

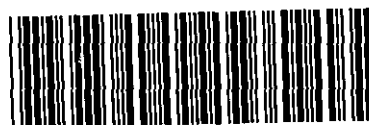
Speedy Hire Centres (Southern) Limited

**Directors' report and financial
statements**

Registered number 1105942

31 March 2006

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COMPANIES HOUSE

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1 Park Row
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St James Square
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M2 6DS

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1 City Road East
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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the Company during the year was the hire, sale, repair and maintenance of small tools and equipment.

Business review

The Directors are pleased to report another year of successful progress for the Company. The Company's financial performance during the year is set out in the Income Statement on page 8, and the Cash Flow Statement on page 11. The Company's financial position at the beginning and end of the year is set out in the Balance Sheet on page 10.

Revenue grew by 6.6% to £50,849,000 (2005: £47,699,000), and operating margins declined at 11.0% (2005: 13.6%) Profit before tax decreased by 11.5% to £5,707,000 (2005: £6,446,000).

Total equity decreased by £7,861,000 after payment of a dividend of £11,934,000 before the end of the year. The Company generated an operating cash flow of £10,773,000 during the year.

During the year £13,125,000 was invested in replacing and increasing the existing hire fleet. Our continued investment is aimed at enhancing our reputation for providing our customers with the widest and best range of tools and equipment.

The Company added one new Greenfield location during the year, bringing the total number of depots at the end of the year to 76.

As the Company has grown over the last year, an additional 20 people have joined the business, bringing the total employed by the Company to 510.

The markets in which our major customers operate remain buoyant. Investment in infrastructure, supported by government spending, often through PFI/PPP schemes, and commercial and industrial projects all show good growth trends. Added to this, new health & safety legislation, such as the Working at Height and Hand Arm Vibration directives, together with new legislation on noise emissions is providing additional impetus toward hiring, rather than owning, tools and equipment.

With a favourable outlook in our main markets, ongoing investment in strengthening and improving the business, the directors look forward to reporting further progress in the year ahead.

Dividend

Dividends paid during the year comprise a final dividend of 108.10 pence per share in respect of 2005 together with a dividend of 149.89 pence per share, paid on 31 March 2006. No further dividend is proposed in respect of the year ended 31 March 2006.

Policy and practice on payment of creditors

It is the Company's policy to make suppliers aware of the terms and conditions upon which the Company will trade with them and abide by those terms. Trade payable payment days, as defined by Part VI of Schedule 7 to the Companies Act 1985 were 52 days (2005: 48 days).

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows:

JE Brown	(resigned 20 July 2005)
SJ Corcoran	
NC O'Brien	
AC Simpson	(resigned 31 March 2006)
MA McGrath	(appointed 1 April 2006)
W Bates	(appointed 1 April 2005)
PM Buchan	
RJ Ellam	
K Ferguson	(resigned 6 September 2005)
BJ Gallihawk	(resigned 7 June 2006)
R Hall-Roberts	
M Knott	(appointed 1 April 2005)
S Palmer	
CA Warbey	(appointed 6 September 2005)

Directors' interests

The Company is a wholly-owned subsidiary of Speedy Hire Plc. The Speedy Hire Plc annual report and accounts for the year ended 31 March 2006 disclose the share interests of JE Brown, SJ Corcoran, NC O'Brien, MA McGrath and AC Simpson.

The interests of the other directors in the ordinary share capital of the holding company, Speedy Hire Plc, were as follows:

	Interest at end of year	Interest at start of year
PM Buchan	900	-
BJ Gallihawk	19,069	17,845
M Knott	1,621	-
S Palmer	405	-

According to the register of directors' interests, no rights to subscribe for shares in the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except for the share options detailed below.

Share options

Options were granted in December 2004 and 2005 over shares in Speedy Hire Plc under the Speedy Hire Share Save Scheme ("the SAYE scheme"), all eligible employees are entitled to participate. At the end of the three year period, employees have the right, if they choose, to use funds accumulated under the SAYE scheme, to purchase shares in Speedy Hire Plc at a fixed price of 383 pence per share (December 2004 scheme) and 624 pence per share (December 2005). Both purchase prices represent a 20% discount to the price of Speedy Hire's shares at the date employees were invited to join the scheme. No performance targets attach to options granted under this scheme as it is an all-employee scheme. Executive Directors are entitled to participate.

