directors' interests

At 30 June 2011, the following directors held the number of ordinary shares of the Company as shown below:

Martin Ward	182,803
Lord Howard of Lympne CH QC PC	140,000
Stephen Barber	100,000

No changes took place in the interests of directors between 30 June 2011 and the date of this report.

Details of directors' share options are contained in the Directors' remuneration report on pages 19 to 23.

### Directors indemnities

The directors benefit from indemnities in the Company's articles (to the extent permitted by law) and from Directors and Officers insurance purchased by the Company.

### Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms.

At 30 June 2011, the Group's trade creditors, expressed as a number of days, was 39 days (2010: 32 days).

### Charitable and political donations

Charitable donations made during the year totalled £1,000 (2010: £6,000). There were no political donations (2010: £nil).

### Substantial shareholdings

As at 28 September 2011, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules that the following persons are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Ordinary Shares*	% of voting rights and issued share capital
Invesco Limited	98,771,182	29.81
Schroders plc	58,936,929	17.79
Aviva plc	38,824,535	11.72
Henderson Global Investors	23,230,141	7.01
Moore Europe Capital Management LLP	16,757,331	5.06

### Share capital and rights attaching to the Company's shares

As at 30 June 2011, the Company's issued share capital consisted of a single class of 331,347,667 ordinary shares with a nominal value of 5p each. At a general meeting of the Company, every member has one vote on a show of hands and on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting. Details of the authorised and issued share capital of the Company and confirmation that no shares were issued during the year can be found in Note 19 on page 48.

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time determine by ordinary resolution.

# Directors' report

continued

## Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through presentations and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. A grant was made during the financial year ended 2011 under the Group's Share Save Scheme. Applications were invited from all employees.

## Auditors

Following the resignation of Deloitte LLP, the Board appointed KPMG Audit Plc to fill the casual vacancy arising.

In accordance with Section 489 of The Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc is to be proposed at the forthcoming Annual General Meeting.

## Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Annual General Meeting

The Annual General Meeting will be held on 18 November 2011. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts.

By order of the Board

### Nicholas Tilley

Company Secretary  
28 September 2011

# Corporate governance

## Statement of Compliance with, and the application of, the UK Corporate Governance Code ('Code') during the period 01 July 2010 to 30 June 2011 ('Year').

The Board of Directors is committed to the principles of corporate governance contained in the Code.

Throughout the Year the Group has complied with the provisions of the Code except that for reasons set out below, it has retained an executive chairman. Save for this, the Group has applied both the main and supporting principles of the Code and an explanation of how these principles have been applied is set out both below and in the Directors' remuneration, Audit Committee and Internal control sections of this report.

### The Board

The table below sets out details of all directors who have served during the Year and their membership of Board committees. There is a separate attendance statement at the end of this report in respect of directors' attendance at the 14 Board meetings and the committee meetings held during the Year.

Director	Date appointed	Role	Committees (C = current chairman)
<b>Richard Rose</b>	08/01/09	Executive Chairman	Nomination
<b>Martin Ward</b>	08/04/09	Group Managing Director	N/A
<b>Simon Poulton</b>	27/06/11	Interim Chief Financial Officer	N/A
<b>Lord Howard of Lympne CH QC PC</b>	01/03/09	Senior Independent Director	Nomination (C) Audit Remuneration
<b>Andrew Cripps</b>	01/03/09	Non-Executive	Audit (C) Remuneration Nomination
<b>Mark McCafferty</b>	01/03/09	Non-Executive	Remuneration (C) Audit Nomination
<b>Stephen Barber</b>	29/03/11	Non-Executive	Audit Remuneration Nomination
<b>Ian Wardle</b>	06/05/09 (Resigned 27/06/11)	Chief Financial Officer	N/A
<b>Avril Palmer-Baunack</b>	16/04/09 (Resigned 16/12/10)	Non-Executive	Audit Nomination

The Board has remained of the view that it should be led by Richard Rose, as executive chairman, whilst it has continued with the re-structuring and re-positioning of the Group's business that it started in 2009.

Board decisions are generally on matters of strategy, policy, people, performance and budgets. Each director receives detailed information on matters to be discussed well in advance of each Board meeting to ensure that there is a full debate at Board level and, in particular so that the non-executive directors can contribute fully, as required by the Code.

The Board has formally reserved specific matters for determination and has approved terms of reference for all other Board committees; these are available on request and are published on the Group's web site at [www.helphire.co.uk/helphire/ir/](http://www.helphire.co.uk/helphire/ir/).

The non-executive directors' terms and conditions of appointment are available for inspection as required by the Code.

# Corporate governance

continued

## The Board continued

There is a formal policy in place to ensure that all directors have access to independent professional advice, if they have the need to seek it. There is an induction process for new directors and training is available when required.

## Chairman, Managing Director and Senior Independent Director

Richard Rose is non-executive chairman of Booker Group plc, a company listed on the main market and also holds a number of other Chairmanships including the AIM listed companies Crawshaw Group and Kiotech International.

The non-executive directors met regularly in the absence of executive directors. The Senior Independent Director is Lord Howard of Lympne.

## Board balance

Except during the period between 16 December 2010 and 29 March 2011 when there were only three non-executive directors, the Board has comprised three executive directors and four non-executive directors. All of the non-executive directors are viewed as independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. Richard Rose and Andrew Cripps both sit on the board of Booker Group plc. The Board has satisfied itself that this does not compromise their independence and that they demonstrate independence of action and judgment.

## Nomination committee

Board appointments and succession planning are the responsibility of the Nomination Committee. This committee currently comprises Lord Howard of Lympne (chairman), Andrew Cripps, Mark McCafferty, Stephen Barber and Richard Rose. Avril Palmer Baunack was a member of the committee until she resigned. There were four meetings in the Year.

Stephen Barber was appointed as a director in the Year after having been recommended to the Board by the Nomination Committee as a suitable candidate.

## Performance evaluation

The Board and its committees conducted an internal performance evaluation during the Year; it is intended that the same will be done during the 2012 financial year. The non-executive directors also met during the Year without the presence of executive directors, during which the performance of executive directors (including the Chairman) was assessed.

## Re-election

The Nomination Committee has recommended that all directors should submit themselves for re-election each year. The Nomination Committee believes that each director continues to be effective and demonstrate commitment to their role.

## Remuneration committee

The Remuneration Committee currently comprises Mark McCafferty (chairman), Andrew Cripps, Lord Howard of Lympne and Stephen Barber. The committee held six meetings during the Year.

The committee's role is to set the Chairman's remuneration and to determine remuneration packages for executive directors to enable the Group to attract, retain and motivate executives of the necessary calibre without paying more than is necessary for this purpose. Further information is given in the Directors' remuneration report and other parts of this Annual Report. The remuneration of the non-executive directors is a matter reserved for the whole Board.

## Relations with shareholders

The Group is committed to maintaining good relations with all its shareholders through the provision of regular Interim and Annual Reports, other trading statements and the Annual General Meeting. The Company also arranges individual and Group meetings with its institutional shareholders. The views of analysts, brokers and major shareholders are relayed to the Board through the Chairman and the Senior Independent Director.

## Annual General Meeting

The Annual General Meeting provides an opportunity for all shareholders to be updated on the Group's progress and ask questions of the Board.

## Financial reporting

The Board has ultimate responsibility for both the preparation of accounts and the monitoring of systems of internal financial control. The Board seeks to present a balanced and understandable assessment of the Group's position and its prospects and present price-sensitive information in an appropriate way. The Group publishes interim reports so that the Group's financial position can be monitored regularly by shareholders.

## Internal control

The Board is responsible for the Group's system of internal control and has, during the period covered by this report, applied principle C2 of the Code by maintaining an ongoing and planned process, to identify, evaluate, report and manage the significant risks faced by the Group during this financial period up to the date of approval of this report.

During the Year the Group's Risk Committee supervised the Group's ongoing key risk management processes. This committee comprises the Group's senior managers and Executive Directors and is chaired by the Group Compliance Manager. The senior managers have responsibility for the identification, assessment and management of risks and this committee is responsible for assessing and monitoring key risks. Senior managers submit regular risk reports to the Group Compliance Manager for discussion at its meetings.

Strategic risks remain the sole responsibility of the Board which regularly assess such risks in discussions led by the Group Managing Director.

The Board, in seeking to achieve the Group's business objectives, cannot offer an absolute guarantee that the application of a risk management process will overcome, eliminate or mitigate all significant risks. However, by further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks the Board seeks to provide a reasonable assurance against material misstatement or loss.

In accordance with provision C2.1 of the Code, the Board confirms that it has reviewed the effectiveness of the Group's system of internal controls for assessing significant operational and strategic risks. It receives quarterly reports on risk from the Group Compliance Manager. The controls reviewed cover the financial, operational, compliance, fraud and risk management systems that have been in operation during this reporting period. The review considered all significant aspects of the internal control process. The implications of the control weaknesses which permitted overvaluation of ABI debtors in the financial systems as reported on 06 May and 27 June 2011 are set out below.

In May 2011, the Group discovered that a significant understatement of provisions against its receivables, as further explained on page 04. As a consequence, the Audit Committee engaged KPMG LLP to investigate how the issue arose and to assess its quantum. Additionally KPMG LLP advised on actions that would strengthen controls so as to reduce the risk that such errors would recur in the future and that if they should recur they would be discovered more speedily. The Board has considered and is adopting all the changes recommended by KPMG from this investigation and the year end audit.

# Corporate governance

continued

## Consolidated accounts

The system of internal controls described above applies to all subsidiary undertakings. In addition the accounts of the Group's principal subsidiaries are combined with those of the Company to form the consolidated accounts each month. The head office finance team is responsible for producing the consolidated accounts, including the elimination of intra-group transactions and unrealised intra-group profits and there is monthly review of key performance indicators by the commercial and financial management of each subsidiary.

## Audit Committee

The Board has, through the Audit Committee, established formal and transparent arrangements for financial reporting, the review of formal announcements relating to the Company's financial performance, internal control and external auditing. As required by DTR 7.1.3 the committee monitors (i) the financial reporting process, (ii) the effectiveness of the Group's internal financial control and internal audit functions, (iii) the statutory audit of the annual and consolidated accounts, and (iv) reviews the independence of the auditors including the provision of non-audit services to the Group. The operational risk management systems referred to above are monitored by the Board.

The Audit Committee currently comprises Andrew Cripps (chairman) who is a Chartered Accountant with recent and relevant financial experience, Lord Howard of Lympne, Mark McCafferty and Stephen Barber. Avril Palmer-Baunack was a member of the committee until she resigned from the Board. The committee held eight meetings in the Year and met with KPMG LLP a number of times to review progress of their investigation. Further details about, and the qualifications of, the committee members can be found in their biographies on pages 08 and 09 of this Annual Report.

The Company has a formal policy that the auditors are not used for other work unless it is both in the best interests of the Company to use that firm and the Audit Committee is satisfied that it will not affect the independence of the auditors. During the Year a separate team within Deloitte LLP provided strategic advice to the Board. KPMG LLP's forensic team was commissioned to investigate the valuation of ABI receivables referred to above, reporting in June 2011 for an aggregate fee of £433,000.

Following completion of the review of ABI receivables, the Audit Committee requested that Deloitte LLP resign as auditors to the Company and its subsidiaries. The subsequent appointment of KPMG Audit Plc as auditors was based on presentations updated from the tender process which the Audit Committee conducted in 2009. Appropriate safeguards have been put in place to ensure the independence of the audit and advisory work of the separate entities of KPMG.

The committee has also reviewed the Company's arrangements to enable employees to raise concerns about possible improprieties confidentially. The Company uses a specialist, independent organisation to provide a confidential 'Whistleblowers' hotline'.

The committee receives reports from executive directors and also receives reports from, and periodically meets with, external auditors and internal auditors in the absence of management.

The committee has reviewed the interim and final results published during the Year. It has also reviewed the internal auditors' findings for the period under review and approved their current programme of work.

## Board and Committee attendance

The directors have attended all 14 Board and (where they are members) all scheduled committee meetings (eight Audit, four Remuneration and four Nomination), except that Lord Howard of Lympne did not attend two Board meetings and Avril Palmer Baunack did not attend one Board and one Audit Committee meeting.

By order of the Board

### Andrew Cripps

Chairman of the Audit Committee on its behalf  
28 September 2011

# Directors' remuneration report

## Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 as well as the Listing Rules of the Financial Services Authority. It deals with the remuneration of both executive and non-executive directors.

The report has been divided into separate sections for audited and un-audited information.

A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statement will be approved.

Information in this report relates to the 2011 financial year ('Year') unless otherwise stated.

## Unaudited information

### Remuneration committee

The Remuneration Committee operates under written terms of reference approved by the Board. It meets as and when required (but at least twice a year) and currently comprises Mark McCafferty (chairman), Andrew Cripps, Lord Howard of Lympne and Stephen Barber (who joined during the Year), all of whom are independent non-executive directors.

