

**Speedy Hire Centres (Southern) Limited**

**Directors' report and financial  
statements**

Registered number 1105942

31 March 2008

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### **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

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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2008

### 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 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 7, and the Cash Flow Statement on page 10. The Company's financial position at the beginning and end of the year is set out in the Balance Sheet on page 9.

During the year £9,286,000 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.

Also during the year, trade and assets were transferred from Speedy Hire Centres Limited, a fellow group company, following its acquisition of the Hewden Hire Centres business in August 2007.

As the Company has grown over the last year, an additional 64 people have joined the business, bringing the total average number employed by the Company to 537.

The key performance indicators used to manage and monitor the business are turnover growth, operating margin before amortisation costs, and profit before tax in addition to cash generated from operations and return on capital employed.

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

### Dividend

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

### 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 59 days of purchases outstanding at the end of the financial year (2007: 61 days).

### Directors

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

SJ Corcoran  
NC O'Brien (resigned 31 May 2008)  
MA McGrath  
C Veritiero (appointed 1 April 2007)  
D Graham (appointed 1 October 2006)  
MA Knott  
PM Buchan  
RJ Ellam  
CA Warbey  
S Palmer  
W Bates  
R Hall-Roberts (resigned 5 June 2007)  
N Newsome

JR Read was appointed on 1 April 2008.

## Directors' report *(continued)*

### Directors' interests and share options

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 2008 disclose the share interests of SJ Corcoran, NC O'Brien, MA McGrath and C Ventiero.

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

	Interest at end of year	Interest at start of year or date of appointment
D Graham	5,171	5,607
CA Warbey	3,324	-
MA Knott	2,960	3,915
PM Buchan	2,473	900
N Newsome	2,473	-
S Palmer	1,592	405
W Bates	-	1,100

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, 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.

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 at beginning of year	Options granted during the year	Options exercised during the year	Options lapsed during the year	Entitlement at year end
M Knott	1,498	-	-	-	1,498
W Bates	1,498	-	-	-	1,498
PM Buchan	2,473	1,426	(2,473)	-	1,426
RJ Ellam	2,473	1,426	(2,473)	-	1,426
D Graham	2,473	1,426	(2,473)	-	1,426
N Newsome	2,473	1,426	(2,473)	-	1,426
CA Warbey	2,473	855	(2,473)	-	855
S Palmer	989	-	(989)	-	-

In addition the directors below are part of 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 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' report *(continued)*

The interests of the directors in the Co-Investment Plan are as follows

	Entitlement at beginning of year	Options granted during the year	Options exercised during the year	Entitlement at end of year
D Graham	11,776	6,692	-	18,468
M Knott	10,138	4,600	-	14,738
PM Buchan	-	5,572	-	5,572
RJ Ellam	-	4,518	-	4,518
CA Warbey	1,588	1,533	-	3,121
S Palmer	1,210	955	-	2,165
W Bates	-	376	-	376

### 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.

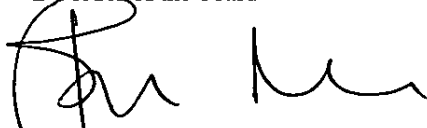
### Disclosure of information to auditors

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 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 2008 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 4.

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 2008 and of its profit 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*

*16 October 2008*

**Income statement**  
*for the year ended 31 March 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	2007 £000
<b>Revenue</b>		<b>73,361</b>	56,906
Cost of sales		<b>(16,263)</b>	(14,532)
<b>Gross profit</b>		<b>57,098</b>	42,374
Distribution expenses		<b>(8,258)</b>	(7,040)
Administrative expenses		<b>(40,312)</b>	(28,760)
<b>Analysis of operating profit</b>			
Operating profit before amortisation		<b>8,937</b>	6,655
Intangible amortisation	8	<b>(409)</b>	(81)
<b>Operating profit</b>	2	<b>8,528</b>	6,574
Financial income	5	<b>363</b>	30
Financial expense	5	<b>(780)</b>	(322)
<b>Profit before tax</b>		<b>8,111</b>	6,282
Taxation	6	<b>(2,042)</b>	(1,564)
<b>Profit for the financial year</b>		<b>6,069</b>	4,718

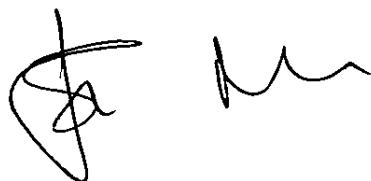
**Statement of changes in equity**  
*for the year ended 31 March 2008*

	<b>Issued Share Capital £000</b>	<b>Retained Earnings £000</b>	<b>Total Equity £000</b>
As at 1 April 2006	4,626	9,278	13,904
Profit for the year ended 31 March 2007	-	4,718	4,718
Dividends	-	(1,839)	(1,839)
Deferred tax on share-based payments	-	156	156
	<hr/>	<hr/>	<hr/>
As at 31 March 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)
	<hr/>	<hr/>	<hr/>
<b>As at 31 March 2008</b>	<b>4,626</b>	<b>15,597</b>	<b>20,223</b>

