Helphire Group plc

Interim Report for the six months ended 31 December 2010

Business profile

Helphire Group plc is a market leader in the provision of accident assistance and claims management services to not-at-fault drivers involved in motor accidents. In partnership with the insurance and motor industries, the Group delivers accident management solutions to motorists, ensuring that they remain mobile until their own vehicles are repaired or until they are put in a position to obtain a replacement vehicle.

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- Adjusted* operating profit of £7.3m (2009: £10.0m)
- Adjusted* profit before tax of £3.6m (2009: £5.7m)
- Statutory profit before tax of £1.6m (2009: £0.4m loss) inclusive of exceptional items
- Net cash inflow of £6.3m (2009: £3.1m)
- Debtor days reduced to 223 days (2009: 234 days) with ‘Legacy’ ABI receivables representing 33 days and all other receivables representing 190 days
- Net debt reduced by £18.7m since 30 June 2010 and by £204.4m since December 2008 when the recovery plan commenced
- Unutilised fleet and working capital bank facilities of £31.5m at 31 December 2010
- Statutory diluted EPS 0.61p (2009: 0.06p loss)

*Adjusted measures exclude the impact of the items described as exceptional in note 5 on page 19.

Operational highlights

- Two new Partner referral contract wins, commenced trading October 2010 and January 2011
- Bi-lateral protocol arrangements with 26% of the at-fault claims market
- Open case count reduced by 28% to approximately 66,000 cases (2009: 92,000 cases)
- Credit and standard hire revenue generating fleet utilisation of 78.4% (2009: 78.2%)
- Consolidation of operational centres, management teams and IT platforms substantially complete
- Annualised overhead reduction of £61.7m for the three months to December 2010 versus the December 2008 baseline
- £146.0m operational working capital reduction, including fleet, since the February 2009 baseline under Project Century

INTRODUCTION
Chairman's statement

Richard Rose
Chairman

The period to 31 December 2010 represents the fourth set of reported results since the appointment of the new Board and is a continuation of the recovery plan.

In the six months ended 31 December 2010, the Group has continued to consolidate its position and exited or lapsed Partner referral contracts that would not deliver returns acceptable to the Group. As a consequence, our business is smaller, more efficient and more tightly managed. It has also positioned itself competitively to secure new business and has won two significant contracts which commenced trading in October 2010 and January 2011 respectively. Both these contracts will make a positive financial contribution to the second half of the current financial year but will have more weighting in the financial year to June 2012.

The Group has continued to focus on lowering net debt, which has been reduced by £18.7m since 30 June 2010, to £143.3m (June 2010: £162.0m) with fleet related debt of £67.8m and non-fleet related net debt of £75.5m. This brings the total net debt reduction to £204.4m since December 2008 when the recovery plan was put in place.

Adjusted revenues were £126.5m (2009: £152.5m) and the adjusted operating profit for the period was £7.3m (2009: £10.0m), reflecting a slower start to the year for the reasons announced in our trading update on 27 October 2010 and the run-off of the lapsed or exited Partner referral accounts referred to above.

Adjusted profit before tax for the period was £3.6m (2009: £5.7m). Pre-tax exceptional items of £2.0m (2009: £6.0m) continue to reduce as the restructuring activity comes to an end. After exceptional items, statutory profit before tax was £1.6m (2009: £0.4m loss).

Trade and other receivables reduced to £179.1m, an improvement of £11.4m from June 2010 (June 2010: £190.5m) and an improvement of £19.5m over the prior year comparable period (2009: £198.6m). Statutory debtor days further reduced by eleven over the comparable period and stood at 223 days (2009: 234 days), of which 'Legacy' ABI receivables represented 33 days and all other receivables 190 days.

The Group has now peaked in terms of the number of legacy and current ABI cases passed to its solicitor panel and expects a further reduction in debtor days over the next twelve months as these cases move to a final outcome. The number of new cases passing to litigation is now beginning to fall as settlement times improve. There is a significant cost borne by the Group and at-fault insurers to run cases to litigation and the Group continues to actively engage with insurers to minimise this. Consequently, in addition to the protocol arrangements at 31 December 2010 with 20% of at-fault insurers, the Group is at an early stage of trialling an electronic-based fast settlement process with a top five insurer which represents a further 6% of the Group's at-fault claims market. Monthly cash generation from litigated cases is running at record high levels for the Group, albeit there is a cost to achieve this. It also has a drag factor on the debtor days due to the extended legal process. Nonetheless, litigation is undertaken where payment is not received within 90 days on GTA cases and therefore the onus is on at-fault insurers to deal with cases more efficiently where there is no dispute on the case.

