Speedy Hire Centres (Southern) Limited

Directors' report and financial statements

Registered number 1105942

31 March 2009

Registered office and advisors

Head office
Northern Way
Bury St. Edmunds
Suffolk
IP32 6NL

Tel: 01284 760842
Fax: 01284 829828
www.speedyhire.com

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

Tel: 01942 720000
Fax: 01942 402870
www.speedyhire.plc.uk

Bankers
Barclays Bank Plc
No. 1 Marsden Street
Manchester
M2 1HW

Solicitors
Pinsent Masons
1 Park Row
Leeds
LS1 5AB

Auditors
KPMG Audit Plc
St James' Square
Manchester
M2 6DS

Insurance Brokers
Marsh UK Limited
1 City Road East
Manchester
M15 4PN

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2009.

Principal activities

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

Enhanced business review

The loss after tax for the year was £1,843,000. The Company's financial performance during the year is set out in the Income Statement on page 6, and the Cash Flow Statement on page 9. The Company's financial position at the beginning and end of the year is set out in the Balance Sheet on page 8.

The last few months trading have been difficult with a significant contraction in the level of general construction activity, resulting in lower revenue in the second half of the year. As a consequence, decisive action was taken by management to align the cost base of the Company with the lower levels of revenues being generated. These activities have resulted in exceptional reorganisation costs being incurred, as explained in note 2 to the financial statements. In addition, capital expenditure has been reduced in order to preserve cash.

The key performance indicators used to manage and monitor the business are:

	£000
Revenue	75,543
Operating profit before amortisation*	4,357
Profit before tax*	3,288
Cash generated from operations	4,262

* *before amortisation, impairment and exceptional costs*

Principal risks and uncertainties

The principal risks and uncertainties faced by the business include but are not limited to:

- the macro market and economic conditions in which the Company operates
- competitor activities
- gearing
- regulation and current business projects including those risks associated with acquisitions.

Each risk and the process for managing/mitigating is detailed on pages 40-42 of the Speedy Hire Plc financial statements for the year ended 31 March 2009.

Dividend

Dividends of £2,331,000 were paid during the year. No further dividend is proposed in respect of the year ended 31 March 2009 *(2008: £2,633,000).*

Payments to suppliers

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. The Company had 51 days of purchases outstanding at the end of the financial year *(2008: 59 days).*

Directors' report *(continued)*

Directors

The directors who served during the year were as follows:

SJ Corcoran	
JR Read	(appointed 1 April 2008)
MA McGrath	
C Veritiero	
NC O'Brien	(resigned 31 May 2008)
D Graham	(resigned 1 November 2008)
MA Knott	(resigned 1 November 2008)
PM Buchan	(resigned 25August 2009)
RJ Ellam	(resigned 10 September 2009)
CA Warbey	(resigned 10 September 2009)
S Palmer	(resigned 10 September 2009)
W Bates	(resigned 10 September 2009)
N Newsome	(resigned 10 September 2009)

Going concern

Following negotiation of the Group banking facility in March 2009, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Further information on the renegotiation of the banking facility and the post year end equity rights issue in the parent company is detailed in note 1 to the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

JR Read
Director

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 International Financial Reporting Standards ('IFRS') as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; 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

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Speedy Hire Centres (Southern) Limited

We have audited the financial statements of Speedy Hire Centres (Southern) Limited for the year ended 31 March 2009 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, 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

The Directors' Responsibilities for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the EU are set out in the Statement of Directors Responsibilities on page 3.

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.

Independent auditors' report 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 IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23/9/2009

Income statement
for the year ended 31 March 2009

	Note	**2009** **£000**	2008 £000
Revenue		**75,543**	73,361
Cost of sales		**(22,962)**	(16,263)
Gross profit		**52,581**	57,098
Distribution expenses		**(9,789)**	(8,258)
Administrative expenses		**(44,307)**	(40,312)
Analysis of operating (loss)/profit			
Operating profit before amortisation, impairment and exceptional costs		**4,357**	8,937
Amortisation		**(961)**	(409)
Impairment of intangible assets	*2*	**(2,531)**	-
Exceptional restructuring costs	*2*	**(2,380)**	-
Operating (loss)/profit	*3*	**(1,515)**	8,528
Financial income	*6*	**152**	363
Financial expense	*6*	**(1,221)**	(780)
(Loss)/profit before tax		**(2,584)**	8,111
Taxation	*7*	**741**	(2,042)
(Loss)/profit for the financial year		**(1,843)**	6,069