**Balance sheet**  
*at 31 March 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	53,666	40,163
Intangible assets	8	18,394	4,492
		<u>72,060</u>	<u>44,655</u>
<b>Current assets</b>			
Inventories	9	1,935	1,012
Trade and other receivables	10	18,506	14,776
Cash and cash equivalents		148	3,229
		<u>20,589</u>	<u>19,017</u>
<b>Total assets</b>		<u><u>92,649</u></u>	<u><u>63,672</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft		(115)	-
Trade and other payables	11	(65,910)	(41,447)
Current tax liabilities		(1,368)	(1,153)
		<u>(67,393)</u>	<u>(42,600)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	(5,033)	(4,133)
<b>Total liabilities</b>		<u><u>(72,426)</u></u>	<u><u>(46,733)</u></u>
<b>NET ASSETS</b>		<u><u>20,223</u></u>	<u><u>16,939</u></u>
<b>EQUITY</b>			
Share capital	14	4,626	4,626
Retained earnings		15,597	12,313
<b>Total equity</b>		<u><u>20,223</u></u>	<u><u>16,939</u></u>

These financial statements were approved by the board of directors on 16/10/08 and were signed on its behalf by



**JR Read**  
*Director*

**Cash flow statement**  
*for the year ended 31 March 2008*

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	8,111	6,282
Adjustments for		
Depreciation	7,762	7,960
Amortisation	409	81
Net financial expense	417	292
Gain on sale of property, plant and equipment	(1,177)	(2,099)
<b>Cash flows before changes in working capital and provisions</b>	<b>15,522</b>	<b>12,516</b>
(Increase)/decrease in inventories	(923)	51
Increase in trade and other receivables	(3,730)	(2,395)
Increase/(decrease) in trade and other payables	30,090	(4,421)
<b>Cash generated from the operations</b>	<b>40,959</b>	<b>5,751</b>
Interest paid (net)	(417)	(292)
Tax paid	(1,079)	(1,242)
<b>Net cash from operating activities</b>	<b>39,463</b>	<b>4,217</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	5,284	4,719
Acquisition of businesses	(14,311)	-
Acquisition of property, plant and equipment	(25,372)	(12,355)
<b>Net cash from investing activities</b>	<b>(34,399)</b>	<b>(7,636)</b>
<b>Cash flows from financing activities</b>		
Repayment of inter company loan	(5,627)	(7,338)
Dividends paid	(2,633)	(1,839)
<b>Net cash from financing activities</b>	<b>(8,260)</b>	<b>(9,177)</b>
Net increase in cash and cash equivalents	(3,196)	(12,596)
Cash and cash equivalents at the beginning of the year	3,229	15,825
<b>Cash and cash equivalents at the end of the year</b>	<b>33</b>	<b>3,229</b>
<b>Cash and cash equivalents is made up of</b>		
Cash	148	3,229
Bank overdrafts	(115)	-
	<b>33</b>	<b>3,229</b>

## 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 ('IFRS') as adopted by the EU

IFRS 7 '*Financial Instruments disclosure*' was adopted during the year. As the standard is concerned only with disclosure, its adoption had no impact on either the balance sheet or income statement

IFRIC 11 '*Group and Treasury Share transactions*' was adopted during the year. The standard requires the Company to account for its existing share based payment arrangements as equity settled transactions. This was the treatment adopted by the Company in prior years and accordingly IFRIC 11 has no impact on the balance sheet or income statement

#### *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 2008. 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 2008

#### *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

#### *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. 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 and disposals 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
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#### *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.

#### *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.

#### *Property, plant and equipment*

Items of property, plant and equipment are stated at cost less accumulated depreciation. 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.

#### *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). The Company operates only one business segment and operates entirely within the UK.

## 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 2005, 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 business 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, non compete agreements, and brands. 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
- Brand over the period of use in the business, up to four years

##### *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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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 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 respective assets.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are 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.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairments (continued)*

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.

#### *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.

#### *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.

#### *Employee benefits*

##### *Pension schemes*

The Speedy Hire Group offers a 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 the income statement over the related performance period with a corresponding amount recognised in equity.

#### *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. No circumstances have been identified to suggest that this is the case.

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.

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.

Upon acquisition of a business, its identifiable assets and liabilities are assessed to determine their fair value. The values attributed to assets and liabilities as part of this process are based on, where appropriate, market values identified for equivalent assets, together with management's experience and assessments. Where possible, for example in respect of the acquisition of hire assets, comparison is made to the carrying value of assets of a similar condition and age in the existing business.