The Group generated a net repayment of bank debt from net cash flow of £6.3m (2009: £3.1m).

No interim dividend is being declared.

Our Project Century plan to reduce working capital by £100.0m by 30 June 2010 fully delivered its objectives with a £126.0m reduction achieved. Continuing this initiative through to the current period has resulted in a £143.0m reduction in working capital from the February 2009 baseline. Management continues to focus on working capital improvements and reducing debt from operating cash flow and through better use of its fleet asset which delivered revenue generating utilisation in the period to 31 December 2010 of 78.4% (2009: 78.2%).

Outlook and current trading

Following the slower start to the financial year, trading in the second quarter to December 2010 is in line with our expectations, with the second half of the financial year being a seasonally stronger trading period. The recovery plan has delivered the first two phases of the turnaround and the Group now has a much leaner cost base that is able to deliver profitable business and generate positive net operating cash flow. The challenge for the Group is to continue to reduce its net debt and debtor days whilst achieving managed growth from its core activities.

The macro environment remains challenging as petrol prices reach record levels, with a possibility of lower accident frequency due to a reducing vehicle parc and fewer road miles driven. However, the requirement for replacement cars and mobility for non-fault parties remains a key factor in motor insurance claims and the Group is a leading player in its market.

Our people

We have concluded the significant part of our restructuring of the Group's operations and our headcount has reached its required level. I would like to thank our former employees for their support in enabling us to achieve our position and also to thank our current employees for their continued dedication and service.

Richard Rose
Chairman

18 February 2011

Business review

Martin Ward
Group Managing Director

Ian Wardle
Chief Financial Officer

The first half of the current financial year reflects the cessation of certain Partner referral contracts that would not deliver returns acceptable to the Group, together with a weaker trading activity in the first quarter of the current financial year, partially offset by the emerging benefits of the continued restructuring of the Group, particularly in lower overheads.

Financial review

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

For the six months ended 31 December 2010, the Group achieved an adjusted operating profit of £7.3m (2009: £10.0m) together with an adjusted profit before tax of £3.6m (2009: £5.7m) and a statutory profit before tax of £1.6m (2009: £0.4m loss).

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

Revenue

Adjusted Group revenue of £126.5m for the period ended 31 December 2010 (2009: £152.5m) was £26.0m or 17.0% lower than the prior comparable period and reflected principally: the 18.9% lower hire case volumes following the cessation of Partner referral contracts; the weaker trading activity experienced in the first quarter: lower volumes in associated credit repair and personal injury activities and the loss of revenues related to sold or discontinued businesses.

Adjusted gross profit and adjusted operating profit

Adjusted gross profit of £30.6m (2009: £44.2m) reduced by £13.6m versus the comparable prior period, reflecting: the decline in revenues referred to above; losses on disposal of the returned corporate hire units as a result of a weaker used vehicle market in the first quarter and a reduction in gross profit related to sold or discontinued businesses. Gross margin of 24.2% (2009: 29.0%) saw a decrease of 4.8% versus the 2009 comparable period, reflecting an increase in lower margin credit repair and personal injury activities together with a reduction of 0.5% attributable to the sold and discontinued businesses.

Continued on page 06.

	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Operational KPIs			
Hire cases	62,866	77,503	149,530
Credit hire	50,673	64,961	124,063
Standard hire	12,193	12,542	25,467
Repair cases	25,143	30,177	58,254
% of credit hire cases	49.6%	46.5%	47.0%
PI cases	15,038	17,503	34,043
% of credit hire cases	29.7%	26.9%	27.4%
Hire days	1,205,745	1,557,151	3,214,304
Revenue generating utilisation – credit/standard hire	78.4%	78.2%	79.3%
Financial KPIs			
Adjusted revenue* (£'000)	126,479	152,545	304,185
Adjusted gross profit* (£'000)	30,633	44,226	86,836
Adjusted gross margin*	24.2%	29.0%	28.5%
Direct fleet holding costs as a % of net hire revenue	22.7%	19.0%	20.7%
Adjusted operating profit* (£'000)	7,321	10,016	21,378
Adjusted operating margin*	5.8%	6.6%	7.0%
Exceptional costs (£'000)	(2,010)	(6,058)	(13,504)
Profit/(loss) before tax (£'000)	1,563	(350)	392
Debtor days	223	234	219
ABI cash collected (£'000)	120,837	135,288	268,796

* Adjusted measures exclude the impact of the items described as exceptional in note 5.