Statement of changes in equity
for the year ended 31 March 2009

	Issued Share Capital £000	Retained Earnings £000	Total Equity £000
At 1 April 2007	4,626	12,313	16,939
Profit for the year ended 31 March 2008	-	6,069	6,069
Dividends	-	(2,633)	(2,633)
Deferred tax on share-based payments	-	(152)	(152)
At 31 March 2008	4,626	15,597	20,223
Loss for the year ended 31 March 2009	-	(1,843)	(1,843)
Dividends	-	(2,331)	(2,331)
Deferred tax on share-based payments	-	(8)	(8)
At 31 March 2009	**4,626**	**11,415**	**16,041**

Balance sheet
at 31 March 2009

	Note	2009 £000	2008 £000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**42,032**	53,666
Intangible assets	*9*	**17,438**	18,394
		59,470	72,060
Current assets			
Inventories	*10*	**1,170**	1,935
Trade and other receivables	*11*	**18,608**	18,506
Cash and cash equivalents		**1,505**	148
		21,283	20,589
Total assets		**80,753**	92,649
LIABILITIES			
Current liabilities			
Bank overdraft		-	(115)
Trade and other payables	*12*	**(60,411)**	(65,910)
Current tax liabilities		**(386)**	(1,368)
		(60,797)	(67,393)
Non-current liabilities			
Deferred tax liabilities	*14*	**(3,915)**	(5,033)
Total liabilities		**(64,712)**	(72,426)
NET ASSETS		**16,041**	20,223
EQUITY			
Share capital	*15*	**4,626**	4,626
Retained earnings		**11,415**	15,597
Total equity		**16,041**	20,223

These financial statements were approved by the board of directors on 21/9/09 and were signed on its behalf by:

JR Read
Director

Cash flow statement

for the year ended 31 March 2009

	2009	2008
	£000	£000
Cash flows from operating activities		
(Loss)/profit before tax	**(2,584)**	8,111
Adjustments for:		
Depreciation	**11,461**	7,762
Amortisation	**961**	409
Net financial expense	**1,069**	417
Exceptional impairment of intangible assets	**2,531**	-
Gain on sale of property, plant and equipment	**(2,078)**	(1,177)
Cash flows before changes in working capital and provisions	**11,360**	15,522
Decrease/(increase) in inventories	**765**	(923)
Increase in trade and other receivables	**(102)**	(3,730)
(Decrease)/increase in trade and other payables	**(7,761)**	30,090
Cash generated from the operations	**4,262**	40,959
Interest paid (net)	**(1,069)**	(417)
Tax paid	**(1,367)**	(1,079)
Net cash from operating activities	**1,826**	39,463
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**10,390**	5,284
Acquisition of intangible assets	**(2,536)**	(14,311)
Acquisition of property, plant and equipment	**(8,139)**	(25,372)
Net cash from investing activities	**(285)**	(34,399)
Cash flows from financing activities		
Proceeds/(repayment) of inter company loan	**2,262**	(5,627)
Dividends paid	**(2,331)**	(2,633)
Net cash from financing activities	**(69)**	(8,260)
Net increase/(decrease) in cash and cash equivalents	**1,472**	(3,196)
Cash and cash equivalents at the beginning of the year	**33**	3,229
Cash and cash equivalents at the end of the year	**1,505**	33
Cash and cash equivalents is made up of:		
Cash	**1,505**	148
Bank overdrafts	**-**	(115)
	1,505	33

Notes
(forming part of the financial statements)

1 Accounting policies

Speedy Hire Centres (Southern) Limited (the 'Company') is a Company incorporated in the United Kingdom.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Accounting standards not yet effective

These financial statements have been prepared in accordance with IFRS and related IFRIC interpretations in issue that have been endorsed by the EU and effective as at 31 March 2009. The International Accounting Standards Board ('IASB') has introduced IFRS 8 'Operating Segments' which has been adopted by the EU, is effective for years commencing on or after 1 January 2009 and is available for early adoption. However the Company has not applied this in the financial statements for the year ended 31 March 2009.

Basis of preparation

The financial statements are prepared on the historical cost basis. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

As detailed on page 2, the directors continue to adopt the going concern basis in preparing the financial statements. At a Group level, an amended £300 million committed facility extending to June 2012 was agreed on 31 March 2009. The Group expects to be able to operate within the terms of its facility agreement. The Group had £40m of undrawn committed facilities and £11m of cash at 31 March 2009. Subsequent to the year end the Group raised £100m (net of expenses) by way of an equity rights issue.