Directors' report (continued)

Share options (continued)

The directors below have taken up membership of the SAYE scheme and the projected number of ordinary shares in Speedy Hire Plc which they would be entitled to purchase at the end of the relevant pre-determined period is set out below:

	Entitlement 2005	Options exercised during the year	Options granted during the year	Entitlement 2006
PM Buchan	2,473	-	-	2,473
RJ Ellam	2,473	-	-	2,473
K Ferguson	2,473	-	-	2,473
BJ Gallihawk	2,473	-	-	2,473
R Hall-Roberts	2,473	-	-	2,473
M Knott	-	-	1,518	1,518
S Palmer	989	-	-	989
CA Warbey	2,473	-	-	2,473

In addition M Knott, BJ Gallihawk and S Palmer participate in the Co-Investment Plan. The key features of the Plan are as follows:

- Directors may defer bonus in-order to acquire Speedy Hire shares.
- The acquired shares need to be held for three years
- Matching shares will be awarded by the Group Remuneration Committee at the end of the 3 year deferral period if pre-determined performance criteria are satisfied. The maximum matching will be 2:1 or 200%.
- Performance targets are based on earnings per share (EPS) growth over the deferral period. To obtain maximum matching EPS growth must be greater than CPI plus 12.5% per annum calculated on a compound basis. No awards vest if EPS growth is less than CPI plus 7.5% per annum.

Directors' interests in the Co-Investment Plan are as follows:

	Interests at 31 March 2005	Awards granted in year	Awards lapsed in year	Interests at 31 March 2006
BJ Gallihawk	-	3,123	-	3,123
M Knott	-	5,552	-	5,552
S Palmer	-	694	-	694

Employees and disabled persons

The Company recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continuing employment.

Disclosure of information to auditors

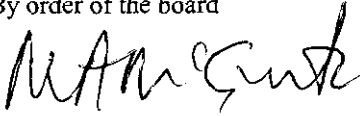
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make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

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MA McGrath
Secretary

Chase House
16 The Parks
Newton-le-Willows
Merseyside
WA12 0JQ

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Speedy Hire Centres (Southern) Limited

We have audited the financial statements of Speedy Hire Centres (Southern) Ltd for the year ended 31 March 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

As described in the Statement of Directors' Responsibilities set out on page 5, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

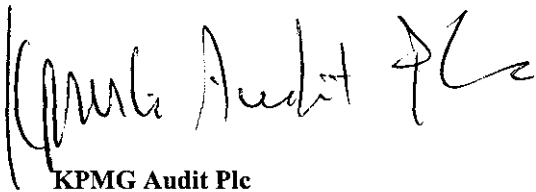
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of Speedy Hire Centres (Southern) Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 March 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

14/12/2006

Income statement
for the year ended 31 March 2006

	<i>Note</i>	2006 £000	2005 £000
Revenue		50,849	47,699
Cost of sales		(13,038)	(11,713)
Gross profit		37,811	35,986
Other operating income		3	-
Distribution expenses		(6,138)	(6,056)
Administrative expenses		(26,067)	(23,453)
Analysis of operating profit			
Operating profit before amortisation		5,860	6,728
Intangible amortisation	8	(251)	(251)
Operating profit	2	5,609	6,477
Financial income	5	760	640
Financial expenses	5	(662)	(671)
Profit before tax		5,707	6,446
Taxation	6	(1,735)	(1,415)
Profit for the year		3,972	5,031

Statement of changes in equity
for the year ended 31 March 2006

	Issued Share Capital £000	Retained Earnings £000	Total Equity £000
Total equity as at 1 April 2004	4,626	14,105	18,731
Profit and total recognised income and expense for the year ended 31 March 2005	-	5,031	5,031
Dividends	-	(2,000)	(2,000)
Movement relating to share based payments	-	7	7
Deferred tax on share based payments	-	(4)	(4)
Total equity as at 31 March 2005	4,626	17,139	21,765
Profit and total recognised income and expense for the year ended 31 March 2006	-	3,972	3,972
Dividends	-	(11,934)	(11,934)
Movement relating to share based payments	-	97	97
Deferred taxation on share based payments	-	4	4
Total equity as at 31 March 2006	4,626	9,278	13,904