No committee member has any personal financial interest, conflicts of interest arising from cross directorships or any day-to-day involvement in the running of the business. The committee makes recommendations to the Board. No director plays a part in any discussion about his or her remuneration.

The committee took advice both from the Company's solicitors, Slaughter and May, and from Aon Hewitt on the Executive Share Incentive Scheme. The committee also took advice from Aon Hewitt on the operation of the Executive Directors' bonus scheme. Slaughter and May has provided other advice to the Company during the Year.

### Remuneration policy

The Company's remuneration policy remains that executive remuneration packages are designed to attract, motivate and retain the high calibre executives needed to maintain the Company's position as a leading accident management company in the current, difficult trading environment. The performance evaluation of the executive directors and the determination of their annual remuneration packages is undertaken by the committee.

The committee has responsibility for the remuneration packages of the Chairman, the executive directors and executives immediately below Board level. The Board sets the remuneration of the non-executive directors.

The main elements of the executive directors' remuneration packages for the Year (which are set out in more detail below) were:

1. Basic salary and benefits;
2. Annual bonus opportunity not to exceed 200% of basic salary;
3. Executive Share Incentive Scheme; and
4. Pension arrangements

The Company's policy is, and it is intended that it shall continue to be, that a significant element of an executive director's remuneration is to be performance-related.

Whilst the committee has, as required, stated its remuneration policy for future years, it is conscious that any remuneration policy needs to be flexible. Any changes to this policy will be disclosed in subsequent reports.

Executive directors are entitled to accept appointments outside the Company so long as the Company's permission is sought. The Company's policy is that any fees payable to full-time executive directors are shared with the Company.

# Directors' remuneration report

continued

## Unaudited information continued

### Basic salary

Executive directors' salaries are determined by the committee and generally take effect from the start of each financial year. Before setting such remuneration, the committee considers pay conditions in the Group as a whole, individual performance and research which gives up to date information on remuneration policies adopted by similar companies.

Executive directors' base salaries were not increased during the Year and the Committee resolved in June 2011 not to increase executive directors' salaries in the forthcoming financial year. The next review is scheduled to take place in or around June 2012.

Basic salaries for the current executive directors during the Year were: Chairman £200,000, Group Managing Director £300,000 and the previous permanent Chief Financial Officer (Ian Wardle) £280,000. Simon Poulton, who is an interim Chief Financial Officer, is paid at the daily rate £2,700. Further details of directors' remuneration appear in the audited part of this report.

Executive directors' contracts of service (which include details of their remuneration) will be available for inspection at the Annual General Meeting.

In addition to their basic salary, executive directors, except the Chairman and the Interim Chief Financial Officer, receive certain benefits comprising a car (or cash allowance in lieu), fuel card, private medical, life, critical illness and permanent health insurances and pension contributions (or cash in lieu of such contributions). The Chairman is, and so long as he remains an executive chairman will continue as, a member of the executive directors' critical illness scheme and also has the use of a driver and motor vehicle but otherwise receives no benefits.

### Annual bonus payments

All executive directors except the Interim Chief Financial Officer are entitled to participate in the annual bonus scheme. The bonuses are payable subject to the achievement of challenging operating cash flow targets including a minimum EBITDA component. The scheme comprises a base bonus fund which can be increased by 1.5% for every 1% by which operating cash flow exceeds the base target. No bonus payments were awarded for the Year.

The committee sets appropriately challenging bonus targets which, for the forthcoming year, will be based on operating cash flow, EBITDA and personal targets, with a maximum bonus potential of 200% of salary.

### Share-based incentives

The Company's current share-based incentive arrangements comprise the Executive Share Incentive Scheme and the all-employee 2002 HMRC Approved Share Save Scheme. A grant was made during the Year to eligible, participating employees (which includes executive directors) under the SAYE Scheme.

The Equity Partnership Plan 2002, the Helphire Performance Share Plan 2006, and the Helphire Executive Share Option Scheme 2002 and are still available for use but, save in exceptional circumstances, it is unlikely that any further options will be granted to executive directors under these schemes and no such awards were made during the Year.

Details of share options granted to executive directors appear in the audited section of this report.

### Pension arrangements

All executive directors except the Chairman and Interim Chief Financial Officer received a contribution of 20% of basic salary to be used for personal money purchase schemes.

### Directors' contracts

In accordance with general practice, it is the Company's policy that all executive directors should have contracts with an indefinite term providing for a maximum one year notice period. All executive directors have contracts which are subject to one year's notice except the Interim Chief Financial Officer whose contract can be determined on two weeks' notice.

### Unaudited information continued

Details of the executive directors' contracts are summarised below:

Name	Date of appointment	Notice period
Richard Rose	08 January 2009	One year (rolling)
Martin Ward	08 April 2009	One year (rolling)
Ian Wardle	06 May 2009	Resigned as a director on 27 June 2011
Simon Poulton	27 June 2011	Two weeks

The executive directors' contracts have no express provision for the payment of compensation in the event of early termination. In the event of termination of an executive director's service contract, when determining the compensation payable to the executive director, it is the policy of the Committee to take account of the principles of mitigation of loss.

All non-executive directors have specific terms of engagement and are appointed for periods of three years subject to annual re-election. Their fees are disclosed in the audited section of this report and are set by the Board as a whole. Non-executive directors cannot participate in any of the Company's incentive schemes. Dates of the current non-executive directors' original letters of appointment are set out below:

Name	Date of appointment	Unexpired term
Lord Howard of Lympne	01 March 2009	One year (rolling) (subject to re-election)
A Cripps	01 March 2009	One year (rolling) (subject to re-election)
M McCafferty	01 March 2009	One year (rolling) (subject to re-election)
S Barber	29 March 2011	One year (rolling) (subject to re-election)
A Palmer-Baunack	16 April 2009	Resigned on 16 December 2010

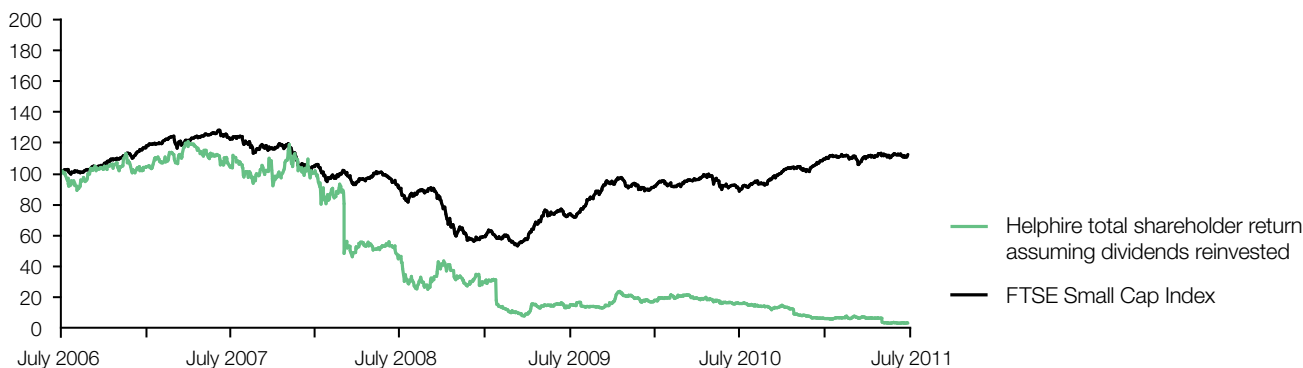
All non-executive directors have a contractual notice period of twelve months.

#### Performance graph

The following graph shows the Company's performance compared with the performance of the FTSE Small Cap Index (in both cases measured by total shareholder return). This comparator has been selected as the most appropriate index of which the Company has been a constituent.

This graph shows the value by the end of June 2011, of £100 invested in Helphire on 01 July 2006 compared with the value of £100 invested in the FTSE Small Cap Index.

### Helphire's total shareholder return against the FTSE Small Cap Index



# Directors' remuneration report

continued

## Audited information

### Aggregate directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2011 £'000	2010 £'000
Emoluments	1,067	1,676
Money purchase pension contributions	116	114
<b>Total remuneration</b>	<b>1,183</b>	<b>1,790</b>

### Directors' emoluments

Name of Director	Fees/Basic salary £'000	Bonus £'000	Taxable benefits £'000	Total 2011 £'000	Total 2010 £'000
<b>Executive:</b>					
R Rose	200	–	66	266	350
M Ward	300	–	16	316	562
I Wardle*#	278	–	21	299	564
S Poulton*	11	N/A	N/A	11	N/A
<b>Non-Executive:</b>					
Lord Howard of Lympne	47	–	–	47	47
A Cripps	50	–	–	50	63
M McCafferty	48	–	–	48	48
A Palmer-Baunack**	19	–	–	19	42
S Barber**	11	–	–	11	–
<b>Total emoluments</b>	<b>964</b>	<b>–</b>	<b>103</b>	<b>1,067</b>	<b>1,676</b>

\* I Wardle resigned, and S Poulton was appointed, as a director on 27 June 2011.

# I Wardle's basic salary apportioned to 27 June 2011. He will continue to receive basic salary and benefits until December 2011.

\*\* A Palmer-Baunack resigned on 16 December 2010 and S Barber was appointed on 29 March 2011.

### Directors' share options

The aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by directors.

The directors do not hold any HM Revenue & Customs approved options.

Details of the directors' options under the Executive Scheme are as follows:

Name	Options held at 01 July 2010 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	Options held at 30 June 2011 (*or at cessation of holding office) '000	Exercise price	Date from which exercisable	Expiry date
R Rose	8,300	–	–	–	8,300	£0.33	07/05/2009	30/04/2019
M Ward	4,980	–	–	–	4,980	£0.33	07/05/2009	30/04/2019
I Wardle*	4,980	–	–	–	4,980	£0.33	07/05/2009	30/04/2019
<b>Total</b>	<b>18,260</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18,260</b>	<b>£0.33</b>	<b>07/05/2009</b>	<b>30/04/2019</b>

The options are exercisable in tranches, on the achievement of various share price targets:

- Tranche A – 10% of the options are exercisable on the Company's Share Price reaching £0.75;
- Tranche B – a further 30% of the options are exercisable on the Company's Share Price reaching £1.00;
- Tranche C – a further 30% of the options are exercisable on the Company's Share Price reaching £1.25;
- Tranche D – a further 15% of the options are exercisable on the Company's Share Price reaching £1.50; and
- Tranche E – the final 15% of the options are exercisable on the Company's Share Price reaching £1.75

### Audited information continued

Details of the directors' options under the SAYE Scheme are as follows:

Name	Options held at 01 July 2010 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	Options held at 30 June 2011 '000	Exercise price	Date from which exercisable	Expiry date
M Ward	Nil	31	–	–	31	£0.296	24/11/2013	24/05/2014

### Directors' pension entitlements

All executive directors except the Chairman and Interim Chief Financial Officer are members of personal money purchase schemes. Contributions paid by the Group in respect of such directors were as follows:

Name of Director	2011 £'000	2010 £'000
M Ward	60	58
I Wardle	56	56
<b>Total</b>	<b>116</b>	<b>114</b>

By order of the Board

### Mark McCafferty

Chairman of the Remuneration Committee on its behalf  
28 September 2011

# Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

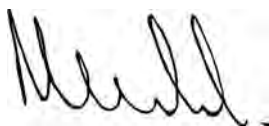
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Business review and the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Martin Ward**  
Group Managing Director  
28 September 2011



**Simon Poulton**  
Interim Chief Financial Officer  
28 September 2011

# Independent auditor's report

to the members of Helphire Group plc

We have audited the financial statements of Helphire Group plc for the year ended 30 June 2011 set out on pages 26 to 63. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's loss for the year then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 15 to 18 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 12, in relation to going concern;
- the part of the Corporate governance statement on pages 15 to 18 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.