Revenue

Revenue is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised in the income statement on a straight-line basis over the period of the hire. Revenue 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. Transfers of risks and rewards are consistent across all hire contracts. Transfer occurs when the product is received at the customer's location.

Depreciation

Depreciation of property, plant and equipment is charged to the income statement so as to write off the cost of the assets over their estimated useful lives after taking account of their estimated residual values. Residual values are re-assessed annually. Land is not depreciated. Hire equipment assets are depreciated so as to write them down to their residual value over their normal working lives which range from 3 to 7 years depending on the category of asset.

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

Hire equipment		
Tools and general equipment	-	between three and seven years straight-line
Non-hire assets		
Freehold buildings and long leasehold improvements	-	over the shorter of the lease period or 50 years straight-line
Short leasehold property improvements	-	over the period of the lease
Fixtures and fittings and office equipment (excluding IT)	-	25-45% per annum reducing-balance
IT equipment and software	-	between three and five years straight-line, or over the period of the software licence (if shorter)
Motor vehicles	-	25% per annum 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 a depot's opening date) on the acquisition of trading locations are written off 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. These assets are included in the balance sheet at the lower of the fair value or present value of the minimum lease payments at inception and are 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 term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives 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 using the effective interest rate.

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.

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

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services in a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates only one business segment and operates entirely within the UK.

Property, plant and equipment

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities 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 Company's previous accounting framework, UK GAAP.

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 tested annually for impairment. Gains and losses on the disposal of a business 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 the income statement as an expense as incurred.

Amortisation

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

- Sole supply contracts: over the unexpired period of the contract, up to five years
- Customer lists: ten years
- Non compete agreements: over the period of the agreement

Impairments

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows of the identified cash-generating units 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 risks specific to the asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and overnight deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised 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 the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

Pension schemes

The Speedy Hire Group offers a stakeholder pension arrangement to employees and in addition makes contributions to personal pension schemes for certain employees. Obligations for contributions to these defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions

At a group level, options granted to employees under the Speedy Hire Sharesave Scheme and Co-investment Plan are recognised at the fair value of the option at the date of the award, and charged to the income statement over the related performance period with a corresponding amount recognised in equity. This cost is subsequently recharged from the parent company to the company income statement.

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.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to ensure a full understanding of the Company's financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities.

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 associated 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 for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes *(continued)*

1 Accounting policies *(continued)*

Significant judgements and estimates *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

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. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to a potential impairment of the carrying value of such assets.

Goodwill is reviewed annually to assess the requirement for impairment. Other intangible assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the carrying value of such assets is not supportable. Impairment testing on goodwill is carried out in accordance with the analyses described earlier. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in particular markets as well as short term business performance. The directors draw upon experience as well as external resources in making these judgements. In the year to 31 March 2009, an impairment review was undertaken, using the basis and key assumptions in accordance with Group policy (see note 9).

The charge for share based payment is calculated in accordance with the Group policy. The option valuation models used require subjective assumptions to be made including the future volatility of the Group's share price, expected dividend yields, risk free interest rates and expected staff turnover. The Directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

2 Exceptional items

Impairment of non-current assets

A provision of £2,531,000 has been made against the Company's goodwill and intangible assets following a review of their carrying values as part of the Group's annual impairment testing process. Deterioration in the markets in which the Company operates, notably the construction markets, has resulted in the Company revising its assumptions regarding future activity levels. This has resulted in revised forecast of cashflows arising in cash generating units. An impairment loss has been calculated on a value in use basis. Further information on the impairment testing process is contained in note 9.

Exceptional restructuring costs

As part of the Group's cost reduction programme, a number of initiatives were undertaken to reduce the Group's operating structure to a more appropriate level in light of market conditions. The main elements of cost incurred in the Company as part of these processes include redundancy costs (£695,000) and losses incurred on the one-off disposal of surplus hire fleet assets (£1,685,000).

Notes *(continued)*

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging / (crediting) the following:

	2009 **£000**	2008 £000
Amortisation of intangible assets	**961**	409
Depreciation		
- of owned plant, property and equipment	**11,461**	7,762
Profit on disposal of property, plant and equipment (including £1,685,000 of exceptional loss)	**(2,078)**	(1,177)
Operating lease rentals		
- land and buildings	**3,709**	2,575
- other assets	**2,864**	2,426
Auditors remuneration: audit of these financial statements	**20**	19
other services	**8**	5

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

4 Staff numbers and costs

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

	2009 **Number**	2008 Number
Management and administration	**87**	108
Selling and distribution	**514**	429
	601	537

The aggregate payroll costs of these employees were as follows:

	2009 **£000**	2008 £000
Wages and salaries	**14,121**	19,033
Social security costs	**1,418**	689
	15,539	19,722

Included within the total payroll costs for the current year is £695,000 of exceptional redundancy costs (note 2).