### 2 Operating profit

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

	2008 £000	2007 £000
Amortisation of intangible assets	409	81
Depreciation		
- of owned plant, property and equipment	7,762	7,960
Profit on disposal of property, plant and equipment	(1,177)	(2,099)
Operating lease rentals		
- land and buildings	2,575	2,387
- other assets	2,426	2,090
Auditors remuneration	19	18
audit of these financial statements		
other services	5	15

The profit 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.

## Notes (continued)

### 3 Staff numbers and costs

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

	2008 Number	2007 Number
Management and administration	108	65
Selling and distribution	429	408
	<u>537</u>	<u>473</u>

The aggregate payroll costs of these employees were as follows

	2008 £000	2007 £000
Wages and salaries	19,003	12,421
Redundancy costs	30	-
Social security costs	689	1,055
	<u>19,722</u>	<u>13,476</u>

### 4 Directors' emoluments

	2008 £000	2007 £000
Directors' emoluments	1,041	563
Company contributions to money purchase pension plans (personal pension scheme)	38	-
	<u>1,079</u>	<u>563</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £221,000 (2007 £153,000), and company pension contributions of £14,000 (2007 £nil) 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 was

11	11
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Directors' rights to subscribe for shares in Speedy Hire Plc, the Company's ultimate parent undertaking, are detailed in the directors' report on pages 1-3

### 5 Financial income and expense

	2008 £000	2007 £000
<b>Financial income</b>		
Bank interest income	(363)	(30)
<b>Financial expense</b>		
Inter-company loan interest expense	780	322
<b>Net financial expense</b>	<u>417</u>	<u>292</u>

## Notes (continued)

### 6 Taxation

	2008 £000	2007 £000
<b>Current tax expense</b>		
UK corporation tax on profits for the period at 30% (2007 30%)	1,343	1,375
Adjustment in respect of prior years	(49)	(221)
Total current tax	1,294	1,154
<b>Deferred tax expense</b>		
UK deferred tax at 28% (2007 30%)	661	371
Adjustment in respect of prior years	87	39
Total deferred tax	748	410
Total tax in income statement	2,042	1,564

The tax charge for the year is lower (2007 lower) than the standard rate of corporation tax in the UK and is explained as follows

	2008 £000	2007 £000
Profit before tax	8,111	6,282
Tax using the UK corporation tax rate of 30% (2007 30%)	2,433	1,885
Expenses not deductible and income not taxable net	(70)	(139)
Adjustment in respect of prior years	38	(182)
Impact of change in UK corporation tax to 28% on deferred tax	(359)	-
Total tax in income statement	2,042	1,564

## Notes (continued)

### 7 Property, plant and equipment

	Leasehold Land and Buildings £000	Hire Equipment £000	Fixtures, Fittings & Motor Vehicles £000	Total £000
<b>Cost</b>				
At 1 April 2006	1,479	62,179	2,882	66,540
Additions	17	12,285	53	12,355
Disposals	-	(6,193)	(18)	(6,211)
At 31 March 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)
<b>At 31 March 2008</b>	<b>1,576</b>	<b>92,850</b>	<b>7,106</b>	<b>101,532</b>
<b>Depreciation</b>				
At 1 April 2006	1,428	24,535	2,189	28,152
Depreciation charge for the year	56	7,598	306	7,960
Disposals	-	(3,573)	(18)	(3,591)
At 31 March 2007	1,484	28,560	2,477	32,521
Depreciation charge for the year	63	7,409	290	7,762
Transfers from group company	-	7,511	2,680	10,191
Disposals	-	(2,603)	(5)	(2,608)
<b>At 31 March 2008</b>	<b>1,547</b>	<b>40,877</b>	<b>5,442</b>	<b>47,866</b>
<b>Net book value</b>				
At 31 March 2008	29	51,973	1,664	53,666
At 31 March 2007	12	39,711	440	40,163
At 31 March 2006	51	37,644	693	38,388

Transfers from group company relate to the transfer of the Hewden depots acquired by Speedy Hire Centres Limited in August 2007 integrated into this Company during the year. In addition, certain trade and assets relating to the Amec LSS acquisition (completed in February 2008) were transferred into the business during the year. 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)

### 8 Intangible assets

	Goodwill £000	Customer list £000	Non-compete £000	Supply agreements £000	Total £000
<b>Cost</b>					
At 1 April 2006	5,372	-	-	1,256	6,628
Additions	21	-	-	-	21
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	5,393	-	-	1,256	6,649
Transfers from group company	9,517	3,225	1,127	442	14,311
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2008</b>	<b>14,910</b>	<b>3,225</b>	<b>1,127</b>	<b>1,698</b>	<b>20,960</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>					
At 1 April 2006	901	-	-	1,175	2,076
Amortisation for the year	-	-	-	81	81
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	901	-	-	1,256	2,157
Amortisation for the year	-	203	188	18	409
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2008</b>	<b>901</b>	<b>203</b>	<b>188</b>	<b>1,274</b>	<b>2,566</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 March 2008	14,009	3,022	939	424	18,394
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	4,492	-	-	-	4,492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	4,471	-	-	81	4,552
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Transfers from group company relate to the transfer of the Hewden depots acquired by Speedy Hire Centres Limited in August 2007 integrated into this Company during the year. The transfers were made at fair value through the inter company account.

Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitor that goodwill. Recoverable amounts for cash-generating units are based on values in use, which are calculated using cash flow projections for a fifteen year period. The key assumptions in preparing the cash flow projections are discount rates, growth rates, and expected changes in margins. The projections are based on business plans approved by management covering a three year period to March 2011, and assume inflationary growth in revenues with no margin improvement for the following twelve years. As at 31 March 2008, based on the valuations performed, the Directors concluded that the realisable value of the cash generating units significantly exceeded their carrying value.

A weighted average cost of capital of 9.4% 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 Inventories

	2008 £000	2007 £000
Goods held for resale	1,935	1,012

### 10 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	14,780	11,198
Amounts owed by group undertakings	3,726	3,385
Prepayments and accrued income	-	193
	<u>18,506</u>	<u>14,776</u>

### 11 Trade and other payables

	2008 £000	2007 £000
Trade payables	5,296	3,121
Amounts owed to group undertakings	27,382	3,769
Loans due to group undertakings (see note 12)	22,468	28,095
Other taxation and social security	2,171	1,505
Accruals and deferred income	8,593	4,957
	<u>65,910</u>	<u>41,447</u>

### 12 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, foreign currency and liquidity risk, see note 16.

	2008 £000	2007 £000
<b>Current borrowings</b>		
Bank overdrafts	115	-
Amounts owed to Group undertakings	22,468	28,095
	<u>22,583</u>	<u>28,095</u>

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.

## 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 2006	3,970	52	(41)	(103)	3,878
Recognised in income	418	25	(77)	45	411
Recognised in equity	-	-	(156)	-	(156)
At 31 March 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

### 14 Share capital

	2008 £000	2007 £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



## Notes (continued)

### 15 Dividends

The following dividends were paid during the year

	2008	2007
	£000	£000
Final dividend 56.9 pence per share (2007 39.8 pence per share)	2,633	1,839

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

#### **Liquidity Risk**

Cash resources are largely and normally generated through operations.

The Company is part of the Group banking facility which comprises a £325m term and revolving credit facility and a £5m overdraft facility. The Group's term and revolving loan facility was entered into in June 2007. The facility is sub-divided into an 'A Facility' of £100m, which is repayable in three annual instalments of £10m commencing in June 2009, with the remaining £70m being due for repayment in June 2012 and a B Facility of £225m repayable on the fifth anniversary of the issue date.

At a Group level, £69.4m (2007 £38.8m) of these facilities remained unutilised at the balance sheet date, comprising £65m of the credit facility and £4.4m of the overdraft facility.

#### **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 group-wide borrowings are covered by some sort of interest rate hedge.

## Notes (continued)

### 16 Financial instruments (continued)

#### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer 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 on-going basis. Credit evaluations are performed on all customers requiring credit over a certain limit. The Company does not require collateral as security in respect of amounts outstanding, however in a number of instances deposits are held against the value of the 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 receivable from customers.

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.

There are £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:

	2008 £000	2007 £000
Not past due	5,837	5,294
Past due 0-30 days	5,617	3,568
Past due 31-120 days	3,273	2,336
Past due 121-365 days	53	-
	<u>14,780</u>	<u>11,198</u>

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

	2008 £000	2007 £000
At beginning of year	934	746
Impairment loss recognised	1,417	1,120
Provision released	(800)	(932)
	<u>1,551</u>	<u>934</u>

## Notes (continued)

### 17 Operating leases

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

	2008		2007	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Total future minimum lease payments				
- not later than one year	4,692	2,179	2,503	1,518
- later than one year but less than five years	12,955	1,376	6,999	932
- later than five years	13,442	-	5,011	-
	<u>31,089</u>	<u>3,555</u>	<u>14,513</u>	<u>2,450</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 2008 such borrowings amounted to £255.6m (2007 £179.4m).

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

### 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 £5,001,000 to Speedy Support Services Limited in respect of vehicle and property lease rentals (2007 £4,477,000). In addition, further payments amounting to £2,672,000 were made in respect of IT, property management, sales and marketing, and other central administrative work performed on behalf of the Company (2007 £2,105,000).

The Company paid £780,000 to other group companies in respect of interest on outstanding inter-company loans (2007 £322,000).

Balances outstanding at the end of the year in respect of parent and fellow subsidiary undertakings are disclosed in notes 10 and 11.

### 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.