**A C Campbell-Orde, Senior Statutory Auditor**

for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants, 100 Temple Street, Bristol, BS1 6AG, United Kingdom  
28 September 2011

# Consolidated income statement

for the year ended 30 June 2011

	Note	Year ended 30 June 2011 Adjusted*	Year ended 30 June 2011 Exceptional items*	Year ended 30 June 2011	Year ended 30 June 2010 Adjusted* Restated Note 5	Year ended 30 June 2010 Exceptional items*	Year ended 30 June 2010 Restated Note 5
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>							
Revenue	3, 5	234,840	–	234,840	288,212	–	288,212
<b>Total revenue</b>		<b>234,840</b>	<b>–</b>	<b>234,840</b>	288,212	–	288,212
<b>Cost of sales</b>							
Cost of sales		(183,976)	–	(183,976)	(217,349)	–	(217,349)
Fleet (charges)/credits	4	(143)	–	(143)	–	245	245
<b>Total cost of sales</b>		<b>(184,119)</b>	<b>–</b>	<b>(184,119)</b>	(217,349)	245	(217,104)
<b>Gross profit</b>		<b>50,721</b>	<b>–</b>	<b>50,721</b>	70,863	245	71,108
<b>Administrative expenses</b>							
Goodwill impairment charges	4	–	(25,676)	(25,676)	–	–	–
Restructuring costs	4	–	(6,153)	(6,153)	–	(13,204)	(13,204)
Share-based payment credit	4	–	–	–	–	72	72
Amortisation of intangible assets	4	–	–	–	–	(617)	(617)
Other	4	(47,286)	3,028	(44,258)	(65,458)	–	(65,458)
<b>Total administrative expenses</b>		<b>(47,286)</b>	<b>(28,801)</b>	<b>(76,087)</b>	(65,458)	(13,749)	(79,207)
<b>Operating profit/(loss)</b>	6	<b>3,435</b>	<b>(28,801)</b>	<b>(25,366)</b>	5,405	(13,504)	(8,099)
Finance costs	8	(8,779)	–	(8,779)	(7,482)	–	(7,482)
<b>Loss before tax</b>		<b>(5,344)</b>	<b>(28,801)</b>	<b>(34,145)</b>	(2,077)	(13,504)	(15,581)
Tax (charge)/credit	9	(1,380)	–	(1,380)	1,931	1,292	3,223
<b>Loss for the year attributable to equity holders of the Company</b>	5	<b>(6,724)</b>	<b>(28,801)</b>	<b>(35,525)</b>	(146)	(12,212)	(12,358)
<b>Loss per share (p)</b>							
Basic	5, 10	(2.03)	(8.69)	(10.72)	(0.04)	(3.69)	(3.73)
Diluted	5, 10	(2.03)	(8.69)	(10.72)	(0.04)	(3.69)	(3.73)

\* Adjusted Loss excludes the impact of those items described as exceptional, as set out in Note 4.

## Consolidated statement of comprehensive income

for the year ended 30 June 2011

	2011 £'000	2010 Restated Note 5 £'000
<b>Loss for the year</b>	<b>(35,525)</b>	<b>(12,358)</b>
Other comprehensive income		
Cash flow hedges		
Profits/(losses) arising during the year	<b>1,111</b>	<b>(2,126)</b>
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	<b>(34,414)</b>	<b>(14,484)</b>

## Consolidated statement of changes in equity

for the year ended 30 June 2011

	Share capital Note 19 £'000	Share premium account £'000	Hedging reserve Note 20 £'000	ESOP reserve £'000	Equity reserve* £'000	Retained earnings Restated Note 5 £'000	Total £'000
<b>Balance at 01 July 2009 as previously reported</b>	16,567	107,103	(292)	(7,499)	6,665	(37,002)	85,542
Correction of an error relating to prior years (Note 5)	–	–	–	–	–	(21,648)	(21,648)
<b>Restated balance at 01 July 2009</b>	16,567	107,103	(292)	(7,499)	6,665	(58,650)	63,894
Loss for the year	–	–	–	–	–	(12,358)	(12,358)
Other comprehensive income for the year	–	–	(2,126)	–	–	–	(2,126)
<b>Total comprehensive income for the year</b>	–	–	(2,126)	–	–	(12,358)	(14,484)
Debit to equity for equity settled share-based payments	–	–	–	–	(72)	–	(72)
Helphire Group plc shares disposed by ESOP	–	–	–	1,340	–	–	1,340
Transfer loss on sale of shares disposed by ESOP	–	–	–	6,159	–	(6,159)	–
<b>Balance at 30 June 2010</b>	16,567	107,103	(2,418)	–	6,593	(77,167)	50,678
Loss for the year	–	–	–	–	–	(35,525)	(35,525)
Other comprehensive income for the year	–	–	1,111	–	–	–	1,111
<b>Total comprehensive income for the year</b>	–	–	1,111	–	–	(35,525)	(34,414)
Credit to equity for equity settled share-based payments	–	–	–	–	59	–	59
<b>Balance at 30 June 2011</b>	<b>16,567</b>	<b>107,103</b>	<b>(1,307)</b>	<b>–</b>	<b>6,652</b>	<b>(112,692)</b>	<b>16,323</b>

\* Equity reserve represents historical share-based payment charges.

# Consolidated statement of financial position

as at 30 June 2011

	Note	2011 £'000	2010 Restated Note 5 £'000	2009 Restated Note 5 £'000
<b>Non-current assets</b>				
Goodwill	11	18,950	44,626	44,626
Intangible assets		–	–	617
Property, plant and equipment (including vehicles)	12	67,918	89,002	143,491
Investments		–	–	300
Deferred tax asset	18	1,677	3,292	1,759
		<b>88,545</b>	136,920	190,793
<b>Current assets</b>				
Trade and other receivables	5, 13	124,272	152,835	181,185
Assets held for sale	12	–	2,291	8,216
Current tax receivable		–	–	3,808
Cash and cash equivalents		2,098	9,211	11,470
		<b>126,370</b>	164,337	204,679
<b>Total assets</b>		<b>214,915</b>	301,257	395,472
<b>Current liabilities</b>				
Trade and other payables	14	(51,775)	(65,381)	(71,175)
Obligations under finance leases	15	(17,306)	(53,293)	(71,943)
Short-term borrowings	16	(80,751)	(7,998)	(7,509)
Provisions	17	(2,708)	(3,520)	(1,416)
		<b>(152,540)</b>	(130,192)	(152,043)
<b>Net current (liabilities)/assets</b>		<b>(26,170)</b>	34,145	52,636
<b>Non-current liabilities</b>				
Long-term borrowings	16	–	(89,962)	(114,764)
Obligations under finance leases	15	(37,720)	(19,920)	(56,709)
Other financial liabilities	20	(1,307)	(2,418)	(292)
Deferred tax liability	18	(154)	(375)	(2,020)
Long-term provisions	17	(6,871)	(7,712)	(5,750)
		<b>(46,052)</b>	(120,387)	(179,535)
<b>Total liabilities</b>		<b>(198,592)</b>	(250,579)	(331,578)
<b>Net assets</b>		<b>16,323</b>	50,678	63,894
<b>Equity</b>				
Share capital	19	16,567	16,567	16,567
Share premium account		107,103	107,103	107,103
ESOP reserve		–	–	(7,499)
Equity reserve		6,652	6,593	6,665
Hedging reserve	20	(1,307)	(2,418)	(292)
Retained earnings	5	(112,692)	(77,167)	(58,650)
<b>Total equity</b>		<b>16,323</b>	50,678	63,894

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2011. They were signed on its behalf by:

**Simon Poulton**

Interim Chief Financial Officer  
28 September 2011

Company Number 03120010.

# Consolidated statement of cash flows

for the year ended 30 June 2011

	Note	2011 £'000	2011 £'000	2010 Restated Note 5 £'000
<b>Cash flows from operating activities</b>				
Loss for the year		(35,525)		(12,358)
Tax charge/(credit)		1,380		(3,223)
Finance costs		8,779		7,482
Depreciation, amortisation and impairment charges	24	40,880		28,084
Losses on sale of property, plant and equipment		406		388
Share-based payment charges/(credits)		59		(72)
Decrease in receivables		28,563		28,350*
Decrease in payables		(13,605)		(6,413)
(Decrease)/increase in provisions		(1,653)		4,066
Cash generated from operating activities			29,284	46,304
Bank and loan interest paid		(8,607)		(6,906)
Interest element of non-fleet finance lease rentals		(172)		(576)
	8		(8,779)	(7,482)
Taxation received			14	4,568
<b>Net cash from operating activities</b>			<b>20,519</b>	<b>43,390</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(1,167)		(487)
Sale of investments		-		204
Proceeds from sale of plant and equipment		55,128		49,765
<b>Net cash from investing activities</b>			<b>53,961</b>	<b>49,482</b>
<b>Cash flows from financing activities</b>				
Own shares sold		-		1,340
Repayment of borrowings		(19,216)		(24,313)
Finance lease principal repayments		(64,384)		(72,158)
<b>Net cash used in financing activities</b>			<b>(83,600)</b>	<b>(95,131)</b>
<b>Net decrease in cash and cash equivalents</b>	24		<b>(9,120)</b>	<b>(2,259)</b>
Cash and cash equivalents at beginning of year			9,211	11,470
<b>Cash and cash equivalents at end of year</b>	24		<b>91</b>	<b>9,211</b>
<b>Cash and cash equivalents consist of:</b>				
Cash at bank and in hand			2,098	9,211
Bank overdrafts			(2,007)	-
			<b>91</b>	<b>9,211</b>

\* As previously reported £12,377k, plus the Total effects on the income statement for the year ended 30 June 2010 (Note 5), all being due to changes in receivables, totalling £15,973k – restated decrease in receivables £28,350k.

# Notes to the consolidated financial statements

## 1 Significant accounting policies

### Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation.

There are no newly adopted standards that have a material impact upon the accounts.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of entities acquired or disposed of during the period are included in the Consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities to bring the accounting policies used into line with those used by the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

### Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has adequate resources to continue in operational existence for the foreseeable future. Full details can be found in the Directors' report on page 12.

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated losses for impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### Revenue recognition

Credit hire and credit repair income is recognised, net of VAT and other sales taxes, as that which is estimated as recoverable on transactions that have been completed during the year, together with an appropriate proportion of recoverable income in respect of hires and repairs in progress at the year-end and is measured at the fair value of the consideration receivable.

Credit hire revenue is recognised from the date a vehicle is placed on hire. Vehicles are only supplied and remain on hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment on a portfolio basis for an estimation of the extent to which insurers are entitled or expected to take advantage of early settlement discounts afforded under the terms of the ABI GTA, and an estimation of the expected adjustment arising on the settlement of claims.

## 1 Significant accounting policies continued

### Revenue recognition continued

Revenue recognised initially equates to the amount payable to the Group at the completion of the hire transaction. The Group also has an entitlement to late payment charges where claims are not settled within the timeframes supported by the ABI GTA. Such charges are not recognised at the time of the hire transaction as they have not been earned; rather they are recognised when they can be reliably determined, which is normally on settlement of the related claim.

Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been authorised and is treated as work in progress until completed and invoiced. Credit repair income is reported net of an estimation of the expected adjustment arising on settlement of claims.

The repair of customers' vehicles is performed by third party body shops. The Group records the related revenue on a gross basis as this best reflects the economic benefits that are received or receivable by the Group on its own account.

### Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute. As described above, the Group records revenue net of the expected adjustment arising on the settlement of claims, which reflects the Group's estimate of the amounts claimed from insurers that it does not expect to be ultimately recoverable.

The Group's estimation of the expected adjustments arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. 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 claim.

### Legal and insurance policy income

Legal income represents commission received by the Group for referral to a third party solicitor of cases where the customer has an apparent right to compensation, predominantly for personal injury. Legal commission is recorded, exclusive of VAT or other sales taxes, upon the provision of the referral to the third party. Insurance policy income represents commission received by the Group for broking the sale of legal expenses insurance policies to its customers. Insurance policy commission income is recognised on completion of the sale of the policy to the customer.

### Other accident management related activities

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

### Trade receivables and claims in progress

#### Credit hire and credit repair

Credit hire and credit repair trade receivables and claims in progress are stated at the expected net claim value, which is after allowance, on a portfolio basis, for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under the terms of the ABI GTA and an estimation of the expected adjustments arising on the settlement of claims. The estimation of the expected adjustment arising on settlement of claims is revised, on a portfolio basis, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Any adjustments arising from such subsequent revision of the Group's expected adjustments on the settlement of claims is recorded in the income statement against revenue.

#### Other trade receivables

Other trade receivables are stated at cost less any provision for impairment.

### Operating profit/(loss)

Operating profit/(loss) is stated after charging administrative costs and costs of vehicle financing but before non-vehicle finance costs, so that the costs of vehicles are recognised consistently in the income statement, regardless of whether they are owned, subject to finance lease or short-term hire.

### Exceptional items

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

# Notes to the consolidated financial statements

continued

## 1 Significant accounting policies continued

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. Associated funding costs relevant to the Group's borrowings are amortised on a straight line basis over the term of the facility.

### Retirement benefit costs

The Group contributes to the personal pension plans of employees at a fixed percentage of basic earnings. The cost is charged to the income statement as the contributions fall due. The Group has no defined benefit arrangements.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

#### Non-hire fleet

Freehold buildings	2%
Leasehold improvements	over the term of the lease
Furniture, fixtures and equipment	15% to 33.33%
Hire fleet	see below

Non-hire fleet assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the term of the relevant lease.

## 1 Significant accounting policies continued

### Hire fleet

Fleet vehicles are depreciated by equal monthly instalments to write down the cost of the vehicles to their estimated residual value over the expected holding period of between 24 and 33 months. Residual value is based on current estimates of the net disposal value of the vehicle as if the vehicle were already of the age and in the condition expected at the date of disposal. Management review these estimates at each reporting date by reference to publicly available data on second-hand vehicle sales. The depreciation charge is adjusted prospectively to reflect movements in the residual value.

### Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### Financial instruments

#### Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a doubtful debt or settlement provision. Subsequent recoveries of amounts previously written off are credited against these provisions. Changes in the carrying amount of these provisions are recognised in the income statement.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and any other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

# Notes to the consolidated financial statements

continued

## 1 Significant accounting policies continued

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Further details of derivative instruments are disclosed in Note 23 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

### Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value (excluding the effects of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For options, fair value is measured by use of the Black-Scholes option pricing model or another appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For other long-term incentive schemes under which shares are awarded to directors and employees subject to performance conditions, the fair value is determined to be the market price of the shares at the date of grant. However, for awards that are subject to market-based performance conditions a Stochastic Model is used, which applies the performance condition to a large number of possible price movements and uses the average result to estimate the fair value of an award.

### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgments, estimates and assumptions about the carrying value of 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.

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.

The critical judgments affecting the Group's financial statements are depreciation of the vehicle fleet (see Note 12), expected adjustments arising on settlement of insurance claims (see Note 13) and goodwill impairment (see Note 11).

## 2 Segmental information

The activities of the Group are managed and operated primarily from a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Helphire Group plc, which is deemed to be the Chief Operating Decision Maker, considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group continues to identify that there is a single operating, and therefore reportable, segment being that of accident management services, conducted in the United Kingdom.

### 3 Revenue

	2011 £'000	2010 Restated £'000
Revenue	<b>234,840</b>	288,212*

\* Restated see Note 5.

As described in Note 13, 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.

### 4 Exceptional items

The Group's accounting policy is that costs or gains are 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.

	2011 £'000	2010 £'000
Exceptional items comprise the following:		
Fleet credits	–	(245)
Goodwill impairment charge	<b>25,676</b>	–
Restructuring expenses	<b>6,153</b>	13,204
Share-based payment credit	–	(72)
Amortisation of intangible assets	–	617
Settlement of disputes	<b>(3,028)</b>	–
Impact on operating profit/(loss)	<b>28,801</b>	13,504
Impact on loss before tax	<b>28,801</b>	13,504
Tax effect of exceptional items	–	(1,292)
Impact on loss for the financial year	<b>28,801</b>	12,212

#### Fleet credits

No fleet amounts have been charged to exceptional items this year as they are no longer considered material (2010: credit of £0.2m). These related to the sale of previously impaired fleet assets. The tax effect of this exceptional item was £nil (2010: £nil).

#### Goodwill impairment charge

As disclosed in Note 11 the Group has impaired goodwill by £25.7m (2010: £nil). The tax effect of this is £nil (2010: £nil).

#### Restructuring costs

As discussed in the Business review, the Board has continued a cost reduction and restructuring programme. The restructuring expense of £6.2m (2010: £13.2m) includes £2.9m (2010: £2.6m) of staff and other restructuring costs, £1.5m (2010: £3.5m) of redundancy severance costs, £1.7m (2010: £4.9m) increase in the onerous lease provision, £nil (2010: £0.7m) of IT platform decommissioning costs, £0.1m (2010: £0.5m) of onerous IT/telecoms contracts, a credit of £nil (2010: £0.1m) for restructuring costs in respect of the closure of operations in Spain, and £nil (2010: £1.1m) of leasehold improvements impairments. The tax effect of this exceptional charge is £nil (2010: credit of £1.3m).

# Notes to the consolidated financial statements

continued

## 4 Exceptional items continued

### Share-based payment credit and amortisation of intangible assets

Share-based payment credit and amortisation of intangible assets have not been disclosed as exceptional items for the period as these are no longer considered material. Further details of the share-based payment credit are provided in Note 22. The tax effect of these items was £nil (2010: £nil).

### Settlement of disputes

An exceptional credit of £3.0m (2010: £nil) arose following the settlement of disputes during the year in relation to the former Legal Services business.

## 5 Prior year adjustment

In May 2011 management identified a discrepancy in relation to the Group's ABI receivables book.

Following investigations into the discrepancy the Group concluded that:

- The ABI receivables figure included in the Interim Accounts at 31 December 2010 was overstated by £26.8m relating to Credit Hire ('Credit Hire misstatement');
- The overstatement of £26.8m at 31 December 2010 had no effect on the current financial year, £7.5m related to the year ended 30 June 2010 and £19.3m related to the year ended 30 June 2009;
- The principal cause of the overstatement was an erroneous calculation made at 31 December 2008 to estimate the settlement value of ABI receivables. The error resulted in an understatement of the exceptional adjustment (originally reported as £35.0m) to reduce the carrying value of the receivables book to a 30 day value; and
- At 31 December 2008, an estimating process was put in place to value the ABI receivables at the 30 day value going forward. Systematic inaccuracies in this process compounded the overstatement for subsequent periods.

Management also identified that the associated balance for Credit Repair contained within the ABI receivables at 31 December 2010 was overstated by £2.4m in the period to 30 June 2009 ('Credit Repair misstatement') making a total adjustment for Credit Hire and Credit Repair of £29.2m.

The Board has made consequential adjustments to increase certain settlement recovery provisions ('Settlement Provision restatement'). Receivables are presented net of these provisions and the consequential amendments reduced receivables by £8.5m at 30 June 2010 (30 June 2009: £nil).

The following table summarises the adjustments made to the Statement of financial position as a result of recognising the above misstatements:

	Trade receivables £'000	Retained earnings £'000
Balance as previously reported at 01 July 2009	202,833	(37,002)
Effect of Credit Hire misstatement	(19,294)	(19,294)
Effect of Credit Repair misstatement	(2,354)	(2,354)
Restated balance at 01 July 2009	181,185	(58,650)
Balance as previously reported at 30 June 2010	190,456	(39,546)
Effect of restatements at 01 July 2009	(21,648)	(21,648)
Effect of Credit Hire misstatement	(7,468)	(7,468)
Total effect of Credit Hire and Credit Repair misstatements	(29,116)	(29,116)
Effect of Settlement Provision restatement	(8,505)	(8,505)
Restated balance at 30 June 2010	152,835	(77,167)

The effect on the income statement for the year ended 30 June 2010 was as follows:

	Revenue £'000	Profit/(loss) for the year £'000
Balance as previously reported for the year ended 30 June 2010	304,185	3,615
Effect of Credit Hire misstatement	(7,468)	(7,468)
Effect of Settlement Provision restatement	(8,505)	(8,505)
Total effects on the income statement for the year ended 30 June 2010	(15,973)	(15,973)
Restated amounts for the year ended 30 June 2010	288,212	(12,358)

## 5 Prior year adjustment continued

The above adjustments have no impact on previously reported current or deferred tax balances since the Group holds significant tax losses against which no deferred tax asset has been recognised. The adjustments have increased the unused tax losses not recognised from £57.3m as previously reported to £94.9m at 30 June 2010 and from £60.3m as previously reported to £81.9m at 30 June 2009.

The effect of these adjustments on earnings per share for the year ended 30 June 2010 are shown below:

		Year ended 30 June 2010	Year ended 30 June 2010 Exceptional items	Year ended 30 June 2010
Earnings/(loss) per share (p)		Adjusted*		
Basic	As previously reported	4.78	(3.69)	1.09
	Adjustments	(4.82)	–	(4.82)
	Restated	(0.04)	(3.69)	(3.73)
Diluted	As previously reported	4.69	(3.69)	1.07
	Adjustments**	(4.73)	–	(4.80)
	Restated	(0.04)	(3.69)	(3.73)

\* Adjusted earnings/(loss) per share are after excluding those items described as exceptional (see Note 4).

\*\* Adjustments arising on diluted earnings are different on the adjusted and reported bases due to non-dilution of exceptional items loss per share.

## 6 Operating profit/(loss)

	2011 £'000	2010 £'000
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
owned	4,315	8,628
leased	10,808	17,661
Impairment of property, plant and equipment	81	1,178
Amortisation of intangible assets – from business combinations	–	617
Loss on sale of investments	–	(96)
Impairment of goodwill	25,676	–
Loss on sale of property, plant and equipment	406	388
Operating lease rentals		
vehicles	16,340	18,369
property	964	3,152

Deloitte LLP resigned as auditors on 14 July 2011. Subsequently, KPMG Audit Plc were appointed as auditors to the Group. Details of auditors' remuneration is provided below:

	2011 £'000	%	2010 £'000	%
<b>KPMG</b>				
Audit services – statutory audit	170	24	–	–
Other services *	433	61	–	–
Total KPMG	603	85	–	–
<b>Deloitte</b>				
Audit services				
statutory audit	–	–	153	68
audit-related regulatory reporting **	20	3	35	15
other ***	40	6	38	17
	60	9	226	100
Other services ****	43	6	–	–
Total Deloitte	103	15	226	100
Total auditor's remuneration	706	100	226	100

\* Receivables review as covered in the Company announcements and discussed further in Note 5

\*\* Interim review

\*\*\* Regulatory assistance

\*\*\*\* Consultancy advice

# Notes to the consolidated financial statements

continued

## 7 Staff costs

	2011 Number	2010 Number
The average number of full time equivalent employees (including Executive Directors) was:		
Operational	1,054	1,582
Office administration	209	225
Management	155	148
	<b>1,418</b>	<b>1,955</b>

	2011 £'000	2010 £'000
Their aggregate remuneration comprised:		
Wages and salaries	29,936	41,158
Social security costs	2,541	3,377
Other pension costs	451	523
Share based payment charge/(credit)	59	(72)
	<b>32,987</b>	<b>44,986</b>

Wages and salaries includes £1.5m (2010: £3.5m) in respect of exceptional redundancy severance costs (see Note 4). The full time equivalent number of employees at the year end was 1,296 (2010: 1,780).

Key management personnel and their remuneration are discussed in the Directors' remuneration report.

## 8 Finance costs

	2011 £'000	2010 £'000
Interest on bank overdrafts and loans	5,672	6,732
Interest on obligations under finance leases	2,269	4,593
Loan issue costs charged in the year	3,353	1,313
	<b>11,294</b>	<b>12,638</b>
Reclassification of interest on obligations under finance leases and fleet facilities to cost of sales	(2,515)	(5,156)
	<b>8,779</b>	<b>7,482</b>

## 9 Tax

	2011 £'000	2010 £'000
<b>Current tax</b>		
UK corporation tax on (loss) for the year	-	-
Adjustments in respect of prior years	15	58
Total current tax credit	<b>15</b>	<b>58</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(876)	3,178
Adjustments in respect of prior years	(311)	(13)
Impact of change in tax rate	(208)	-
<b>Tax (charge)/credit on loss on ordinary activities</b>	<b>(1,380)</b>	<b>3,223</b>

## 9 Tax continued

	2011 £'000	2010 Restated £'000
<b>Reconciliation of tax (charge)/credit</b>		
Loss for the year	(35,525)	(12,358)
Tax charge/(credit)	1,380	(3,223)
Loss before tax	(34,145)	(15,581)
Tax at the weighted average UK corporation tax rate of 27.5% (2010: 28%)	9,390	4,363
Unrecognised deferred tax asset	(2,679)	(6,904)
(Release)/recognition of deferred tax asset	(1,380)	2,404
Adjustment in relation to prior periods	(296)	58
Impact of change in tax rate on loss carry back	(208)	–
Tax effect of expenses that are not deductible in determining taxable profit	(7,116)	(77)
Tax effect of utilisation of tax losses not previously recognised	909	3,379
Tax (charge)/credit for the year	(1,380)	3,223

The tax effect of exceptional items is detailed in Note 4.

The weighted average tax rate of 27.5% reflects the reduction in the UK main corporation tax rate to 26% from 01 April 2011.

## 10 Loss per share

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

	2011 Number	2010 Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	331,347,667	331,347,667
Effect of dilutive potential ordinary shares – share options	–	5,862,606
Weighted average number of ordinary shares for the purposes of diluted earnings per share	331,347,667	337,210,273

# Notes to the consolidated financial statements

continued

## 11 Goodwill

	£'000
<b>Cost</b>	
At 01 July 2009, 30 June 2010 and 30 June 2011	73,268
<b>Accumulated impairment losses</b>	
At 01 July 2009 and 30 June 2010	(28,642)
Impairment charge	(25,676)
<b>At 30 June 2011</b>	<b>(54,318)</b>
<b>At 30 June 2011</b>	<b>18,950</b>
At 01 July 2009 and 30 June 2010	44,626

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business acquisition.

The Group tests goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

In 2010, it was considered that there were three CGUs totalling a net £44.6m (HAS £40.4m, Albany £3.0m, Cab Aid £1.2m). Since 2010, the nature of the intercompany trading between the entities within the Group has intensified. With the restructuring which has taken place in the last twelve months, management considers that there is now one single CGU within the Group and has therefore re-allocated all of the existing goodwill in to one CGU.