Adjusted operating profit is reconciled to the Income statement as follows:

	Unaudited 6 months ended 31 December 2010 £m	Unaudited 6 months ended 31 December 2009 £m	Audited 12 months ended 30 June 2010 £m
Adjusted operating profit – continuing operations	7.3	10.0	21.4
Adjustments			
Revised estimate of settlement of receivables	2.9	–	–
Fleet impairment	(0.1)	0.4	0.2
Restructuring costs	(5.1)	(5.7)	(13.2)
Revised loss on deconsolidation	0.3	–	–
IFRS 2 Share based payment credit/(charge)	–	(0.4)	0.1
Amortisation of intangible assets	–	(0.3)	(0.6)
Statutory operating profit	**5.3**	**4.0**	**7.9**

Business review
continued

During the second quarter, trading activity returned to levels in line with management's expectations and the used vehicle market strengthened.

Adjusted operating profit of £7.3m (2009: £10.0m) decreased by £2.7m versus the comparable prior period which was the result of the decline in adjusted gross profit of £13.6m partially offset by reduced overheads of £10.9m. The annualised overhead reduction for the three months to December 2010 versus a December 2008 baseline, when the recovery plan was commenced, is £61.7m and at 31 December 2010 versus a 31 December 2008 baseline, the Group had reduced its employee base by 1,610 heads or 51% and by 1,495 Full Time Equivalents. Further small reductions in headcount resources and overhead will continue into the second half of the current financial year; however, the substantial operational restructuring of the Group is now materially completed.

Adjusted operating margin was 5.8% (2009: 6.6%), a decrease of 0.8%.

Adjusted profit before tax

Adjusted profit before tax of £3.6m (2009: £5.7m) is a decrease of £2.1m versus the comparable prior period and is due to the lower adjusted operating profit of £2.7m, offset by a £0.6m lower interest charge due principally to the lower average non fleet debt across the period.

Exceptional items

The Board has continued its review of the Group's financial position which, together with the continued restructuring of the Group's operations, has led to further exceptional items in the period to 31 December 2010. These are summarised below:

Fleet impairment

During the period, the Group has continued the disposal of previously impaired vehicles and has recognised a net exceptional charge of £0.1m as a result of proceeds generated on disposal below previous estimates.

Restructuring costs

During the period, the Group has continued its restructuring programme with a reduction in the period to 31 December 2010 of 408 in the headcount, completion of the migration from Bath of the front end operations to the North East and North West operational centres and continued collection of the 'Legacy' ABI cases. Redundancy, transition and contract termination costs incurred were £3.7m, together with a vacant property impairment charge of £1.4m, reflecting the net present value of future lease related obligations, giving a total exceptional charge of £5.1m.

Revised estimated settlement of receivables and loss on deconsolidation

During the period, the Group settled disputes in relation to the previous Legal Services business relationships with CS2 Lawyers Limited and Fishers Solicitors Limited and recognised a recovery of previously impaired receivables of £2.9m and a revised loss on deconsolidation of £0.3m, an overall net gain of £3.2m.

Consistent with previous years, the adjusted result excludes the share-based payment (credit)/charge of £nil (2009: £0.4m) and the amortisation of intangibles charge of £nil (2009: £0.3m). Including these two items, the total pre-tax exceptional charges are £2.0m (2009: £6.0m), which together with a tax credit of £nil (2009: £0.1m) results in a post tax exceptional loss of £2.0m (2009: £5.9m).

Statutory profit before tax is £1.6m (2009: £0.4m loss) and statutory profit after tax is £2.0m (2009: £0.2m loss).

Statutory diluted EPS is 0.61p (2009: 0.06p loss).

Balance sheet

The Group has continued its focus on the reduction of operating working capital (including fleet) under the Project Century initiative (whose objective was to reduce working capital, including fleet, measured from February 2009 by £100.0m at 30 June 2010, whereupon a £126.0m reduction was achieved) to de-leverage the balance sheet and improve liquidity. Since 30 June 2010 and in the period to 31 December 2010, net fleet assets have reduced by £10.0m and net trade receivables have reduced by £11.2m. Overall, under the Project Century initiative, working capital including fleet has reduced by £143.0m since February 2009.

As at 31 December 2010, debtor days were 223 days (2009: 234 days) reflecting the improved relative performance in net trade receivables collection (representing principally ABI receivables i.e. credit hire and repair claims due from at-fault third party insurers) net of the impact of reduced associated revenues; ABI ‘Legacy’ receivables represented 33 days and all other receivables 190 days. ABI cash receipts in the period were £120.8m (2009: £135.3m).

Net assets at 31 December 2010 were £90.9m (2009: £84.6m) representing an increase of £2.6m since 30 June 2010.