Balance sheet
at 31 March 2006

	<i>Note</i>	2006 £000	2005 £000
Non-current assets			
Property, plant and equipment	7	38,388	35,147
Intangible assets	8	4,552	4,803
		<hr/>	<hr/>
		42,940	39,950
Current assets			
Inventories	10	1,063	1,086
Trade and other receivables	11	12,402	11,048
Cash and cash equivalents		15,825	11,696
		<hr/>	<hr/>
		29,290	23,830
		<hr/>	<hr/>
Total assets		72,230	63,780
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	(53,206)	(37,825)
Tax payable		(1,242)	(779)
		<hr/>	<hr/>
		(54,448)	(38,604)
Non-current liabilities			
Deferred tax liabilities	13	(3,878)	(3,411)
		<hr/>	<hr/>
Total liabilities		(58,326)	(42,015)
		<hr/>	<hr/>
Net assets		13,904	21,765
		<hr/>	<hr/>
Equity			
Share capital	14	4,626	4,626
Retained earnings		9,278	17,139
		<hr/>	<hr/>
Total equity		13,904	21,765
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 14/12/2006 and were signed on its behalf by:

SJ Corcoran

NC O'Brien
Directors

S.J. Corcoran
NC O'Brien

Cash flow statement
for the year ended 31 March 2006

	<i>Note</i>	2006 £000	2005 £000
Cash flows from operating activities			
Profit before tax		5,707	6,446
Adjustments for:			
Depreciation		7,295	6,832
Amortisation and impairment		251	251
Net financial expense		(98)	31
Gain on sale of property, plant and equipment		(1,748)	(1,520)
Equity settled share-based payment expense		97	7
Operating profit before changes in working capital and provisions		11,504	12,047
Increase in trade and other receivables		(1,273)	(556)
Decrease in inventories		23	204
Increase in trade and other payables		1,244	1,110
Cash generated from the operations		11,498	12,805
Interest received/ (paid)		76	(31)
Tax paid		(801)	(628)
Net cash from operating activities		10,773	12,146
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,454	3,916
Acquisition of businesses	9	-	(4,715)
Acquisition of property, plant and equipment	7	(13,242)	(11,327)
Net cash from investing activities		(8,788)	(12,126)
Cash flows from financing activities			
Proceeds from new loan		14,078	4,835
Dividends paid	15	(11,934)	(2,000)
Net cash from financing activities		2,144	2,835
Net increase in cash and cash equivalents		4,129	2,855
Cash and cash equivalents at the beginning of the year		11,696	8,841
Cash and cash equivalents at the end of the year		15,825	11,696

Notes

(forming part of the financial statements)

1 Accounting policies

Speedy Hire Centres (Southern) Limited (the "Company") is a company incorporated in the UK.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 April 2004 for the purposes of the transition to IFRS.

Transition to IFRS

The Company is preparing its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1. In accordance with the provisions of IFRS 1, the Company has not applied the requirements of IFRS 3 to acquisitions that occurred before 1 April 2004. The Company has chosen to restate comparative information with respect to IAS 32 and IAS 39

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21.

Basis of preparation

The financial statements are prepared on a historical cost basis. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates associated with the assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

Revenue

Revenue from the hire of assets is recognised in the income statement on a straight-line basis over the period of the hire. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised to the extent that there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Depreciation

Depreciation of Property, Plant and Equipment is charged to the Income Statement so as to write off the cost of the assets over the estimated useful lives after taking account of estimated residual values. Residual value is re-assessed annually. Useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Losses on disposal of assets are accounted for on a FIFO basis.

Land is not depreciated. The principal rates and methods of depreciation used are as follows:

Hire Equipment

Tools and general equipment - between three and seven years straight line

Non-hire assets

Freehold buildings, long leasehold property improvements and ground rents - over 50 years straight-line

Short leasehold property improvements - over the period of the lease

Fixtures and fittings and office equipment (excluding IT equipment) - 25-45% per annum reducing balance

IT equipment and software - between three and five years straight line, or period of the software licence

Motor Vehicles - 25% per annum reducing balance

Notes (continued)

1 Accounting policies (continued)

Start-up expenses and lease incentives

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

Premiums paid or lease incentives received (including rent free periods extending beyond the depot's opening date) on the acquisition of trading locations are recognised in profit and loss over the period of the lease.

Leases

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. The assets are included in the balance sheet and depreciated accordingly. The capital element of the corresponding financing commitments is included in the balance sheet.

Lease payments in respect of finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Financing income and costs

Financial income comprises interest receivable on cash deposits and inter-company debtor balances.

Interest income is recognised in the income statement as it accrues.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes (continued)

1 Accounting policies (continued)

Impairments

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit is below its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. In respect of acquisitions since 1 April 2004, goodwill represents the difference between cost of acquisition and the fair value of the Company's share of net assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of deemed cost, which represents the amount recorded under the previous GAAP. Under the transitional arrangement of IFRS1, the classification and accounting treatment of business combinations that occurred prior to 1 April 2004 has not been reconsidered in preparing the Company's opening IFRS balance sheet (see note 21).