Notes *(continued)*

5 Directors' emoluments

	2009	2008
	£000	£000
Directors' emoluments	**523**	1,041
Company contributions to money purchase pension plans (personal pension scheme)	**35**	38
	558	1,079

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £88,000 *(2008: £221,000)*, and company pension contributions of £10,000 *(2008: £14,000)* were made to a money purchase scheme on his behalf.

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes, as described in note 15, was:	**9**	11

6 Financial income and expense

	2009	2008
	£000	£000
Financial income		
Bank interest income	**(152)**	(363)
Financial expense		
Inter-company loan interest expense	**1,221**	780
Net financial expense	**1,069**	417

Notes *(continued)*

7 Taxation

	2009 £000	2008 £000
Current tax		
UK corporation tax on profits for the year at 28% *(2008: 30%)*	**67**	1,343
Adjustment in respect of prior years	**318**	(49)
Total current tax	**385**	1,294
Deferred tax		
UK deferred tax at 28% *(2008: 28%)*	**(599)**	661
Adjustment in respect of prior years	**(527)**	87
Total deferred tax	**(1,126)**	748
Total tax (credit)/charge in income statement	**(741)**	2,042

The tax credit for the year is higher than the standard rate of corporation tax in the UK and is explained as follows:

	2009 £000	2008 £000
(Loss)/profit before tax	**(2,584)**	8,111
Tax (credit)/charge using the UK corporation tax rate of 28% *(2008: 30%)*	**(724)**	2,433
Expenses not deductible and income not taxable net	**36**	(70)
Adjustment in respect of prior years	**(209)**	38
Impact of change in UK corporation tax to 28% on deferred tax	**-**	(359)
Write off of deferred tax asset on share based payments	**156**	-
Total tax in income statement	**(741)**	2,042

Notes *(continued)*

8 Property, plant and equipment

	Leasehold Land and Buildings £000	Hire Equipment £000	Fixtures, Fittings & Motor Vehicles £000	Total £000
Cost				
At 1 April 2007	1,496	68,271	2,917	72,684
Additions	80	9,286	96	9,462
Transfers from group company	-	22,003	4,098	26,101
Disposals	-	(6,710)	(5)	(6,715)
At 31 March 2008	1,576	92,850	7,106	101,532
Additions	-	8,102	37	8,139
Disposals	(19)	(26,575)	(11)	(26,605)
At 31 March 2009	**1,557**	**74,377**	**7,132**	**83,066**
Depreciation				
At 1 April 2007	1,484	28,560	2,477	32,521
Charged in the year	63	7,409	290	7,762
Transfers from group company	-	7,511	2,680	10,191
Disposals	-	(2,603)	(5)	(2,608)
At 31 March 2008	1,547	40,877	5,442	47,866
Charged in the year	10	10,990	461	11,461
Disposals	-	(18,282)	(11)	(18,293)
At 31 March 2009	**1,557**	**33,585**	**5,892**	**41,034**
Net book value				
At 31 March 2009	-	**40,792**	**1,240**	**42,032**
At 31 March 2008	29	51,973	1,664	53,666
At 31 March 2007	12	39,711	440	40,163

Transfers from group company in the prior year relate to property, plant and equipment acquired as part of the Hewden acquisition in August 2007. In addition, certain trade and assets relating to the Amec LSS acquisition (completed in February 2008) were transferred into the business. The transfers were made at fair value through the inter-company account.

Leased plant and machinery

There were no assets held under finance leases or hire-purchase contracts in either the current or prior year.