The Group has prepared forecasts, which have looked at short to medium term factors relevant to the Group, including macro economic issues, anticipated industry growth forecasts, changes to selling prices and direct costs. Due to the continuing difficult economic factors, the forecast has assumed a growth rate in cash from operating activities averaging under 1% per annum over the forecast period. This rate does not exceed the average long-term growth rate for the relevant markets.

The forecasts have been used as the basis for the value in use calculation since these forecasts are considered to be sufficiently detailed and represent the best available information. As required by IAS36, a terminal value has been added to the forecasts with 0% growth assumed for the future years.

The pre-tax rate used to discount the forecast cash flows is 16.7%. This has increased from the 10% used for all CGUs in the previous year following a review of the changing risks of the Group and external market expectations.

The value derived from this has been compared to the net assets of the Group, excluding borrowings and cash, to test goodwill for impairment. The increase in the discount rate is the principal factor which created a reduction in the value in use of the CGU. As a result of the test, the Group has made a goodwill impairment charge of £25.7m (2010: £nil). If a discount rate of 0.1% higher or lower were used, with all other variables being constant, the impairment charge would increase or decrease by £0.7m.

Decisions as to the impairment of goodwill are a key source of estimation uncertainty and a critical accounting judgment.

## 12 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
<b>Cost</b>					
At 01 July 2009	11,631	4,274	170,136	25,563	211,604
Additions	13	77	16,642	474	17,206
Disposals	–	–	(66,466)	–	(66,466)
At 30 June 2010	11,644	4,351	120,312	26,037	162,344
Additions	–	16	46,196	1,151	47,363
Disposals	–	(567)	(72,622)	(5,457)	(78,646)
<b>At 30 June 2011</b>	<b>11,644</b>	<b>3,800</b>	<b>93,886</b>	<b>21,731</b>	<b>131,061</b>
<b>Accumulated depreciation and impairment</b>					
At 01 July 2009	(1,519)	(2,539)	(46,127)	(17,928)	(68,113)
Charge for the year	(233)	(318)	(21,402)	(4,336)	(26,289)
Impairment charge	–	(690)	(4)	(484)	(1,178)
Disposals	–	–	22,238	–	22,238
At 30 June 2010	(1,752)	(3,547)	(45,295)	(22,748)	(73,342)
Charge for the year	(246)	(387)	(12,632)	(1,858)	(15,123)
Impairment charge	–	–	(81)	–	(81)
Disposals	–	567	20,217	4,619	25,403
<b>At 30 June 2011</b>	<b>(1,998)</b>	<b>(3,367)</b>	<b>(37,791)</b>	<b>(19,987)</b>	<b>(63,143)</b>
<b>At 30 June 2011</b>	<b>9,646</b>	<b>433</b>	<b>56,095</b>	<b>1,744</b>	<b>67,918</b>
At 30 June 2010	9,892	804	75,017	3,289	89,002
At 01 July 2009	10,112	1,735	124,009	7,635	143,491
Leased assets included above:					
<b>Carrying amount</b>					
<b>At 30 June 2011</b>	<b>–</b>	<b>–</b>	<b>47,235</b>	<b>487</b>	<b>47,722</b>
At 30 June 2010	–	–	63,788	2,108	65,896
At 01 July 2009	–	–	120,616	3,198	123,814

The 2010 impairment charges are included in the exceptional expenses disclosed in Note 4.

Assets held for sale at 30 June 2011 £nil (2010: £2.3m, 2009: £8.2m) comprise vehicles impaired as part of the restructuring in 2009 which had not been sold.

The depreciation on the vehicle hire fleet represents a critical judgment made by the directors. The Group operates a large fleet of hire vehicles. Depreciation on these vehicles is intended to reduce the carrying value of the vehicles to their expected residual value at disposal. However, the residual value attributable is dependent on conditions present in the future and is subject to movements in the market for nearly-new vehicles. As such, this area is inherently judgmental and is a key source of estimation uncertainty.

The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

# Notes to the consolidated financial statements

continued

## 13 Trade and other receivables

	2011 £'000	2010 Restated £'000	2009 Restated £'000
Trade receivables – claims due from insurance companies and self insuring organisations	<b>127,049</b>	166,536*	228,797*
Trade receivables – amounts invoiced for services	<b>8,793</b>	9,937	14,001
Trade receivables – gross	<b>135,842</b>	176,473	242,798
Expected adjustment arising on settlement of claims	<b>(22,056)</b>	(39,641)**	(81,561)
Provision for impairment of amounts invoiced for services	<b>(2,815)</b>	(2,355)	(2,898)
Trade receivables – net	<b>110,971</b>	134,477	158,339
Other receivables	<b>3,665</b>	1,024	5,462
Accrued income	<b>4,671</b>	9,693	7,160
Prepayments	<b>4,965</b>	7,641	9,688
VAT recoverable	<b>–</b>	–	536
	<b>124,272</b>	152,835	181,185

\* Trade receivables – claims due from insurance companies and self insuring organisations are restated from those previously reported for 2010, previously reported £195,652k less the Total effect of Credit Hire and Credit Repair misstatements £29,116k (see Note 5) restated to £166,536, and for 2009, previously reported £250,445 less the Effect of restatements at 01 July 2009 £21,648 (see Note 5) restated to £228,797k.

\*\* Expected adjustments in 2010 arising on settlement of claims is restated from those previously reported £(31,136)k and the Effect of Settlement Provision restatement £(8,505)k (see Note 5) restated to £(39,641)k.

Total net trade receivables of £111.0m above (2010: restated £134.5m) comprise claims due from insurance companies and self insuring organisations of £105.0m (2010: £126.9m) and amounts invoiced for the provision of services to customers of £6.0m (2010: £7.6m).

The Group's debtor days at 30 June 2011 were 185 (2010: 184). This measure is based on trade receivables, other receivables and accrued income as a proportion of the related revenue multiplied by 365 days.

### a) Claims due from insurance companies

Claims due from insurance companies are stated at the expected net claim value, which is stated after allowance, for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under the ABI GTA, and an estimation of other expected adjustments arising on settlement of claims.

Where necessary the estimation of the expected adjustment arising on settlement of claims is revised, at each balance sheet date, to reflect the Group's most recent estimation of amounts ultimately recoverable. The estimation of the expected adjustment arising on settlement of claims represents a critical judgment made by the directors.

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles, and analysis of the current profile of the portfolio of cases.

Settlement risk arises on claims due from insurance companies due to their magnitude and the nature of the claims settlement process. The Group recovers its charges for vehicle hire and the cost of repair of customers' vehicles from the insurer of the at-fault party to the associated accident or, in a minority of claims, from the at-fault party direct where they are a self-insuring organisation. However, by their very nature, claims due from motor insurance companies can be subject to dispute which may result in subsequent adjustment to the Group's original estimate of the amount recoverable.

### 13 Trade and other receivables continued

#### a) Claims due from insurance companies continued

The Group manages this risk by ensuring that vehicles are only supplied and remain on hire and repairs to customers' vehicles are carried out after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. In the normal course of its business and in particular under the terms of the ABI GTA protocol, the Group uses two principal methods to conclude claims: by negotiation with the insurer of the at-fault party and, where a claim fails to settle within 120 days of presentation, by litigation. A large proportion of these claims settle before or on the threat of litigation, but where they do not, formal proceedings are issued.

In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies do not carry a contractual 'due date', nor does the expected adjustment arising on settlement of trade receivables represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS 7 on provision for credit loss are not provided.

Instead the directors review claims due from insurance companies according to the status of the claim through the Group's in-house and solicitor panel processes. In particular, for claims sent to solicitors, management consider whether proceedings have formally been issued. The Group's target is that trade receivables should be transferred from the in-house to the solicitor process when they have aged over 120 days. An analysis of claims due from insurance companies based on these circumstances is given below.

	2011		2010 Restated £'000		2009 Restated £'000	
	£'000	%		%		%
<b>Work in progress and pending claims</b>	<b>7,930</b>	<b>100</b>	17,373	100	18,880	100
<b>Between 1 and 120 days old</b>						
In-house	32,415	92	33,247	81	44,078	91
At solicitors						
Pre-issue	2,619	7	6,355	15	2,884	6
Proceedings issued	304	1	1,708	4	1,718	3
	<b>35,338</b>	<b>100</b>	41,310	100	48,680	100
<b>More than 120 days old</b>						
In-house	18,312	30	18,265	27	37,201	47
At solicitors						
Pre-issue	21,892	35	21,970	32	16,400	20
Proceedings issued	21,521	35	27,977	41	26,075	33
	<b>61,725</b>	<b>100</b>	68,212	100	79,676	100
<b>Total</b>						
Work in progress and pending claims	7,930	8	17,373	14	18,880	13
In-house	50,727	48	51,512	41	81,279	55
At solicitors						
Pre-issue	24,511	23	28,325	22	19,284	13
Proceedings issued	21,825	21	29,685	23	27,793	19
	<b>104,993</b>	<b>100</b>	126,895	100	147,236	100

# Notes to the consolidated financial statements

continued

## 13 Trade and other receivables continued

### a) Claims due from insurance companies continued

The table below shows the reconciliation from the previously reported analysis of claims due from insurance companies to those restated and shown on page 43.

	2010 As previously reported £'000	Adjustments £'000	Restated £'000	2009 As previously reported £'000	Adjustments £'000	Restated £'000
<b>Work in progress and pending claims</b>	17,373	–	17,373	18,880	–	18,880
<b>Between 1 and 120 days old</b>						
In-house	42,308	(9,061)* <sup>1</sup>	33,247	49,292	(5,214)* <sup>2</sup>	44,078
At solicitors						
Pre-issue	6,355	–	6,355	2,884	–	2,884
Proceedings issued	1,708	–	1,708	1,718	–	1,718
	50,371	(9,061)	41,310	53,894	(5,214)	48,680
<b>More than 120 days old</b>						
In-house	46,825	(28,560)* <sup>1</sup>	18,265	53,635	(16,434)* <sup>2</sup>	37,201
At solicitors						
Pre-issue	21,970	–	21,970	16,400	–	16,400
Proceedings issued	27,977	–	27,977	26,075	–	26,075
	96,772	(28,560)	68,212	96,110	(16,434)	79,676
<b>Total</b>						
Work in progress and pending claims	17,373	–	17,373	18,880	–	18,880
In-house	89,133	(37,621)* <sup>1</sup>	51,512	102,927	(21,648)* <sup>2</sup>	81,279
At solicitors						
Pre-issue	28,325	–	28,325	19,284	–	19,284
Proceedings issued	29,685	–	29,685	27,793	–	27,793
	164,516	(37,621)	126,895	168,884	(21,648)	147,236

\*<sup>1</sup> Being the Total effect of Credit Hire and Credit Repair misstatement £29,116k and the Effect of Settlement Provision restatement £8,505k, totalling £37,621k (Note 5).

\*<sup>2</sup> Being the 2009 adjustments of Effect of Credit Hire misstatement £19,294k (Note 5) and the Effect of Credit Repair misstatement £2,354k (Note 5) totalling £21,648k.

Risk is spread primarily across the major UK based motor insurance companies in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The Group does not have a significant concentration of credit risk, with exposure spread across a large number of counterparties as show in the table below:

	2011		2010		2009	
	£'000	%	Restated* £'000	%	Restated* £'000	%
<b>Counterparty by size</b>						
Insurer 1	6,480	6	7,921	6	10,783	7
Insurer 2	4,799	5	6,815	5	10,250	7
Insurer 3	3,867	4	6,419	5	9,907	7
Insurer 4	3,688	3	4,634	4	5,307	4
Insurer 5	3,290	3	4,559	4	4,907	3
Other insurers	82,869	79	96,547	76	106,082	72
	104,993	100	126,895	100	147,236	100

\* The restatement of the ABI receivables was not preformed at a counterparty level. Adjustments have been made to prior periods proportional to the values previously stated.

### 13 Trade and other receivables continued

#### b) Amounts invoiced for services

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The largest customer represented 18% of the receivables at 30 June 2011 (2010: 29%). The most significant five customers represented 60% (2010: 60%) of receivables. No other customer represented more than 5% of outstanding receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £1.6m (2010: £3.7m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances, which represent mainly income from solicitors for claim referrals, is standard in the industry.

Ageing of past due but not impaired receivables.