Business review
continued

	Unaudited 6 months ended 31 December 2010 £m	Unaudited 6 months ended 31 December 2009 £m	Audited 12 months ended 30 June 2010 £m
Fleet			
Finance leases	59.4	95.7	71.2
Fleet facility	8.4	20.9	9.9
Total fleet	**67.8**	**116.6**	**81.1**
Corporate			
Working capital	31.5	30.5	34.2
Term loan	35.4	43.1	39.3
Share purchase loan	7.5	7.5	7.5
Mortgages	9.4	10.4	10.4
Finance leases	0.6	5.0	2.0
Unamortised debt arrangement fees	(2.5)	(3.0)	(3.3)
Total corporate	**81.9**	**93.5**	**90.1**
Total debt	**149.7**	**210.1**	**171.2**
Cash	6.4	1.0	9.2
Net debt	**143.3**	**209.1**	**162.0**

Cash flow

Cash generated from operations was £18.5m (2009: £22.8m), a decrease of £4.3m due principally to lower depreciation of (£8.4m), offset by higher operating profits of £1.4m and reduced working capital of £2.5m. After other operating outflows/inflows of interest and taxation, net cash flow from operating activities was £14.8m (2009: £20.2m) and after the purchase and sale of fixed assets and a net repayment of finance leases (principally fleet) there was a repayment of net bank debt of £6.3m (2009: £3.1m).

Financing

Total net debt at 31 December 2010 was £143.3m (2009: £209.1m), a reduction of £18.7m versus £162.0m at 30 June 2010, and comprised fleet related funding of £67.8m (30 June 2010: £81.1m) and other corporate borrowings of £75.5m (30 June 2010: £80.9m) net of cash on hand and unamortised bank facility arrangement fees.

At 31 December 2010, the Group's bank related facilities, comprising revolving working capital, fleet, term, share purchase and mortgage related facilities totalled £117.3m, of which £31.5m net of cash on hand was unutilised at 31 December 2010.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 12-14 of the Annual Report and Accounts for the year ended 30 June 2010. However, the following risks may particularly affect the performance of the Group in the balance of the financial year:

Liquidity

The Group is dependent upon the continued availability of bank working capital and fleet facilities whose ongoing availability are dependent upon, inter alia, continued covenant compliance for the bank facilities as a whole, together with the continued availability of uncommitted fleet finance facilities to finance replacement vehicle purchases. The existing bank facilities are committed through to April 2012 however, the Directors intend to conclude by 30 June 2011 an extension to the current maturity date of these facilities; whilst the Directors are not presently aware of any reason why such an extension would not be achieved, the level of facilities, terms and conditions applying to such an extension may be less favourable than those currently applied and uncertainty therefore exists until such extension is concluded.

Settlement of ABI receivables

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

Customer and referrer relationships

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

Business review
continued

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

Systems and operating centres
The Group's core accident management business operates upon single IT platforms for claims and fleet management activities and the operational activities are conducted through two operational centres. Whilst appropriate back-up and disaster recovery contingency plans are in place, there is a risk that the Group's day to day activities could be interrupted by systems failures and operational site disruptions thereby affecting revenues and cash collection activity levels.

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

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

Related party transactions
There were no related party transactions during the six months ended 31 December 2010 that require disclosure.