Goodwill is stated at cost less any accumulated impairment losses, and is included as an intangible asset. It is allocated to cash-generating units and is no longer amortised, but is tested annually for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill related to the entity sold.

Other Intangible Assets

Intangible assets other than goodwill that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the related assets. Other intangibles are amortised from the date they are available for use. For a number of acquisitions, the Company has identified intangible assets in respect of sole supply contracts. The value of these contracts is recognised as part of net identifiable assets acquired, and is amortised over the unexpired period of the contract, which is up to five years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where appropriate, overheads that have been incurred in bringing the inventory into its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Trade and other receivable

Trade and other receivables are stated at their nominal amount less impairment losses.

Notes (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and overnight deposits.

Interest bearing borrowings

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

Employee benefits

Pension schemes

The Speedy Hire Group operates a defined contribution stakeholder pension plan. In addition, contributions are made to personal pension plans for certain employees.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions

Options granted to employees under the Speedy Hire Share Save Scheme and Co-investment Plan are recognised at the fair value of the option at the date of the award, and charged to profit and loss over the related performance period with a corresponding amount recognised in equity.

Provisions

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

Significant judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis.

In relation to the company's Property, Plant and Equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Impairment tests have been undertaken with respect to intangible assets using commercial judgement and a number of assumptions and estimates to support their carrying value.

IFRS not yet effective

The International Accounting Standards Board has introduced a number of IFRS which are available for early adoption. However, the Company has not applied these in the financial statements for the year ended 31 March 2006. The relevant standard that will impact the Company is IFRS 7 'Financial instruments: Disclosure' applicable for years commencing on or after 1 January 2007. The application of this standard would not have affected the balance sheet or income statement as the standard is concerned only with disclosure. The Company plans to adopt it in 2007.

The company has not adopted amendments to IAS39 and IFRS 4 in relation to financial guarantee contracts which will apply to the company's financial statements for the year ended 31 March 2007. Where the company enters in to financial cross guarantee contracts to guarantee the indebtedness of other Group companies, the company considers these to be insurance arrangements, and accounts for them as such. In this respect the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee. The company does not expect the amendments to have any impact on the current year financial statements.

Notes (continued)

2 Operating profit

Profit before financing is stated after charging/(crediting) the following:

	2006 £000	2005 £000
Amortisation of intangible assets	251	251
Depreciation		
- of owned plant, property and equipment	7,295	6,832
(Profit)/loss on sale of plant, property and equipment	(1,748)	(1,520)
Operating lease rentals		
- land and buildings	2,237	2,012
- other assets	2,179	2,730
Auditors remuneration: audit fees	15	15
non-audit fees	20	30

The profit on disposal of hire equipment is included within profit before financing as it results from the routine disposal of tools and equipment and is no more than required adjustments to depreciation previously charged.

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2006 Number	2005 Number
Management and administration	66	79
Selling and distribution	444	411
	<u>510</u>	<u>490</u>

The aggregate payroll costs of these persons were as follows:

	2006 £000	2005 £000
Wages and salaries	11,535	11,611
Social security costs	1,061	1,084
Redundancy costs	-	54
	<u>12,596</u>	<u>12,749</u>

Notes (continued)

4 Directors' emoluments

	2006 £000	2005 £000
Directors' emoluments	711	649
Company contributions to money purchase pension plans (personal pension scheme)	15	15
	<u>726</u>	<u>664</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £183,000 (2005: £226,000), and company pension contributions of £13,000 (2005: £13,000) were made to a money purchase scheme on his behalf.

None of the directors exercised share options in the year.

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 6 (2005: 3).

Directors' rights to subscribe for shares in Speedy Hire Plc, the company's ultimate parent undertaking, are disclosed in the directors' report on page 2.

5 Finance income and expense

	2006 £000	2005 £000
Financial income		
Bank interest receivable	760	639
Other interest	-	1
	<u>760</u>	<u>640</u>
 Financial expense		
Inter-company loan interest expense	662	671
	<u>662</u>	<u>671</u>

Notes (continued)

6 Taxation

	2006 £000	2005 £000
Current tax expense		
UK corporation tax on profits for the period at 30% (2005: 30%)	1,306	1,200
Adjustments for prior years	(42)	(381)
	<hr/>	<hr/>
Total current tax	1,264	819
Deferred tax expense		
UK deferred tax at 30% (2005: 30%)	443	576
Adjustments in respect of prior years	28	20
	<hr/>	<hr/>
Total deferred tax	471	596
	<hr/>	<hr/>
Total tax in income statement	1,735	1,415
	<hr/>	<hr/>