	2011 £'000	2010 £'000	2009 £'000
30-60 days	585	2,197	948
60-90 days	631	656	1,052
90-120 days	74	150	557
More than 120 days	268	675	2,638
<b>Total</b>	<b>1,558</b>	<b>3,678</b>	<b>5,195</b>

The movement in the allowance for doubtful debtors was as follows:

	2011 £'000	2010 £'000	2009 £'000
At beginning of year	2,355	2,898	1,228
Impairment losses recognised/(released)	460	(543)	1,670
<b>At end of year</b>	<b>2,815</b>	<b>2,355</b>	<b>2,898</b>

The carrying amount of trade and other receivables is denominated in sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

### 14 Trade and other payables

	2011 £'000	2010 £'000	2009 £'000
Trade payables	29,050	22,330	26,496
Other taxation and social security	2,896	5,809	11,000
Accruals and deferred income	18,198	36,565	31,727
Other creditors	1,631	677	1,952
<b>Total</b>	<b>51,775</b>	<b>65,381</b>	<b>71,175</b>

Trade payables represent amounts payable for goods and services. The average credit period taken for trade purchases is 39 days (2010: 32 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

# Notes to the consolidated financial statements

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## 15 Obligations under finance leases

	2011 £'000	2010 £'000	2009 £'000
Amounts payable under finance leases			
Within one year	<b>18,968</b>	56,109	79,532
In the second to fifth years inclusive	<b>39,272</b>	21,005	60,633
Less future finance charges	<b>(3,214)</b>	(3,901)	(11,513)
Present value of lease obligations	<b>55,026</b>	73,213	128,652
Present value of lease obligations			
Within one year	<b>17,306</b>	53,293	71,943
In the second to fifth years inclusive	<b>37,720</b>	19,920	56,709
Present value of lease obligations	<b>55,026</b>	73,213	128,652
Analysed as:			
Amounts due for settlement within 12 months	<b>17,306</b>	53,293	71,943
Amounts due for settlement after 12 months	<b>37,720</b>	19,920	56,709
Shown in current/non current liabilities	<b>55,026</b>	73,213	128,652

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.0 years (2010: 2.0 years). For the year ended 30 June 2011 the average effective borrowing rate was 3.80% (2010: 5.95%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's finance lease obligations approximates to their carrying value. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

## 16 Other borrowings

	2011 £'000	2010 £'000	2009 £'000
Bank overdrafts	<b>2,007</b>	–	–
Bank loans	<b>78,744</b>	97,960	122,273
	<b>80,751</b>	97,960	122,273
The borrowings are repayable as follows:			
Within one year			
Bank overdrafts	<b>2,007</b>	–	–
Bank loans	<b>78,744</b>	7,998	7,509
Amount due for settlement within 12 months	<b>80,751</b>	7,998	7,509
In the second year			
Bank loans	–	89,962	9,589
In the third to fifth years inclusive			
Bank loans	–	–	105,175
Amount due for settlement after 12 months	–	89,962	114,764

The weighted average rates paid in interest and fees were as follows:

	2011 %	2010 %	2009 %
Bank loans	<b>8.34</b>	6.93	9.41

At 30 June 2011 the Group's bank loans of £80.8m comprised a revolving credit facility including overdraft of £26.9m, a term loan of £29.4m, a revolving fleet funding facility totalling £8.7m, a term loan of £7.5m and mortgages totalling £8.3m secured on the Northwich, Stoke and Chesterfield offices, less related loan issue costs.

## 16 Other borrowings continued

Following the year end, the maturity of the borrowings has been extended to 31 December 2012.

The loan facilities are subject to interest at 3.3% 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.

The directors consider that the fair value of the Group's borrowings is equal to their book value.

All obligations under finance leases are disclosed in Note 15.

## 17 Provisions

	Redundancy provision £'000	Onerous contract provision £'000	Onerous lease provision £'000	Total £'000
At 01 July 2009	700	–	6,466	7,166
Additional provision in the year	959	277	4,799	6,035
Utilised during the year	(700)	–	(1,269)	(1,969)
At 30 June 2010	959	277	9,996	11,232
Additional provision in the year	1,129	160	1,698	2,987
Utilised during the year	(1,878)	(329)	(2,433)	(4,640)
<b>At 30 June 2011</b>	<b>210</b>	<b>108</b>	<b>9,261</b>	<b>9,579</b>
Included in current liabilities	210	108	2,390	2,708
Included in non-current liabilities	–	–	6,871	6,871
	210	108	9,261	9,579

As part of its restructuring programme, the Group vacated certain properties. These properties remain empty at the year-end and so have been treated as onerous leases. For the most significant property concerned, the lease expires in 2025 and has an annual lease rental cost of £666,922. This property is considered to be in a prime location and the Group anticipates it will be sub-let for a substantial portion of the remaining useful life of the lease, albeit on current market terms that differ to the underlying existing lease obligations. After taking the effect of the anticipated sub-lease above, the net discounted cost of the vacated property leases is £9,261,000.

## 18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

	(Liability) Intangible assets £'000	(Liability) Accelerated tax depreciation £'000	(Liability) Total £'000	Asset Total £'000
At 01 July 2009	(173)	(1,847)	(2,020)	1,759
Credit to income	173	1,472	1,645	1,533
At 30 June 2010	–	(375)	(375)	3,292
Credit/(charge) to income	–	221	221	(1,615)
<b>At 30 June 2011</b>	<b>–</b>	<b>(154)</b>	<b>(154)</b>	<b>1,677</b>

At the balance sheet date the Group has unused trading losses of £102.2m (2010: restated £94.9m) available for offset against future trading profits. Following on from the restructuring, a deferred tax asset has been recognised in respect of £6.2m (2010: £10.7m) of this amount. No deferred tax asset has been recognised in respect of the remaining £94.0m (2010: restated £84.2m) due to the risks associated with future taxable profits.

# Notes to the consolidated financial statements

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## 19 Share capital

	2011 £'000	2010 £'000	2009 £'000
<b>Issued and fully paid</b>			
331,347,667 (2010: 331,347,667) ordinary shares of 5p each	<b>16,567</b>	16,567	16,567

The Company has one class of ordinary share which carries no right to fixed income.

## 20 Hedging reserve

	£'000
At 01 July 2009	(292)
Loss recognised as cash flow hedge	(2,126)
At 30 June 2010	(2,418)
Profit recognised on cash flow hedge	1,111
<b>At 30 June 2011</b>	<b>(1,307)</b>

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit and loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

No gains were transferred from equity into profit or loss during the period.

## 21 Operating lease arrangements

	2011 Vehicles £'000	2011 Properties £'000	2011 Total £'000	2010 Vehicles £'000	2010 Properties £'000	2010 Total £'000
Minimum lease payments under operating leases recognised in income for the period	<b>14,401</b>	<b>1,429</b>	<b>15,830</b>	15,955	3,120	19,075

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 Vehicles £'000	2011 Properties £'000	2011 Total £'000	2010 Vehicles £'000	2010 Properties £'000	2010 Total £'000
Within one year	<b>4,888</b>	<b>2,949</b>	<b>7,837</b>	3,158	2,994	6,152
In the second to fifth years inclusive	<b>1,954</b>	<b>9,048</b>	<b>11,002</b>	546	10,638	11,184
After five years	–	<b>13,108</b>	<b>13,108</b>	–	15,503	15,503
	<b>6,842</b>	<b>25,105</b>	<b>31,947</b>	3,704	29,135	32,839

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases are negotiated for a weighted average term of 6.6 years (2010: 8.8 years). The onerous lease provision of £9.3m (2010: £10.0m) (see Note 17) has been included within the above amounts.

## 22 Share-based payments

### Equity settled share option plans

The Group grants options in the form of mainstream options and options under sharesave schemes.

#### Mainstream options

The Group has granted options to certain directors and employees. For options granted prior to 2009, the vesting period is generally three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. For options granted in 2009, under the 'Executive Incentive Scheme 2009', the options expire on 30 April 2014 to the extent that they have not vested by that date.

Details of the options outstanding during the year are as follows:

	2011 Number of options 000s	2011 Weighted average exercise price (£)	2010 Number of options 000s	2010 Weighted average exercise price (£)
Outstanding at beginning of period	18,465	0.35	20,454	0.49
Forfeited during the period	(86)	2.22	(1,989)	1.82
Outstanding at end of period	18,379	0.34	18,465	0.35
Exercisable at the end of the period	119	2.06	205	2.13

No share options were exercised during the current year (2010: nil). The options outstanding at 30 June 2011 had a weighted average exercise price of £0.34 (2010: £0.35) and a weighted average remaining contractual life of 4.8 years (2010: 5.8 years).

The range of exercise prices was from £0.33 to £3.74; the highest and lowest value of shares during the year were £0.44 and £0.03 respectively. The value of shares as at 30 June 2011 was £0.04.

The options were granted on 07 May 2009 and their aggregate fair value was estimated at £459,000 and have been valued using an appropriate valuation method. These options are exercisable in tranches, conditional on the Company's share price reaching the specified target price. Details of the tranches are disclosed in the Directors' remuneration report.

#### Sharesave schemes

Under sharesave schemes, employees are granted options to acquire shares in the Company with funds deducted from their salaries on a monthly basis. The options must be exercised three years following the date of grant. The options generally lapse if the employee leaves within the three-year period.

	2011 Number of options 000s	2011 Weighted average exercise price (£)	2010 Number of options 000s	2010 Weighted average exercise price (£)
Outstanding at beginning of period	331	1.56	534	1.63
Granted during the period	1,669	0.30	–	–
Forfeited during the period	(791)	0.83	(203)	1.74
Outstanding at end of period	1,209	0.30	331	1.56
Exercisable at the end of the period	–	–	–	–

The options outstanding at 30 June 2011 had a weighted average exercise price of £0.30 (2010: £1.56) and a weighted average remaining contractual life of 2.4 years (2010: 0.8 years).

# Notes to the consolidated financial statements

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## 22 Share-based payments continued

### Other equity-settled share plans

In the past, the Group has also made awards to directors, senior managers and staff under the Equity Partnership Plan 2002 ('EPP') and the Performance Share Plan 2006 ('PSP').

Under the EPP, matching shares were awarded subject to co-investment by the participant. Under the PSP, nil cost options were awarded. Awards made under both plans vest after a three-year performance period, subject to satisfaction of performance conditions and continued employment with the Group. Half of each award under both plans is subject to an Earnings Per Share ('EPS') condition whereby an absolute adjusted EPS target for the financial year three years after that in which the award is made must be met for the award to vest fully. The other half of each award is subject to a Total Shareholder Return ('TSR') condition, which measures Helphire's TSR against a comparator group of listed companies over the three years commencing with that in which the award is made.

The last of these awards lapsed during 2011.

The Group recognised total expense of £0.1m related to equity-settled share-based payment transactions in 2011 (2010: income of £0.1m) arising due to the non-satisfaction of non-market based vesting conditions attaching to certain of the EPP and PSP awards, resulting from the Group's reduced profitability and the cessation of employment of a number of the Group's senior executive directors during the year).

## 23 Financial instruments

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, finance leases disclosed in Note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2011 £'000	2010 Restated £'000	2009 Restated £'000
Net debt	133,679	161,962	239,455
Total shareholders' equity	16,323	50,678 <sup>*1</sup>	63,894 <sup>*2</sup>
Total capital	150,002	212,640	303,349
Gearing ratio	89.1%	76.2%	78.9%

Net debt is defined as borrowings less cash and cash equivalents.

### Categories of financial instruments

	2011 £'000	2010 Restated £'000	2009 Restated £'000
Carrying value			
<b>Financial assets</b>			
At amortised cost:			
Loans and receivables <sup>*3</sup>	110,971	134,477 <sup>*4</sup>	158,339 <sup>*5</sup>
Cash and cash equivalents	2,098	9,211	11,470
Assets held for sale	–	2,291	8,216
<b>Financial liabilities</b>			
At amortised cost:			
Trade payables	29,050	22,330	26,496
Obligations under finance leases	55,026	73,213	128,652
Other borrowings	80,751	97,960	122,273
At fair value:			
Derivative financial instruments	1,307	2,418	292

<sup>\*1</sup> As previously reported 2010 Total Shareholders Equity of £88,299k, less the Total effect of Credit Hire and Credit Repair misstatement £29,116k (Note 5) and the Effect of Settlement Provision restatement £8,505k (Note 5) – restated £50,678k.

<sup>\*2</sup> As previously reported 2009 Total Shareholders Equity of £85,542k, less the Effect of restatements at 01 July 2009 £21,648k (Note 5) – restated £63,894k.

<sup>\*3</sup> See comments in Note 13.

<sup>\*4</sup> As previously reported 2010 loans and receivables of £172,098k, less the Total effect of Credit Hire and Credit Repair misstatement £29,116k (Note 5) and the Effect of Settlement Provision restatement £8,505k (Note 5) – restated £134,477k.

<sup>\*5</sup> As previously reported 2009 loans and receivables of £179,987k, less the Effect of restatements at 01 July 2009 £21,648k (Note 5) – restated £158,339k.

## 23 Financial instruments continued

### Financial risk management objectives

The Group monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Group does not enter into or trade financial instrument, including derivative financial instruments, for speculative purposes. The Group does not have any significant foreign currency risk exposure.

### Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.75% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.75% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2011 would have decreased/increased by £0.8m (2010: £0.8m). This is mainly attributable to the Group's exposure on variable rate borrowings.