Martin Ward
Group Managing Director

Ian Wardle
Chief Financial Officer

18 February 2011

Condensed consolidated income statement

for the six months ended 31 December 2010

Unaudited	Note	6 months ended 31 Dec 2010 Adjusted* £'000	6 months ended 31 Dec 2010 Exceptional items* £'000	6 months ended 31 Dec 2010 £'000	6 months ended 31 Dec 2009 Adjusted* £'000	6 months ended 31 Dec 2009 Exceptional items* £'000	6 months ended 31 Dec 2009 £'000
Continuing operations							
Revenue	3	**126,479**	**–**	**126,479**	152,545	–	152,545
Revised estimate of settlement of receivables	5	**–**	**2,927**	**2,927**	–	–	–
Total revenue		**126,479**	**2,927**	**129,406**	152,545	–	152,545
Cost of sales		**(95,846)**	**–**	**(95,846)**	(108,319)	–	(108,319)
Fleet (charges)/credits	5	**–**	**(109)**	**(109)**	–	405	405
Total cost of sales		**(95,846)**	**(109)**	**(95,955)**	(108,319)	405	(107,914)
Gross profit		**30,633**	**2,818**	**33,451**	44,226	405	44,631
Administrative expenses:							
Share-based payment charge	5	**–**	**(59)**	**(59)**	–	(369)	(369)
Amortisation of intangible assets	5	**–**	**–**	**–**	–	(334)	(334)
Restructuring costs	5	**–**	**(5,074)**	**(5,074)**	–	(5,760)	(5,760)
Revision of loss on deconsolidation	5	**–**	**305**	**305**	–	–	–
Other		**(23,312)**	**–**	**(23,312)**	(34,210)	–	(34,210)
Total administrative expenses		**(23,312)**	**(4,828)**	**(28,140)**	(34,210)	(6,463)	(40,673)
Operating profit – continuing operations		**7,321**	**(2,010)**	**5,311**	10,016	(6,058)	3,958
Finance costs		**(3,748)**	**–**	**(3,748)**	(4,308)	–	(4,308)
Profit/(loss) before taxation		**3,573**	**(2,010)**	**1,563**	5,708	(6,058)	(350)
Tax	6	**446**	**–**	**446**	–	154	154
Profit/(loss) for the period attributable to equity holders of the parent		**4,019**	**(2,010)**	**2,009**	5,708	(5,904)	(196)
Earnings/(loss) per share							
Basic	7	**1.21**	**(0.61)**	**0.61**	1.72	(1.78)	(0.06)
Diluted	7	**1.21**	**(0.61)**	**0.61**	1.72	(1.78)	(0.06)

* Adjusted profit excludes the impact of those items described as exceptional, namely revised estimate of settlement of receivables, fleet charges, share-based payment charge, restructuring costs and revision of loss on deconsolidation (prior year: fleet credits, share-based payment charge, amortisation of intangible assets and restructuring costs). See Note 5 for further details.

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2010

Unaudited	6 months ended 31 Dec 2010 £'000	6 months ended 31 Dec 2009 £'000
Profit/(loss) for the period	**2,009**	(196)
Other comprehensive income		
Cash flow hedges		
Gains/(losses) arising during the period	**519**	(1,139)
Total comprehensive income for the period, attributable to the owners of the Company	**2,528**	(1,335)

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2010

	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Equity reserve £'000	Hedging reserve £'000	Retained earnings £'000	**Total £'000**
Six months ended 31 December 2010							
Balance at 1 July 2010	16,565	107,103	–	6,593	(2,418)	(39,544)	**88,299**
Profit for the period	–	–	–	–	–	2,009	**2,009**
Other comprehensive income	–	–	–	–	519	–	**519**
Total comprehensive income for the period	–	–	–	–	519	2,009	**2,528**
Share-based incentive plans	–	–	–	59	–	–	**59**
Balance at 31 December 2010	16,565	107,103	–	6,652	(1,899)	(37,535)	**90,886**

	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Equity reserve £'000	Hedging reserve £'000	Retained earnings £'000	**Total £'000**
Six months ended 31 December 2009							
Balance at 1 July 2009	16,565	107,103	(7,499)	6,665	(292)	(37,000)	**85,542**
Loss for the period	–	–	–	–	–	(196)	**(196)**
Other comprehensive income	–	–	–	–	(1,139)	–	**(1,139)**
Total comprehensive income for the period	–	–	–	–	(1,139)	(196)	**(1,335)**
Share-based incentive plans	–	–	–	369	–	–	**369**
Balance at 31 December 2009	16,565	107,103	(7,499)	7,034	(1,431)	(37,196)	**84,576**

Condensed consolidated balance sheet
as at 31 December 2010

	Note	Unaudited 31 December 2010 £'000	Audited 30 June 2010 £'000
Non-current assets			
Goodwill	*9*	**44,626**	44,626
Property, plant and equipment (including vehicles)	*10*	**75,183**	89,002
Deferred tax asset		**3,708**	3,292
		123,517	136,920
Current assets			
Trade and other receivables		**179,125**	190,456
Assets held for sale	*10*	**70**	2,291
Cash and cash equivalents		**6,429**	9,211
		185,624	201,958
Total assets		**309,141**	338,878
Current liabilities			
Trade and other payables		**(54,719)**	(65,381)
Obligations under finance leases	*12*	**(31,266)**	(53,293)
Short-term borrowings	*11*	**(7,953)**	(7,998)
Provisions		**(3,698)**	(3,520)
		(97,636)	(130,192)
Net current assets		**87,988**	71,766
Non-current liabilities			
Long-term borrowings	*11*	**(81,748)**	(89,962)
Obligations under finance leases	*12*	**(28,735)**	(19,920)
Other financial liabilities		**(1,899)**	(2,418)
Deferred tax liability		**(344)**	(375)
Long-term provisions		**(7,893)**	(7,712)
		(120,619)	(120,387)
Total liabilities		**(218,255)**	(250,579)
Net assets		**90,886**	88,299
Equity			
Share capital	*13*	**16,565**	16,565
Share premium account	*13*	**107,103**	107,103
Equity reserve		**6,652**	6,593
Hedging reserve		**(1,899)**	(2,418)
Retained earnings		**(37,535)**	(39,544)
Total equity		**90,886**	88,299