Notes *(continued)*

9 Intangible assets

	Goodwill £000	Customer list £000	Non-compete £000	Supply agreements £000	Total £000
Cost					
At 1 April 2007	5,393	-	-	1,256	6,649
Transfers from group company	9,517	3,225	1,127	442	14,311
At 31 March 2008	14,910	3,225	1,127	1,698	20,960
Transfers from group company	1,195	799	56	486	2,536
At 31 March 2009	**16,105**	**4,024**	**1,183**	**2,184**	**23,496**
Amortisation					
At 1 April 2007	901	-	-	1,256	2,157
Charged in the year	-	203	188	18	409
At 31 March 2008	901	203	188	1,274	2,566
Charged in the year	-	470	293	198	961
Impairment (note 2)	2,531	-	-	-	2,531
At 31 March 2009	**3,432**	**673**	**481**	**1,472**	**6,058**
Net book value					
At 31 March 2009	**12,673**	**3,351**	**702**	**712**	**17,438**
At 31 March 2008	14,009	3,022	939	424	18,394
At 31 March 2007	4,492	-	-	-	4,492

Transfers from group company in the current year relate to the transfer of intangible assets from the acquisition of Carillion Accommodation Services in May 2008. Transfers from group company in the prior year relate to the transfer of intangible assets as part of the Hewden acquisition in August 2007. The transfers were made at fair value through the inter-company account.

Deterioration in the markets in which the Company operates, notably the construction markets, has resulted in the Company revising its expectations about the level of activity which will be sustainable in the long term and therefore an impairment review was completed at the year end on all non-current assets.

Goodwill acquired in a business combination is allocated to cash-generating units (CGUs) according to the lowest level at which management monitor and control the business. Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired.

Notes *(continued)*

9 Intangible assets *(continued)*

The recoverable amounts of CGUs are determined by value in use calculations. These calculations use cash flow projections based on five-year financial forecasts approved by management. The key assumptions for those forecasts are those regarding revenue growth, net margin and the level of capital expenditure required to support trading, which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. To prepare value in use calculations, the Group uses cash flow projections for a fifteen year period, based on the 2009-10 budget and subsequent four years' business plans. Cash flows beyond this period are extrapolated at an estimated average long-term nominal growth rate which has been estimated at 2.5% *(2008: 5.0%)* being an estimate of inflation, and discounted back to present value, using the Group's pre-tax discount rate. The discount rate assumptions use an estimate of the Group's weighted average cost of capital. The pre-tax discount rate used to discount cash flow forecasts is 13.9% *(2008: 9.4%)*. The pre-tax discount rate has been adjusted for Company and market specific risks.

An impairment loss of £2,531,000 in respect of goodwill was recognised. Following this there is no difference between the carrying amount and the recoverable amount of the goodwill and intangibles balances at the balance sheet date.

Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. An increase of 1% in the discount rate, with all other assumptions held constant, would give rise to an additional impairment charge of £2,600,000. A decrease of 1% in the forecast revenue growth, with all other assumptions held constant, would give rise to an additional impairment charge of £2,600,000.

10 Inventories

	2009 £000	2008 £000
Goods held for resale	**1,170**	1,935

11 Trade and other receivables

	2009 £000	2008 £000
Trade receivables	**11,692**	14,780
Amounts owed by group undertakings	**6,168**	3,726
Prepayments and accrued income	**748**	-
	18,608	18,506

12 Trade and other payables

	2009 £000	2008 £000
Trade payables	**4,139**	5,296
Amounts owed to group undertakings	**26,507**	27,382
Loans due to group undertakings (see note 13)	**24,730**	22,468
Other taxation and social security	**1,286**	2,171
Accruals and deferred income	**3,749**	8,593
	60,411	65,910

Notes *(continued)*

13 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to credit, interest rate and liquidity risk, see note 17.

	2009	2008
	£000	£000
Current borrowings		
Bank overdrafts	**-**	115
Amounts owed to Group undertakings	**24,730**	22,468
	24,730	22,583

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

Loans from other group undertakings are repayable on demand.

Interest is not payable on balances outstanding as a result of routine inter-company trading. Long term inter-company loans bear interest on the same basis as external bank borrowings.

14 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 2007	4,388	77	(274)	(58)	4,133
Recognised in income	672	126	(42)	(8)	748
Recognised in equity	-	-	152	-	152
At 31 March 2008	5,060	203	(164)	(66)	5,033
Recognised in income	(1,096)	(183)	156	(3)	(1,126)
Recognised in equity	-	-	8	-	8
At 31 March 2009	**3,964**	**20**	**-**	**(69)**	**3,915**

Notes *(continued)*

15 Share capital

	2009	2008
	£000	£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.

Share options

Options were granted in December 2004, December 2005, December 2006, September 2007 and December 2007 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 prices between 383 and 940 pence per share. 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.

In addition certain directors 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 Plc shares.
- The acquired shares need to be held for three years.
- Matching shares will be awarded 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.