### Interest rate swap contracts

The fair value of swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

	2011 Average contract fixed interest rate %	2011 Notional principal amount £'000	2011 Fair value £'000	2010 Average contract fixed interest rate %	2010 Notional principal amount £'000	2010 Fair value £'000	2009 Average contract fixed interest rate %	2009 Notional principal amount £'000	2009 Fair value £'000
Less than 1 year	4.38	44,999	(1,307)	3.70	17,501	(677)	-	-	-
1 to 2 years	-	-	-	4.38	44,999	(1,741)	2.37	17,501	(82)
2 to 5 years	-	-	-	-	-	-	4.38	44,999	(210)
5 years +	-	-	-	-	-	-	-	-	-
	<b>4.38</b>	<b>44,999</b>	<b>(1,307)</b>	3.58	62,500	(2,418)	2.90	62,500	(292)

### Credit risk management

The Group is exposed to credit risk in connection with the possible default by insurance companies. Following an assessment of the counterparties, the directors have concluded that there is no requirement for an impairment provision for credit loss against trade receivables arising from claims against insurance companies.

The provision for expected adjustments arising on settlement of claims does not represent an impairment provision under IFRS 7. Nevertheless, for normal commercial reasons the Group ensures that vehicles are only placed on hire and repairs to vehicles are only carried out after the validation process has provided assurance that the liability for the accident rests with another party. As trade receivables for credit hire and credit repair carry no contractual 'due date', the term 'past due' used in IFRS7 is not considered to be relevant to the Group's trade receivables or the way in which the Group manages credit risk. Trade receivables relating to amounts invoiced to customers for services provided are subject to credit risk in that a counterparty may default on its obligation to the Group. Customers represent primarily legal firms and the Group's policy is to deal with an approved panel of such firms. The carrying value of these financial assets, net of impairment provisions, represent the Group's maximum exposure to credit risk. Credit risk for cash placed on deposit is controlled by the use of appropriate financial institutions.

# Notes to the consolidated financial statements

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## 23 Financial instruments continued

### Liquidity risk management

Liquidity risk arises primarily from the nature of the claims settlement process, which can prolong the period of collection of trade receivables. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

### Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

### Maturity of financial assets

As explained in Note 13, trade receivables for claims on insurers do not carry a contractual due date. As in previous years, the majority of our receivables relate to claims which are payable upon presentation and maturity should be expected within a month but settlement can be delayed following a period of negotiation with the relevant counter-party.

### Maturity of financial liabilities

The following tables analyse the Group's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>2011</b>							
Non-interest bearing	–	29,050	–	–	–	–	29,050
Variable interest rate instruments:							
Finance lease liability	3.8	873	970	3,947	11,768	–	17,558
Other	4.6	309	2,845	80,180	–	–	83,334
Fixed interest rate instruments	3.8	2,022	2,247	9,146	27,267	–	40,682
		<b>32,254</b>	<b>6,062</b>	<b>93,273</b>	<b>39,035</b>	<b>–</b>	<b>170,624</b>
<b>2010</b>							
Non-interest bearing	–	22,330	–	–	–	–	22,330
Variable interest rate instruments:							
Finance lease liability	5.9	2,862	4,850	11,513	7,198	–	26,423
Other	4.8	391	3,092	11,180	92,033	–	106,696
Fixed interest rate instruments	5.9	5,491	9,305	22,087	13,808	–	50,691
		<b>31,074</b>	<b>17,247</b>	<b>44,780</b>	<b>113,039</b>	<b>–</b>	<b>206,140</b>
<b>2009</b>							
Non-interest bearing	–	26,946	–	–	–	–	26,946
Variable interest rate instruments:							
Finance lease liability	7.6	2,133	4,097	14,236	15,603	–	36,069
Other	5.2	528	3,506	10,367	119,971	–	134,372
Fixed interest rate instruments	7.6	6,155	11,825	41,085	45,031	–	104,096
		<b>35,762</b>	<b>19,428</b>	<b>65,688</b>	<b>180,605</b>	<b>–</b>	<b>301,483</b>

In addition to the above, at 30 June 2011 the Group had available £28.1m of undrawn committed working capital facilities and £1.3m of fleet financing facilities, which together with unrestricted cash on hand of £2.1m represents £31.5m of available financial resources.

Finance lease facilities are with a wide variety of different funders and in general do not represent committed facilities, but rather are provided on a rolling basis.

## 23 Financial instruments continued

### Externally imposed capital requirements

The Group is not subject to any externally imposed capital requirements.

## 24 Cash flow information

### a) Analysis and reconciliation of net debt

	01 July 2010 £'000	Cash flow £'000	Non cash changes £'000	30 June 2011 £'000
Net cash and cash equivalents	9,211	(9,120)	–	91
Debt due within one year	(7,998)	(70,273)	(473)	(78,744)
Debt due after more than one year	(89,962)	92,842	(2,880)	–
Finance leases	(73,213)	64,384	(46,197)	(55,026)
	(171,173)	86,953	(49,550)	(137,770)
<b>Net debt</b>	<b>(161,962)</b>	<b>77,833</b>	<b>(49,550)</b>	<b>(133,679)</b>

	2011 £'000	2010 £'000
Decrease in cash and cash equivalents in the year	(9,120)	(2,259)
Cash inflow from decrease in borrowings and lease financing	86,953	97,784
Change in net debt resulting from cash flows	77,833	95,525
New finance leases	(46,197)	(16,719)
Amortisation of loan issue costs	(3,353)	(1,313)
Movement in net debt in the year	28,283	77,493
Net debt at start of the year	(161,962)	(239,455)
<b>Net debt at end of the year</b>	<b>(133,679)</b>	<b>(161,962)</b>

### b) Depreciation, amortisation and impairment charges

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment (Note 12)	15,123	26,289
Impairment of property, plant and equipment (Note 12)	81	1,178
Amortisation of intangible assets – from business combinations	–	617
Impairment of goodwill	25,676	–
	40,880	28,084

### c) Cash impact of exceptional items

The cash flow impact of the exceptional items explained in Note 4 was a cash outflow of £5.5m (2010: £6.1m), comprising redundancy severance payments of £1.7m, (2010: £2.7m), staff and other costs of £2.9m (2010: £2.5m) and IT/telecoms onerous contracts costs of £0.9m (2010: £0.9m).

## 25 Subsequent events

On 22 August 2011, the Group announced proposals to change the structure and number of roles of our support functions. As a result of this restructure, the Group expects to incur redundancy costs of £0.3m and onerous lease costs of £4.0m relating to the consequent exit from redundant Group properties.

On 28 September 2011, the Group secured re-financing for its corporate borrowings (see Note 16).

# Company statement of changes in equity

for the year ended 30 June 2011

	Share capital Note 19 £'000	Share premium account £'000	ESOP reserve £'000	Equity reserve £'000	Hedging reserve Note 35 £'000	Retained earnings £'000	Total £'000
<b>Balance at 01 July 2009</b>	16,567	107,103	(7,499)	6,296	(292)	12,562	134,737
Loss for the year	–	–	–	–	–	(2,838)	(2,838)
Other comprehensive income for the year	–	–	–	–	(2,126)	–	(2,126)
<b>Total comprehensive income for the year</b>	–	–	–	–	(2,126)	(2,838)	(4,964)
Debit to equity for equity settled share-based payments	–	–	–	(186)	–	–	(186)
Helphire Group plc shares disposed by ESOP	–	–	1,340	–	–	–	1,340
Transfer loss on sale of shares disposed by ESOP	–	–	6,159	–	–	(6,159)	–
<b>Balance at 30 June 2010</b>	16,567	107,103	–	6,110	(2,418)	3,565	130,927
Loss for the year	–	–	–	–	–	(115,324)	(115,324)
Other comprehensive income for the year	–	–	–	–	1,111	–	1,111
<b>Total comprehensive income for the year</b>	–	–	–	–	1,111	(115,324)	(114,213)
Credit to equity for equity settled share-based payments	–	–	–	59	–	–	59
<b>Balance at 30 June 2011</b>	<b>16,567</b>	<b>107,103</b>	<b>–</b>	<b>6,169</b>	<b>(1,307)</b>	<b>(111,759)</b>	<b>16,773</b>

# Company statement of financial position

as at 30 June 2011

	Note	2011 £'000	2010 £'000
<b>Non-current assets</b>			
Property, plant and equipment	29	6,943	7,110
Investments in subsidiaries	30	27,917	107,766
Deferred tax asset	34	77	–
		<b>34,937</b>	114,876
<b>Current assets</b>			
Trade and other receivables	31	133,942	198,358
Cash and cash equivalents		3	1,680
		<b>133,945</b>	200,038
<b>Total assets</b>		<b>168,882</b>	314,914
<b>Current liabilities</b>			
Trade and other payables	32	(69,016)	(81,955)
Borrowings	33	(72,130)	(8,174)
Provisions	17	(2,708)	(3,520)
		<b>(143,854)</b>	(93,649)
<b>Net current (liabilities)/assets</b>		<b>(9,909)</b>	106,389
<b>Non-current liabilities</b>			
Borrowings	33	–	(80,208)
Deferred tax liabilities	34	(77)	–
Other financial liabilities	35	(1,307)	(2,418)
Long-term provisions	17	(6,871)	(7,712)
		<b>(8,255)</b>	(90,338)
<b>Total liabilities</b>		<b>(152,109)</b>	(183,987)
<b>Net assets</b>		<b>16,773</b>	130,927
<b>Equity</b>			
Share capital	19	16,567	16,567
Share premium account		107,103	107,103
Retained earnings		(111,759)	3,565
Equity reserve		6,169	6,110
Hedging reserve	35	(1,307)	(2,418)
<b>Total equity</b>		<b>16,773</b>	130,927

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2011. They were signed on its behalf by:

**Simon Poulton**  
Interim Chief Financial Officer  
28 September 2011

Company Number 03120010.

# Company statement of cash flows

for the year ended 30 June 2011

	<i>Note</i>	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(115,324)	(2,838)
Finance costs		8,599	6,897
Depreciation and impairment charges	29, 30	80,032	1,217
Loss on sale of investments		–	96
Decrease/(increase) in receivables		64,416	(6,493)
(Decrease)/increase in payables		(12,939)	43,067
(Decrease)/increase in provisions		(1,653)	4,766
Share-based payment charges/(credits)		59	(186)
Cash generated from operating activities		<b>23,190</b>	46,526
Bank and loan interest paid	28	<b>(8,599)</b>	(6,897)
<b>Net cash from operating activities</b>		<b>14,591</b>	39,629
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	29	(16)	(90)
Sale of investments		–	204
Investment in existing subsidiary undertaking		–	(24,885)
<b>Net cash from investing activities</b>		<b>(16)</b>	(24,771)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(18,259)	(12,962)
<b>Net cash from financing activities</b>		<b>(18,259)</b>	(12,962)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,684)</b>	1,896
Cash and cash equivalents at beginning of year		1,680	(216)
<b>Cash and cash equivalents at end of year</b>		<b>(2,004)</b>	1,680
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		3	1,680
Bank overdraft		(2,007)	–
		<b>(2,004)</b>	1,680

# Notes to the Company financial statements

## 26 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been presented in accordance with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 27 Operating profit

The auditors' remuneration for audit services to the Company was £75,000 (2010: £61,000).

## 28 Finance costs (net)

	2011 £'000	2010 £'000
Interest on bank overdrafts and loans	<b>8,599</b>	6,897

## 29 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>			
At 01 July 2009	7,221	2,714	9,935
Additions	13	77	90
At 30 June 2010	7,234	2,791	10,025
Additions	–	16	16
<b>At 30 June 2011</b>	<b>7,234</b>	<b>2,807</b>	<b>10,041</b>
<b>Accumulated depreciation and impairment</b>			
At 01 July 2009	(360)	(1,338)	(1,698)
Charge for the year	(144)	(140)	(284)
Impairment charge	–	(933)	(933)
At 30 June 2010	(504)	(2,411)	(2,915)
Charge for the year	(158)	(25)	(183)
<b>At 30 June 2011</b>	<b>(662)</b>	<b>(2,436)</b>	<b>(3,098)</b>
<b>Carrying amount</b>			
<b>At 30 June 2011</b>	<b>6,572</b>	<b>371</b>	<b>6,943</b>
At 30 June 2010	6,730	380	7,110

The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

# Notes to the Company financial statements

continued

## 30 Subsidiaries

Details of the Company's and Group's subsidiaries at 30 June 2011 are as follows:

Subsidiary undertaking	Shares held by Company or Group	Principal activity	Ownership interest %
HAS Accident Management Solutions Limited	Company	Non-fault accident management	100
Helphire Finance Limited	Company	Financing vehicle repairs	100
Swift Finance (GB) Limited	Group	Financing vehicle repairs	100
Albany Assistance Limited	Group	Sale of legal expenses insurance and Uninsured loss recovery	100
Angel Assistance Limited	Company	Sale of legal expenses insurance and Uninsured loss recovery	100
HHFS Limited	Company	Fleet management	100
Helphire Legal Services Limited	Company	Provision of claims handling service	100
Total Accident Management Limited	Company	Accident management services	100
Helphire (Pinesgate Reversion) Limited	Company	Property holding company	100
Cab Aid Limited	Company	Vehicle rental	100
NFL Cover Limited	Company	Vehicle rental	100
Medirep Marketing Limited	Company	Provision of medico-legal reports	100
QSIT Limited	Company	IT services	100
E-Claim Limited	Company	Sale of legal expenses insurance	100
RunmyCar Limited (previously Fleet Legal Limited)	Company	Internet marketing	100
Albany RTA Limited	Company	Holding company	100
Albany Group Holdings Limited	Group	Holding company	100
Helphire EBT Trustees Limited	Company	Corporate trustee	100
Helphire Shelf 1 Limited	Group	Non-trading	100
Helphire Shelf 2 Limited	Company	Non trading	100
Swift Rent-A-Car Limited	Company	Non-trading	100
Helphire (UK) Limited	Group	Non-trading	100
Lawyer.com Limited	Company	Non-trading	100

All subsidiaries are incorporated in England and Wales and operate in the United Kingdom. All shares are ordinary.