Condensed consolidated cash flow statement

for the six months ended 31 December 2010

	£'000	Unaudited 6 months ended 31 December 2010 £'000	£'000	Unaudited 6 months ended 31 December 2009 £'000
Cash flows from operating activities				
Operating profit*	**5,311**		3,958	
Depreciation, amortisation and impairment charges	**7,312**		15,738	
Loss on sale of tangible fixed assets	**451**		303	
Loss/(profit) on sale of assets held for resale	**116**		(414)	
Share-based payment charges	**59**		369	
Decrease in receivables	**12,172**		4,219	
Decrease in payables	**(6,875)**		(1,380)	
Cash generated from operations		**18,546**		22,793
Bank and loan interest paid*	**(3,600)**		(3,122)	
Interest element of finance lease rentals*	**(147)**		(556)	
		(3,747)		(3,678)
Taxation received		**–**		1,062
Net cash flow from operating activities		**14,799**		20,177
Cash flows from investing activities				
Purchase of property, plant and equipment	**–**		(290)	
Proceeds from sale of property and equipment	**31,601**		8,313	
Proceeds from sale of assets held for resale	**2,011**		8,304	
Net cash flow from investing activities		**33,612**		16,327
Cash flows from financing activities				
Net proceeds from issue of new loans	**–**		20,684	
Repayment of borrowings	**(9,100)**		(34,257)	
Finance lease principal repayments	**(42,093)**		(33,412)	
Net cash flow from financing activities		**(51,193)**		(46,985)
Net decrease in cash and cash equivalents		**(2,782)**		(10,481)
Cash and cash equivalents at beginning of period		**9,211**		11,470
Cash and cash equivalents at end of period		**6,429**		989
Cash and cash equivalents consist of:				
Cash at bank and in hand		**6,429**		989

* Interest on obligations under fleet finance leases and fleet facilities of £1,140k (2009: £3,562k) has been charged to operating profit during the period.

Notes to the condensed consolidated cash flow statement

for the six months ended 31 December 2010

	Audited 30 June 2010 £'000	Cash flow £'000	Other non-cash charges £'000	(Increase)/ decrease in net debt £'000	**Unaudited 31 December 2010 £'000**
Analysis and reconciliation of net debt					
Net cash and cash equivalents	9,211	(2,782)	–	(2,782)	**6,429**
Debt due within one year	(7,998)	4,899	(4,854)	45	**(7,953)**
Debt due after more than one year	(89,962)	4,201	4,013	8,214	**(81,748)**
Finance leases	(73,213)	42,093	(28,881)	13,212	**(60,001)**
	(171,173)	51,193	(29,722)	21,471	**(149,702)**
Net debt	(161,962)	48,411	(29,722)	18,689	**(143,273)**

	Audited 30 June 2009 £'000	Cash flow £'000	Other non-cash charges £'000	(Increase)/ decrease in net debt £'000	**Unaudited 31 December 2009 £'000**
Analysis and reconciliation of net debt					
Net cash and cash equivalents	11,470	(10,481)	–	(10,481)	**989**
Debt due within one year	(7,509)	3,860	(4,887)	(1,027)	**(8,536)**
Debt due after more than one year	(114,764)	9,713	4,257	13,970	**(100,794)**
Finance leases	(128,652)	33,412	(5,499)	27,913	**(100,739)**
	(250,925)	46,985	(6,129)	40,856	**(210,069)**
Net debt	(239,455)	36,504	(6,129)	30,375	**(209,080)**

Notes to the interim statements

1 Basis of preparation

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

The information for the year ended 30 June 2010 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without quantifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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

As noted in the Business review, the Group has made progress in its plans to reduce operating working capital (including fleet) and reduce its net debt. This has resulted in net debt (including fleet financing) reducing from £162.0m at 30 June 2010 to £143.3m at 31 December 2010.

The Group's bank facilities are committed until 30 April 2012 and at 31 December 2010 totalled £117.3m of which £31.5m (net of available cash on hand) was unutilised. The banking agreement includes scheduled term debt amortisation reducing facilities to £105.5m at March 2012. The Directors intend to complete negotiations by 30 June 2011 to extend the existing maturity date of the current facilities.