The tax charge for the year is higher (2005: lower) than the standard of corporation tax in the UK and is explained as follows

Reconciliation of tax expense

	2006 £000	2005 £000
Profit before tax	5,707	6,446
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 30% (2005: 30 %)	1,712	1,934
Expenses not deductible and income not taxable	2	(158)
Tax effect of share based payments	35	-
Adjustments in respect of prior years	(14)	(361)
	<hr/>	<hr/>
Total tax in income statement	1,735	1,415
	<hr/>	<hr/>

Notes (continued)

7 Property, plant and equipment

	Leasehold Land and Buildings £000	Hire Equipment £000	Fixtures, Fittings & Motor Vehicles £000	Total £000
Cost				
1 April 2004	1,371	46,250	2,507	50,128
Additions	107	12,452	468	13,027
Net transfer to and from Group companies	(3)	1,202	(14)	1,185
Disposals	-	(5,230)	(160)	(5,390)
31 March 2005	1,475	54,674	2,801	58,950
Additions	4	13,125	113	13,242
Disposals	-	(5,620)	(32)	(5,652)
31 March 2006	1,479	62,179	2,882	66,540
Depreciation				
1 April 2004	1,167	16,970	1,572	19,709
Depreciation charge for the year	147	6,323	362	6,832
Net transfers to and from Group companies	(1)	267	(10)	256
Disposals	-	(2,953)	(41)	(2,994)
31 March 2005	1,313	20,607	1,883	23,803
Depreciation charge for the year	115	6,855	325	7,295
Disposals	-	(2,927)	(19)	(2,946)
31 March 2006	1,428	24,535	2,189	28,152
Net book value				
At 31 March 2006	51	37,644	693	38,388
At 31 March 2005	162	34,067	918	35,147
At 1 April 2004	204	29,280	935	30,419

Leased plant and machinery

There are no assets held under finance lease or hire-purchase contracts in the current year.

Notes (continued)

8 Intangible assets

	Goodwill £000	Supply agreements £000	Total £000
Cost			
1 April 2004	3,317	1,256	4,573
Additions	2,141	-	2,141
Disposal	(86)	-	(86)
	<hr/>	<hr/>	<hr/>
31 March 2005	5,372	1,256	6,628
Additions	-	-	-
Disposal	-	-	-
	<hr/>	<hr/>	<hr/>
31 March 2006	5,372	1,256	6,628
	<hr/>	<hr/>	<hr/>
Amortisation			
Balance at 1 April 2004	932	673	1,605
Amortisation for the year	-	251	251
Disposal	(31)	-	(31)
	<hr/>	<hr/>	<hr/>
31 March 2005	901	924	1,825
Amortisation for the year	-	251	251
	<hr/>	<hr/>	<hr/>
31 March 2006	901	1,175	2,076
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2006	4,471	81	4,552
	<hr/>	<hr/>	<hr/>
At 31 March 2005	4,471	332	4,803
	<hr/>	<hr/>	<hr/>
At 1 April 2004	2,385	583	2,968
	<hr/>	<hr/>	<hr/>

The unamortised goodwill has been allocated to specific depots being the appropriate cash generating units at acquisition, and has been subject to impairment reviews performed in accordance with IAS36. The valuation of the recoverable amounts used for the purpose of the impairment tests has been based on value-in-use calculations. The calculations use cash flow projections for a fifteen year period, based on business plans approved by management covering a three year period to March 2009, and inflationary growth in revenues with no margin improvement for the following twelve years.

A weighted average cost of capital of 8.8% has been used to determine the discounted net present value of the cash flows.

No impairment arose as a result of the valuations.

Notes (continued)

9 Acquisitions of businesses

Acquisitions completed in the year ended 31 March 2005 were as follows:

Acquisition date

Business and certain assets of the Multi Group Plc

August 2004

The fair value of the assets and liabilities acquired were as follows:

	Book value at acquisition £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	2,890	(384)	2,506
Inventories	68	-	68
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	2,958	(384)	2,574
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			2,141
			<hr/>
Total consideration paid			4,715
			<hr/>
Satisfied by:			
- Cash consideration			4,315
- Costs of acquisition (paid in cash)			400
			<hr/>
Net cash outflow			4,715
			<hr/>

The fair value adjustment represents the alignment of accounting policies for depreciation.

Goodwill has been recognised on the acquisitions as a result of the value attributed to customer relationships and staff expertise which did not meet the recognition criteria for an intangible asset at the date of acquisition.