16 Dividends

The following dividends were paid during the year:

	2009	2008
	£000	£000
Final dividend	**2,331**	2,633

Notes *(continued)*

17 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) 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, interest rate and credit risk. The Board reviews and agrees the policies for managing each of these risks on an annual basis.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group uses both short and long-term cash forecasts to assist in monitoring cash flow requirements of both the Group and individual subsidiary companies, as described on page 82 of the Speedy Hire Plc financial statements. The Group has obtained additional bank and equity funding in recent years as the business has grown, and maintains close contact with its syndicate of banks.

The Company is part of the Group banking facility which comprises a £300m term and revolving credit facility with a £5m overdraft facility. The term and revolving credit facility was originally entered into in June 2007, and was amended and restated in June 2008 and March 2009. The current facility is sub-divided into an 'A facility' of £90m, which is repayable in varying quarterly instalments commencing in September 2009, with the final repayment in June 2012 and a 'B facility' of £210m repayable on the fifth anniversary of the issue date, which reduces by £20m over the course of the year to March 2010.

At a Group level, £40m *(2008: £69.4m)* of these facilities remained unutilised at the balance sheet date comprising £35m of the revolving credit facility and £5m of the overdraft facility. The total 'B facility' is for £210m, but is reduced to the extent that ancillary facilities are provided. The Group's borrowings are secured by a fixed and floating charge over its assets and is cross-guaranteed by Speedy Hire Plc and a number of its trading subsidiaries (see note 19).

Interest rate risk

The Company is exposed to a risk of a change in cash flows due to changes in interest rates as a result of its use of variable rate borrowings, which form part of the Group's overall banking arrangements. The exposure to interest rate fluctuations are managed on a group-wide basis.

The Group's policy is to review regularly the terms of its borrowing facilities, and to assess and manage the long-term borrowing commitment accordingly, and to put in place interest rate hedges to reduce the Group's exposure to significant fluctuations in interest rates. The Group adopts a policy of ensuring that between 40% and 70% of its borrowings are covered by some sort of interest rate hedge (as detailed on page 83 of the Speedy Hire Plc financial statements for the year ended 31 March 2009).

At 31 March 2009 it is estimated that a general increase of one percentage point in interest rates would decrease the company's profit before tax by approximately £160,000.

Notes *(continued)*

17 Financial instruments *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Company if it fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. No collateral is held as security in respect of amounts outstanding; however, in a number of instances, deposits are held against the value of hire equipment provided. The extent of deposit taken is assessed on a case by case basis, and is not considered significant in comparison to the overall amounts received from customers.

There are £7,488,000 *(2008: £8,943,000)* of trade receivables that are past due at the balance sheet date that have not been provided against. There is no indication that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are past due and unprovided. The ageing of trade receivables (net of impairment provision) at the year end was as follows:

	2009	2008
	£000	£000
Not past due	**4,204**	5,837
Past due 0-30 days	**2,593**	5,617
Past due 31-120 days	**2,460**	3,273
More than 120 days past due	**2,435**	53
	11,692	14,780

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

	2009	2008
	£000	£000
At 1 April	**1,551**	934
Charged to the income statement	**2,333**	1,417
Written off in the year	**(1,712)**	(800)
At 31 March	**2,163**	1,551

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, as detailed on page 83 of the Speedy Hire Plc financial statements for the year ended 31 March 2009. All subsidiaries comply with this policy.

Notes *(continued)*

18 Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2009		2008	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Total future minimum lease payments:				
- not later than one year	**4,212**	**2,171**	4,692	2,179
- later than one year but less than five years	**12,481**	**1,864**	12,955	1,376
- later than five years	**9,826**	**-**	13,442	-
	26,519	**4,035**	31,089	3,555

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'.

19 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 2009 such borrowings amounted to £249.1m *(2008: £255.6m)*.

The Group's bank borrowings are secured by a fixed and floating charge over the Company's assets.

20 Related parties

Transactions with key management personnel

Details of the remuneration paid to the Company's directors are included in note 5.

Other related party transactions

During the year the Company paid £6,573,000 to Speedy Support Services Limited in respect of vehicle and property lease rentals *(2008: £5,001,000)*. In addition, further payments amounting to £2,164,500 were made in respect of IT, property management, sales and marketing, and other central administrative work performed on behalf of the Company *(2008: £2,672,000)*. Other movements in inter-company trading balances relate to general trading.

In the year, the Company increased its loan with the parent Company by £2,262,000. The Company paid £1,221,000 to other group companies in respect of interest on outstanding inter-company loans *(2008: £780,000)*.

Balances outstanding at the end of the year in respect of parent and fellow subsidiary undertakings are disclosed in notes 11 and 12.

21 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.