The Group is currently in full compliance with the financial covenants contained in its financing agreements. The Directors have prepared detailed profit and cash flow forecasts through to June 2012, and in doing so have carefully considered the impact of assumptions and sensitivities. This includes scenario testing carried out to demonstrate performance and headroom under stressed conditions including appropriate mitigating actions. This takes account of reasonable possible changes in its trading performance, and shows that the Group will be able to operate within the existing financing facilities.

As part of the ongoing process to monitor the Group's working capital position, a number of strategic developments have been implemented that should result in improving cash flow and headroom against financial covenants. However, if events and risks are materially different to those evaluated, then adjustment to the Group's banking terms and conditions, including covenant performance ratios, could be required.

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

2 Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been applied in these condensed consolidated financial statements as were applied in the Group's financial statements for the year ended 30 June 2010.

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

Notes to the interim statements
continued

2 Significant accounting policies continued

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

The critical judgements affecting the Group's interim financial statements are the valuation of the receivables (see note 3) and depreciation of the vehicle fleet (see note 10).

3 Revenue

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

	Unaudited 6 months ended 31 December 2010 £'000	Unaudited 6 months ended 31 December 2009 £'000
Accident management assistance and related services, primarily vehicle hire	**84,637**	108,932
Vehicle repairs	**44,769**	43,613
	129,406	152,545

As fully disclosed within note 15 to the consolidated financial statements for the year ended 30 June 2010, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the income statement.

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

	Unaudited 6 months ended 31 December 2010 £'000	Unaudited 6 months ended 31 December 2009 £'000
Revenue initially recorded on transactions	**123,174**	152,378
Revision of expected adjustment arising on settlement	**3,305**	167
Exceptional revision of expected adjustment arising on settlement	**2,927**	–
Total	**129,406**	152,545

4 Business segments

The condensed consolidated financial statements are in respect of the Group's sole business segment of non-fault accident services, conducted principally in the United Kingdom. The Directors consider that the business comprises a single segment within the meaning of IFRS8, 'Operating segments'.

5 Exceptional items

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

Adjusted profit

As discussed in the Business review, in order to provide a comparable view of the underlying performance of the Group, the adjusted profit has been presented in the condensed consolidated income statement. Adjusted profit excludes the impact of those items described as exceptional, as discussed in more detail below.

Revised estimate of settlement of receivables

As fully disclosed within note 15 to the consolidated financial statements for the year ended 30 June 2010, the estimation of the expected adjustment on settlement of claims due is made at the time when revenue is recognised. Where necessary, this is revised at each balance sheet date to reflect the most recent estimation of the amounts ultimately recoverable. During this period, two accounts were finally settled in excess of the estimations previously provided. The revision in the estimation of settlement of receivables for these was £2.9m (2009: £nil). The tax effect of this is £nil (2009: £nil).

Fleet charges/(credits)

The exceptional fleet charges of £0.1m (2009: credits of £0.4m) relate to (charges)/credits realised on the sale of previously impaired fleet assets. The tax effect of the exceptional fleet (charges)/credits was £nil (2009: £nil).

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

As in previous periods, the share-based payment charge/(credit) and amortisation of intangible assets together with the related tax impact, have been excluded in arriving at adjusted profit/(loss) for the period.

Restructuring expense

The restructuring expense of £5.1m (2009: £5.7m) relates to severance costs of £0.9m (2009: £3.6m), onerous lease provision of £1.4m (2009: £1.2m), onerous IT/telecoms contracts of £0.1m (2009: £nil), litigation and staff restructuring costs of £2.7m (2009: £nil) and asset impairments of £nil (2009: £0.9m). The tax effect of these exceptional charges was £nil (2009: £nil).

Revision of loss on deconsolidation

During the year to 30 June 2009 the Group deconsolidated CS2 Lawyers Limited and Fishers Solicitors Limited, whose results were previously included in the Group's financial statements. The estimates of losses arising on deconsolidation of these entities have been revised during this period following final settlements with these companies, resulting in a £0.3m credit (2009: £nil). The tax effect of this exceptional credit was £nil (2009: £nil).

Notes to the interim statements
continued

6 Tax credit

The tax credit comprises the following:

	Unaudited 6 months ended 31 December 2010 £'000	Unaudited 6 months ended 31 December 2009 £'000
Deferred tax credit	**446**	154

The effective tax rate of 28% is consistent with the standard rate of UK corporation tax of 28% due to the recognition of a deferred tax asset in respect of those losses. This loss is expected to be utilised against profits arising in the second six month period to 30 June 2011.

A further potential deferred tax asset in respect of tax losses has not been recognised due to uncertainty surrounding the precise timing and quantum of future taxable profits against which the asset could be utilised.