Notes (continued)

10 Inventories

	2006	2005
	£000	£000
Goods held for resale	1,063	1,086

11 Trade and other receivables

	2006	2005
	£000	£000
Trade receivables	9,132	8,973
Amounts owed by group undertakings	3,127	2,025
Other receivables	16	48
Prepayments and accrued income	127	2
	12,402	11,048

12 Trade and other payables

	2006	2005
	£000	£000
Trade payables	5,136	3,126
Amounts owed to group undertakings	8,756	7,067
Loans due to group undertakings	35,433	23,044
Other taxation and social security	1,151	1,453
Other payables	-	3,135
Accruals and deferred income	2,730	-
	53,206	37,825

Loans from other Group undertakings are repayable on demand.

The Company receives interest on bank deposits and pays interest on bank borrowings at rates of interest fixed for one month by reference to the London Inter Bank Offer Rate.

Interest is not payable on balances outstanding as a result of routine intercompany trading.

Long term inter-company borrowings attract interest on the same basis as external bank borrowings.

Notes (continued)

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

The deferred tax balances and the movements during the year can be analysed as follows:

	Property, Plant & Equipment £000	Intangible Assets £000	Share-based Payments £000	Other £000	Total £000
At 1 April 2004	3,149	-	-	(334)	2,815
Recognised in income	428	26	(2)	144	596
At 31 March 2005	3,577	26	(2)	(190)	3,411
Recognised in income	393	26	(35)	87	471
Recognised in equity	-	-	(4)	-	(4)
At 31 March 2006	3,970	52	(41)	(103)	3,878

14 Share capital

	2006 £000	2005 £000
Authorised Ordinary shares of £1 each	4,665	4,665
Allotted, called up and fully paid Ordinary shares of £1 each	4,626	4,626

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15 Dividends

The following dividends were paid during the year:

	2006 £000	2005 £000
Final dividend 108.10 pence per share (2005: 43 pence)	5,000	2,000
Interim dividend 149.89 pence per share (2005: no dividend)	6,934	-
	11,934	2,000

Notes (continued)

16 Financial instruments

The Company holds no derivative financial instruments to either hedge, trade or speculate. A Group offset arrangement exists for cash balances to take advantage of the most rewarding short term investment and borrowing opportunities.

Fair value of financial assets and liabilities

There are no significant differences between the fair values and book values of financial assets and liabilities.

The principal methods and assumptions used in estimating the fair values of financial instruments are as follows:

(a) Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows

(b) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

(c) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

The main risks arising from the Company's financial instruments are liquidity and credit risk. The Board reviews and agrees the policies for managing each of these risks and they have remained un-changed since 2004.

Liquidity Risk

Cash resources are largely and normally generated through operations.

At 31 March 2006, the Company had cash and cash equivalents of £15,825,000. The Company is part of the Group banking facility which comprised a £150m revolving credit facility and a £5m overdraft facility. Subsequent to the year end, the group's revolving credit facility was increased to £210m. The maturing date of the revolving credit facility is August 2010. At a Group level, £52.0m of the facility remained unutilised at the balance sheet date.

Credit Risk

The exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain limit. The Company does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes (continued)

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	371	408	423	286
Between one and five years	489	1,274	369	894
More than five years	1,484	-	1,152	626
	<u>2,344</u>	<u>1,682</u>	<u>1,944</u>	<u>1,806</u>

The Company leases a number of properties under operating leases. The properties are occupied mainly as trading premises, although premises are also occupied for central administrative functions. In all cases, the properties are sublet from Speedy Support Services Limited. The Company also leases a number of vehicles for use in the course of business from Speedy Support Services Limited. The obligations in respect of vehicles are included within 'other'.

18 Contingencies

The Company continues to have an unlimited cross guarantee in respect of the net bank borrowings of Speedy Hire Plc and a number of its subsidiaries. At 31 March 2006 such borrowings amounted to £118.8m (2005: £94.8m).

19 Related parties

Transactions with key management personnel

Details of the Directors interests in the Company's share capital can be found in the Directors report starting on page 1. Details of the remuneration paid to the Company's directors are included in note 4.

Other related party transactions

During the year the Company paid £2,179,000 to Speedy Support Services Limited in respect of vehicle and property lease rentals. In addition, further payments amounting to £1,454,000 were made in respect of IT, property management, sales and marketing, and other central administrative work performed on behalf of the Company.

The Company paid £659,000 to other group companies in respect of interest on outstanding inter-company loans.

Notes (continued)

20 Ultimate parent company and parent company of larger group

The directors consider the ultimate parent company to be Speedy Hire Plc, which is the only undertaking that prepares group accounts including the financial statements of the Company.