The movement in investments in subsidiaries during the year was as follows:

	£'000
<b>Cost</b>	
At 01 July 2009	135,087
Additions	24,885
At 30 June 2010 and 30 June 2011	159,972
<b>Impairment</b>	
At 01 July 2009	52,206
Charge for the year	–
At 30 June 2010	52,206
Charge for the year	79,849
<b>At 30 June 2011</b>	<b>132,055</b>
<b>Net book value</b>	
<b>At 30 June 2011</b>	<b>27,917</b>
At 30 June 2010	107,766

The Company increased its investment in HAS Accident Management Solutions Limited by £25.0m during 2010. The remaining decrease in investments arose from the accounting for share-based payment credit in respect of subsidiary undertakings.

In line with its review of goodwill, discussed in Note 11, the Company reviewed its investments in subsidiaries. The Company has applied the same cash flows to its main trading entity (HAS Accident Management Solutions Ltd) with the same assumptions as in Note 11 on the basis that this entity represents materially all the future cash flows of the Group. An impairment of £79.8m has been booked to investments during the year. Additionally previously held impairments of subsidiary intercompany balances of £13.2m have been increased to £47.1m, leading to a net impairment charge to the Company income statement of £113.7m for the year (2010: £nil).

### 31 Trade and other receivables

	<i>Note</i>	2011 £'000	2010 £'000
<b>Current</b>			
Amounts owed by subsidiary undertakings	37	131,313	196,548
Other debtors		74	61
Prepayments		2,067	1,342
VAT recoverable		488	407
		<b>133,942</b>	<b>198,358</b>

### 32 Trade and other payables

	<i>Note</i>	2011 £'000	2010 £'000
Trade payables		2,372	1,520
Other taxation and social security		836	891
Accruals and deferred income		1,823	4,407
Amounts owed to subsidiary undertakings	37	63,985	75,137
		<b>69,016</b>	<b>81,955</b>

Trade payables represent amounts payable for goods and services. The average credit period taken for trade purchases is 50 (2010: 24) days.

### 33 Borrowings and overdrafts

	2011 £'000	2010 £'000
Bank overdrafts	2,007	–
Bank loans	70,123	88,382
	<b>72,130</b>	<b>88,382</b>
The borrowings are repayable as follows:		
On demand or within one year		
Bank overdrafts	2,007	–
Bank loans	70,123	8,174
Amount due for settlement within 12 months	<b>72,130</b>	<b>8,174</b>
In the second year		
Bank loans	–	80,208
In the third to fifth years inclusive		
Bank loans	–	–
Amount due for settlement after 12 months	<b>–</b>	<b>80,208</b>

Further details relating to borrowings and overdrafts and the applicable interest rates are given in Note 16 to the consolidated financial statements. The directors consider that the fair values of the Group's borrowings was equal to their book value.

### 34 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

	(Liability) Accelerated tax depreciation £'000	Asset tax losses £'000
At 01 July 2009 and 30 June 2010	–	–
(Charge)/credit to income	(77)	77
<b>At 30 June 2011</b>	<b>(77)</b>	<b>77</b>

# Notes to the Company financial statements

continued

## 35 Hedging reserve

	£'000
At 01 July 2009	(292)
Loss recognised on cash flow hedge	(2,126)
At 30 June 2010	(2,418)
Profit recognised on cash flow hedge	1,111
<b>At 30 June 2011</b>	<b>(1,307)</b>

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

No gains were transferred from equity into profit or loss during the year.

## 36 Financial instruments

The Company follows the same accounting policies and manages its capital and risks in the same way as the Group. Please refer to Note 23 for further details.

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2011 £'000	2010 £'000
Net debt	72,127	86,702
Total shareholders' equity	16,773	130,927
Total capital	88,900	217,629
Gearing ratio	81.1%	39.8%

Net debt is defined as borrowings and overdrafts less cash and cash equivalents.

### Categories of financial instruments

	2011 £'000	2010 £'000
<b>Financial assets</b>		
At amortised cost:		
Amounts owed by subsidiary undertakings	131,313	196,548
Cash and cash equivalents	3	1,680
<b>Financial liabilities</b>		
At amortised cost:		
Trade payables	2,372	1,520
Other borrowings and overdrafts	72,130	88,382
At fair value:		
Derivative financial instruments	1,307	2,418

### Financial risk management objectives

The Company monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Company's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

## 36 Financial instruments continued

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.75% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.75% higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2011 would have decreased/increased by £0.2m (2010: £0.3m). This is mainly attributable to the Company's exposure on variable rate borrowings.

### Interest rate swap contracts

Under interest rate swaps the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on issued variable rate debt held. The fair value of swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date.

	2011 Average contract fixed interest rate %	2011 Notional principal amount £'000	2011 Fair value £'000	2010 Average contract fixed interest rate %	2010 Notional principal amount £'000	2010 Fair value £'000
Less than 1 year	4.38	44,999	(1,307)	3.70	17,501	(677)
1 to 2 years	–	–	–	4.38	44,999	(1,741)
2 to 5 years	–	–	–	–	–	–
5 years +	–	–	–	–	–	–
	4.38	44,999	(1,307)	3.58	62,500	(2,418)

### Credit risk management

Credit risk for cash placed on deposit is controlled by the use of approved financial institutions.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

### Maturity of financial assets

The expected maturity for all the Company's non-derivative financial assets is less than one month, which remains unchanged from previous year. This has been based on the undiscounted contractual maturities of the financial assets. No material interest is expected to accrue on the interest bearing instruments, which represent cash deposits.

# Notes to the Company financial statements

continued

## 36 Financial instruments continued

### Maturity of financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>2011</b>							
Non-interest bearing	–	66,357	–	–	–	–	66,357
Variable interest rate instruments	–	276	2,747	75,225	–	–	78,248
		<b>66,633</b>	<b>2,747</b>	<b>75,225</b>	<b>–</b>	<b>–</b>	<b>144,605</b>
<b>2010</b>							
Non-interest bearing	–	76,657	–	–	–	–	76,657
Variable interest rate instruments	–	353	2,977	8,794	84,206	–	96,330
		<b>77,010</b>	<b>2,977</b>	<b>8,794</b>	<b>84,206</b>	<b>–</b>	<b>172,987</b>

### Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

## 37 Related party transactions

### Related Party Transactions to 30 June 2011

	2011 Management charges	2011 Interest charges	2011 Charges to Group from subsidiaries	2011 Payments/(receipts) against working capital
<b>Subsidiary undertaking</b>				
HAS Accident Management Solutions Limited	7,349	–	(65)	29,112
Helphire Finance Limited	–	–	–	(59,337)
Swift Finance (GB) Limited	–	–	–	(1,028)
Albany Assistance Limited	5,936	1,371	–	1,560
Angel Assistance Limited	100	2,051	–	1,109
HHFS Limited	–	287	–	(323)
Helphire Legal Services Limited	2,202	3,024	–	(1,251)
Total Accident Management Limited	377	188	–	4,808
Helphire (Pinesgate Reversion) Limited	–	–	(662)	–
Cab Aid Limited	–	–	–	35
QSIT Limited	–	–	–	(3,883)
Helphire Shelf 2 Limited	–	–	–	48
	<b>15,964</b>	<b>6,921</b>	<b>(727)</b>	<b>(29,150)</b>

**Related Party Transactions to 30 June 2010**

	2010 Management charges	2010 Interest charges	2010 Charges to Group from subsidiaries	2010 Payments/ (receipts) against working capital
<b>Subsidiary undertaking</b>				
HAS Accident Management Solutions Limited	12,614	–	(322)	(53,983)
Helphire Finance Limited	–	2,140	–	440
Swift Finance (GB) Limited	1,149	–	–	(12,556)
Albany Assistance Limited	5,766	713	–	553
Angel Assistance Limited	158	1,851	–	(1,186)
HHFS Limited	–	222	–	299
Helphire Legal Services Limited	2,897	2,293	–	43
Total Accident Management Limited	–	225	–	19
Helphire (Pinesgate Reversion) Limited	–	–	(662)	(720)
Cab Aid Limited	–	–	–	731
QSIT Limited	–	–	–	(1,845)
Albany Group Holdings Limited	–	–	–	(30)
Helphire Shelf 1 Limited	–	–	–	(6,900)
	22,584	7,444	(984)	(75,155)

**Receivables and Payables:**

Subsidiary undertaking	2011 Amounts owed by subsidiary	2011 Amounts owed to subsidiary	2010 Amounts owed by subsidiary	2010 Amounts owed to subsidiary
	Receivables	Payables	Receivables	Payables
HAS Accident Management Solutions Limited	–	(34,290)	–	(70,686)
Helphire Finance Limited	–	(21,409)	37,928	–
Swift Finance (GB) Limited	2,834	–	3,862	–
Albany Assistance Limited	24,035	–	15,168	–
Angel Assistance Limited	42,662	–	39,402	–
HHFS Limited	5,013	–	5,049	–
Helphire Legal Services Limited	5,689*	–	48,805	–
Total Accident Management Limited	7,704	–	2,331	–
Helphire (Pinesgate Reversion) Limited	3,101	–	3,763	–
Cab Aid Limited	948	–	913	–
QSIT Limited	–	(5,728)	–	(1,845)
Albany RTA Limited	19,850	–	19,850	–
Albany Group Holdings Limited	19,477	–	19,477	–
Helphire Shelf 2 Limited	–	(2,558)	–	(2,606)
	131,313	(63,985)	196,548	(75,137)

\* Helphire Legal Services Limited debt is shown as £5,689k, being £52,780k less provision of £47,091k.

**38 Subsequent events**

On 05 August 2011 the Company issued a sub-ordinated loan of £43.0m to HAS Accident Management Solutions Limited in order to satisfy its FSA capital adequacy requirements.

# Shareholder information, financial calendar and advisors

## Company enquiries

General shareholder enquiries about the Company and requests for copies of the Group's literature, Annual Report or Interim Statements should be directed to the Company Secretary at the Company's head office at:

Pinesgate  
Lower Bristol Road  
Bath  
BA2 3DP

## Internet

Visit the Company's website at [www.helphire.co.uk](http://www.helphire.co.uk) for:

- Current share price
- Latest news
- Additional information about the Company
- Latest Annual and Interim Reports

## Shareholding enquiries

Queries about personal shareholdings (e.g. lost certificates, dividend payments or change of personal details) should be directed to the Company's registrars, Capita IRG plc, whose details are set out in the Advisors section opposite.

## Registered office

Helphire Group plc  
Pinesgate  
Lower Bristol Road  
Bath  
BA2 3DP

## Company number

03120010

## Financial calendar

### 2011

25 February – Interim results announcement  
06 May – Interim management statement  
28 September – Final results announcement  
November – Interim management statement  
18 November – Annual General Meeting

### 2012

February – Interim results announcement  
May – Interim management statement  
September – Final results announcement  
November – Interim management statement  
November – Annual General Meeting

## Advisors

### Auditors

KPMG Audit Plc  
100 Temple Street  
Bristol BS1 6AG

### Solicitors

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

### Financial Advisors

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

### Stockbrokers

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

### Registrars

Capita IRG plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Bankers

Bank of Scotland  
4th Floor  
New Uberior House  
11 Earl Grey Street  
Edinburgh EH3 9BN

Royal Bank of Scotland  
4th Floor  
Castlegate House  
Tower Hill  
Bristol BS2 0JA

Allied Irish Bank plc  
2 Callaghan Square  
Cardiff CF10 5AZ

HSBC  
45 Milsom Street  
Bath BA1 1OU

### PR advisors

College Hill  
The Registry  
Royal Mint Court  
London EC3N 4QN

If you have finished reading this Annual Report and no longer wish to retain it, please pass it on to other interested readers or return it to Helphire Group plc or recycle it. Thank you.

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**Helphire Group plc**

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