7 Earnings per share

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

	Unaudited 6 months ended 31 December 2010 £'000	Unaudited 6 months ended 31 December 2009 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being net profit/(loss) attributable to equity holders	**2,009**	(196)
Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**331,347,667**	331,347,667
Effect of dilutive potential ordinary shares – share options and other share plans	**–**	723,031
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**331,347,667**	332,070,698

Adjusted earnings per share

The calculation of basic and diluted adjusted earnings/(loss) per share is based on the same number of shares as for the unadjusted earnings/(loss) per share set out above and the adjusted profit of £4.0m (2009: £5.7m).

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

8 Dividends

No interim or final dividend for the year ended 30 June 2010 has been declared and no interim dividend for the six month period to 31 December 2010 has been declared.

9 Goodwill

There was no movement in goodwill in the six months ended 31 December 2010.

10 Property, plant and equipment (including vehicles)

During the period the Group spent approximately £25.5m on additions, being principally vehicles. £25.5m of this was funded by finance leases. It also disposed of plant and equipment (predominantly vehicles) with a carrying amount of £31.9m for disposal proceeds of £31.6m. Depreciation charges of £7.3m and impairment charges of £0.1m were incurred during the period.

Assets held for sale of £0.1m (30 June 2010: £2.3m) comprise vehicles impaired as part of the restructuring carried out during the financial year to 30 June 2009.

11 Bank borrowings

The Group reduced its net debt by £18.7m in the six months ended 31 December 2010.

At 31 December 2010 the Group's bank loans of £83.3m net of £6.4m cash on hand (30 June 2010: £88.7m net of £9.2m cash on hand) comprised a revolving credit facility of £25.1m net of cash on hand (30 June 2010: £25.0m net of cash on hand), a term loan of £35.4m (30 June 2010: £39.3m), a revolving fleet funding facility totalling £8.4m (30 June 2010: £9.9m), a term loan of £7.5m (30 June 2010: £7.5m) and mortgages totalling £9.4m (30 June 2010: £10.4m) secured on the Northwich, Stoke and Chesterfield offices, less unamortised debt arrangement fees.

The £55.0m revolving working capital facility is repayable in full by 30 April 2012. The £35.4m term loan is repayable at a rate of £7.7m per annum with a final bullet payment of £25.8m due by 30 April 2012. The revolving fleet funding facility of £10.0m is repayable in full by 30 April 2012. The £7.5m term loan is repayable in full by 30 April 2012. The mortgages of £9.4m are payable at a rate of £1.0m semi-annually with a bullet payment due by 30 April 2012.

The interest rates applicable to the revolving working capital and term loan facilities are 3.3% to 4.75% above LIBOR dependent on specific financial ratios. The fleet and mortgage facilities are subject to interest at 4% above LIBOR.

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

Notes to the interim statements
continued

12 Obligations under finance leases
During the period the Group entered into new finance leases with a principal value of £28.9m and made principal repayments of existing finance leases of £42.1m.

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

14 Approval of interim financial statements
The interim financial statements were approved by the Board of Directors on 18 February 2011.

Martin Ward
Group Managing Director

Ian Wardle
Chief Financial Officer

18 February 2011

Directors’ responsibility statement

in respect of the interim financial statements

The Directors are responsible for the preparation of the condensed consolidated financial statements and Business review comprising this set of Interim results for the six months ended 31 December 2010, each of whom accordingly confirms that to the best of his knowledge:

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

Martin Ward
Group Managing Director

Ian Wardle
Chief Financial Officer

Independent review report to Helphire Group plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

18 February 2011

Shareholder information

Registered Office
Helphire Group plc
Pinesgate
Lower Bristol Road
Bath
BA2 3DP

Company number
03120010

Web site
www.helphire.co.uk

Financial calendar

2011
21 February – Interim results for the six months ended 31 December 2010
May – Interim Management Statement
29 September – Preliminary results for the twelve months ended 30 June 2011
November – Interim Management Statement
18 November – 2011 Annual General Meeting

Advisors

Auditors
Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Solicitors
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Financial advisor and stockbroker
Investec Bank plc
2 Gresham Street
London
EC2V 7QP

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

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

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

AIB Group (UK) plc
Corporate Banking
3rd Floor
4 Tenterden Street
London
W15 1TE

HSBC Bank plc
45 Milsom Street
Bath
BA1 1OU

PR advisors
College Hill
The Registry
Royal Mint Court
London
EC3N 4QN

Produced by Royle Financial Print, London.

Helphire Group plc
Pinesgate
Lower Bristol Road
Bath BA2 3DP

T: 01225 321000
www.helphire.co.uk