The consolidated group accounts are available from; the Company Secretary, Chase House, 16 The Parks, Newton-le-Willows, Merseyside, WA12 0JQ.

21 Explanation of transition to IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 1 and have been applied in preparing the financial statements for the year ended 31 March 2006 the comparative information presented in these financial statements for the year ended 31 March 2005 and in the preparation of an opening IFRS balance sheet at 1 April 2004 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of profit for the year ended 31 March 2005

	UK GAAP £000	Effect of transition to IFRS			IFRS £000
		IFRS 2 £000	IFRS 3 £000	IAS 12 £000	
Revenue	47,699	-	-	-	47,699
Cost of sales	(11,713)	-	-	-	(11,713)
Gross profit	35,986	-	-	-	35,986
Other operating income					
Distribution expenses	(6,056)	-	-	-	(6,056)
Administrative expenses	(23,982)	(7)	536	-	(23,453)
Analysis of operating profit					
Operating profit before amortisation	6,735	(7)	-	-	6,728
Intangible amortisation	(787)	-	536	-	(251)
Operating profit	5,948	(7)	536	-	6,477
Financial income	640	-	-	-	640
Financial expenses	(671)	-	-	-	(671)
Profit before tax	5,917	(7)	536	-	6,446
Taxation	(1,439)	(2)	(43)	69	(1,415)
Profit for the year	4,478	(9)	493	69	5,031

Notes *(continued)*

22 Explanation of transition to IFRS *(continued)*

Reconciliation of equity at 1 April 2004

	UK GAAP £000	Effect of transition to IFRS			IFRS £000
	IFRS 3 £000	IAS 10 £000	IAS 12 £000		
Non-current assets					
Property, plant and equipment	30,419	-	-	-	30,419
Intangible assets	3,118	(151)	-	-	2,967
	<u>33,537</u>	<u>(151)</u>	<u>-</u>	<u>-</u>	<u>33,386</u>
Current assets					
Inventories	1,290	-	-	-	1,290
Trade and other receivables	10,492	-	-	-	10,492
Cash and cash equivalents	8,841	-	-	-	8,841
Assets classified as held for sale	-	-	-	-	-
	<u>20,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,623</u>
Total assets	<u>54,160</u>	<u>(151)</u>	<u>-</u>	<u>-</u>	<u>54,009</u>
Current liabilities					
Trade and other payables	(33,880)	-	2,000	-	(31,880)
Tax payable	(628)	45	-	-	(583)
	<u>(34,508)</u>	<u>45</u>	<u>2,000</u>	<u>-</u>	<u>(32,463)</u>
Non-current liabilities					
Deferred tax liabilities	(2,459)	-	-	(356)	(2,815)
	<u>(2,459)</u>	<u>-</u>	<u>-</u>	<u>(356)</u>	<u>(2,815)</u>
Total liabilities	<u>(36,967)</u>	<u>45</u>	<u>2,000</u>	<u>(356)</u>	<u>(35,278)</u>
Net assets	<u>17,193</u>	<u>(106)</u>	<u>2,000</u>	<u>(356)</u>	<u>18,731</u>
Equity					
Share capital	4,626	-	-	-	4,626
Retained earnings	12,567	(106)	2,000	(356)	14,105
Total equity	<u>17,193</u>	<u>(106)</u>	<u>2,000</u>	<u>(356)</u>	<u>18,731</u>

Notes (continued)

22 Explanation of transition to IFRS (continued)

Reconciliation of equity as at 31 March 2005

	UK GAAP £000	Effect of transition to IFRS				IFRS £000
	IFRS 2 £000	IFRS 3 £000	IAS 10 £000	IAS 12 £000		
Non-current assets						
Property, plant and equipment	35,147	-	-	-	-	35,147
Intangible assets	4,417	-	386	-	-	4,803
	<u>39,564</u>	<u>-</u>	<u>386</u>	<u>-</u>	<u>-</u>	<u>39,950</u>
Current assets						
Inventories	1,086	-	-	-	-	1,086
Trade and other receivables	11,048	-	-	-	-	11,048
Cash and cash equivalents	11,696	-	-	-	-	11,696
	<u>23,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,830</u>
Total assets	<u><u>63,394</u></u>	<u><u>-</u></u>	<u><u>386</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>63,780</u></u>
Current liabilities						
Trade and other payables	(42,825)	-	-	5,000	-	(37,825)
Tax payable	(801)	(6)	28	-	-	(779)
	<u>(43,626)</u>	<u>(6)</u>	<u>28</u>	<u>5,000</u>	<u>-</u>	<u>(38,604)</u>
Non-current liabilities						
Deferred tax liabilities	(3,097)	-	(26)	-	(288)	(3,411)
	<u>(46,723)</u>	<u>(6)</u>	<u>2</u>	<u>5,000</u>	<u>(288)</u>	<u>(42,015)</u>
Total liabilities	<u><u>(46,723)</u></u>	<u><u>(6)</u></u>	<u><u>2</u></u>	<u><u>5,000</u></u>	<u><u>(288)</u></u>	<u><u>(42,015)</u></u>
Net assets	<u><u>16,671</u></u>	<u><u>(6)</u></u>	<u><u>388</u></u>	<u><u>5,000</u></u>	<u><u>(288)</u></u>	<u><u>21,765</u></u>
Equity						
Share capital	4,626	-	-	-	-	4,626
Retained earnings	12,045	(6)	388	5,000	(288)	17,139
	<u>16,671</u>	<u>(6)</u>	<u>388</u>	<u>5,000</u>	<u>(288)</u>	<u>21,765</u>
Total equity	<u><u>16,671</u></u>	<u><u>(6)</u></u>	<u><u>388</u></u>	<u><u>5,000</u></u>	<u><u>(288)</u></u>	<u><u>21,765</u></u>

Notes (continued)

22 Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity

a) IFRS 2 Share-based payments

Under UK GAAP, no charge to profit and loss was recognised in respect of qualifying all employee share schemes. The charge in respect of the Co-investment plan was based on the implicit cost of the share award to the company (share price at grant date less exercise price). Under IFRS 2, the fair value of the both the Speedy Hire Share Save and Co-investment Plan awards are calculated using an appropriate share option valuation model, and charged to profit and loss over the related performance period. The impact on the profit for the year ended 31 March 2005 is to reduce the reported profit before tax under IFRS by £7,000.

b) IFRS 3 Business combinations

Under UK GAAP, goodwill arising on acquisitions made after 1 January 1998 was capitalised and amortised, on a straight-line basis, over its estimated useful economic life.

Under IFRS 3, positive goodwill is considered to have an indefinite life and consequently is not amortised, but instead is subject to impairment testing both annually and when there are indications that the carrying value may not be recoverable. On acquisition, intangible assets (such as sole supply contracts) may be identified which were not recognisable under UK GAAP. Such intangible assets are amortised over their estimated useful economic lives.

As permitted by IFRS 1, the Company has applied IFRS 3 prospectively from the transition date, rather than restating all previous business combinations, which has resulted in goodwill arising on acquisitions before 1 April 2004 being frozen, subject to the annual impairment testing.

The overall impact of adopting IFRS 3 is to increase the profit before tax for the year ended 31 March 2005 by £536,000, and to increase net assets at 31 March 2005 by £388,000.

c) IAS 10 Events after the balance sheet date

Under UK GAAP, a dividend declared after the year end is recognised as a liability of the Company at the balance sheet date.

Under IAS 10, dividends declared after the period end represent a non-adjusting post balance sheet event and therefore no liability is recognised at the balance sheet date.

Consequently there is an adjustment as at 31 March 2005 to remove the liability of £5,000,000 in respect of the 2005 final dividend (2004: £2,000,000), and a net increase in retained profit for the year ended 31 March 2005 of £3,000,000.

d) IAS 12 Income Taxes

Under UK GAAP, deferred tax was provided in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. The deferred tax liability was discounted to recognise the impact of the timing of future reversals.

Under IFRS, deferred tax is provided using the balance sheet liability method, recognising deferred tax liabilities and assets in respect of all taxable temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Under IFRS, it is not permissible to discount the deferred taxation liability.

The tax charge or credit included in the Income Statement comprises both current and deferred tax. Current tax reflects the expected tax payable on the taxable income for the year, using tax rates prevailing at the balance sheet date. Deferred tax reflects the movement in temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes, and is provided at the tax rates that are expected to apply when the liability is settled or the asset is realised.

As a consequence of adopting IFRS, the Company's reported profit after tax for the year ended 31 March 2005 was £69,000 higher than under UK GAAP. Net assets at 31 March 2005 were £288,000 lower.

Notes *(continued)*

22 Explanation of transition to IFRS (continued)

Explanation of material adjustments to the cash flow statement for the year ended 31 March 2006

Under UK GAAP, the Company was not required to, and did not, prepare a cash flow statement. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement that would have been presented under UK GAAP other than the impact of the adjustments above.