



Interim Results

27 February 2009



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Presenting Team



Mark Adams
Chief Executive



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Group Finance Director



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Introduction

- Weak H1 2009 performance is the result of historical internal failings and market conditions
- Business issues were deeper than identified in July 2008
- Previous management built cost base and decreased flexibility going into a maturing, weakening market
- Accident management market growth has slowed, exposing the Group's high cost base
- Causes have been diagnosed, action has been taken: urgency has increased but more time is needed
- Continued cash outflow due to operational inefficiency coupled with low profitability has caused funding pressure
- Demand for the services exists and underlying model is sound



Key Points

- Revenue before exceptional item up 10.3% to £202.9m (2007: £183.9m)
- Adjusted operating profit £8.9m (2007: £25.9m)
- Adjusted PBT £3.0m (2007: £21.8m)
- Inclusive of exceptional items, loss before tax £59.3m (2007: profit £19.4m)
- Adjusted, diluted earnings per share 4.7p (2007 11.1p)
- New Chairman, Chief Executive and Group Finance Director
- New, experienced non-executive team
- Cost saving programme well underway, expect to exceed £5m target
- Non-binding support for equity raising of £50m (before expenses)



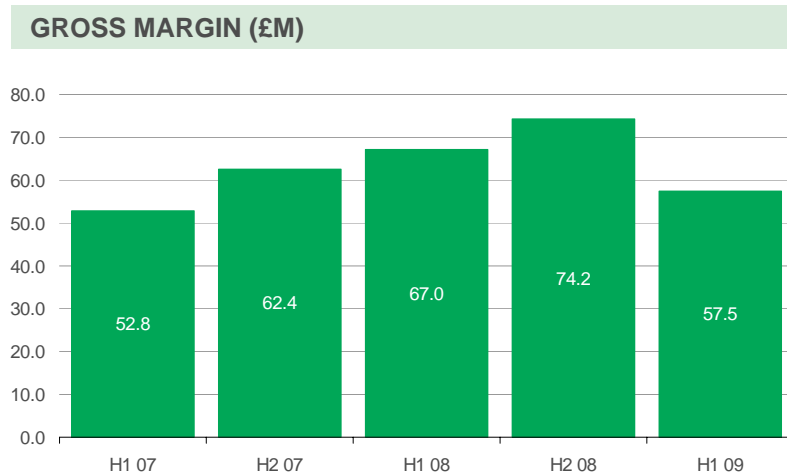
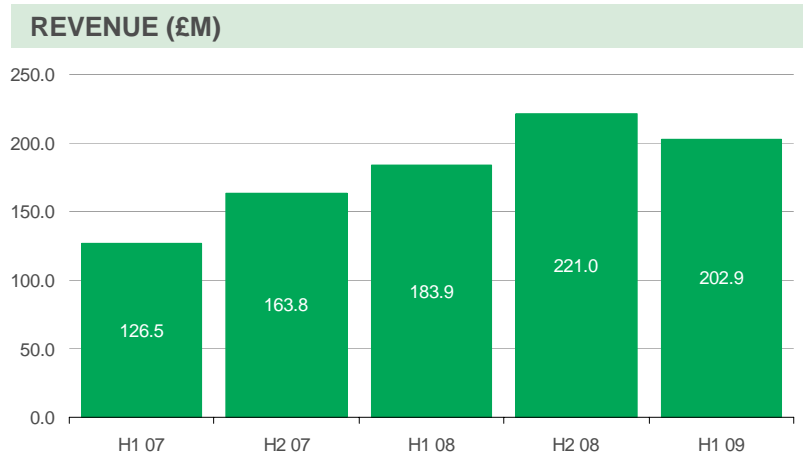
Interim Results - Profit

	FY 09 H1	FY 08 H1	+/-	FY 08 Full Year
	£m	£m		£m
Revenue	202.9	183.9	+10%	404.9
Direct costs	(145.4)	(116.9)	+24.4%	(263.7)
Gross Profit	57.5	67.0	-14%	141.2
Overheads *	(51.0)	(43.4)	+17.6%	(91.9)
Other operating income	2.4	2.2	+7.6%	6.2
Operating Profit*	8.9	25.9	-66%	55.5
Finance Costs	(5.9)	(4.1)	+43.2%	(8.6)
Profit before tax*	3.0	21.8	-86%	46.9

* Adjusted before amortisation, share based payment charges and exceptional items

- Growth in total revenue over prior year
- Operating margin hit by decreased profitability and increased overheads
- Finance costs raised due to increased borrowings and higher cost of borrowing

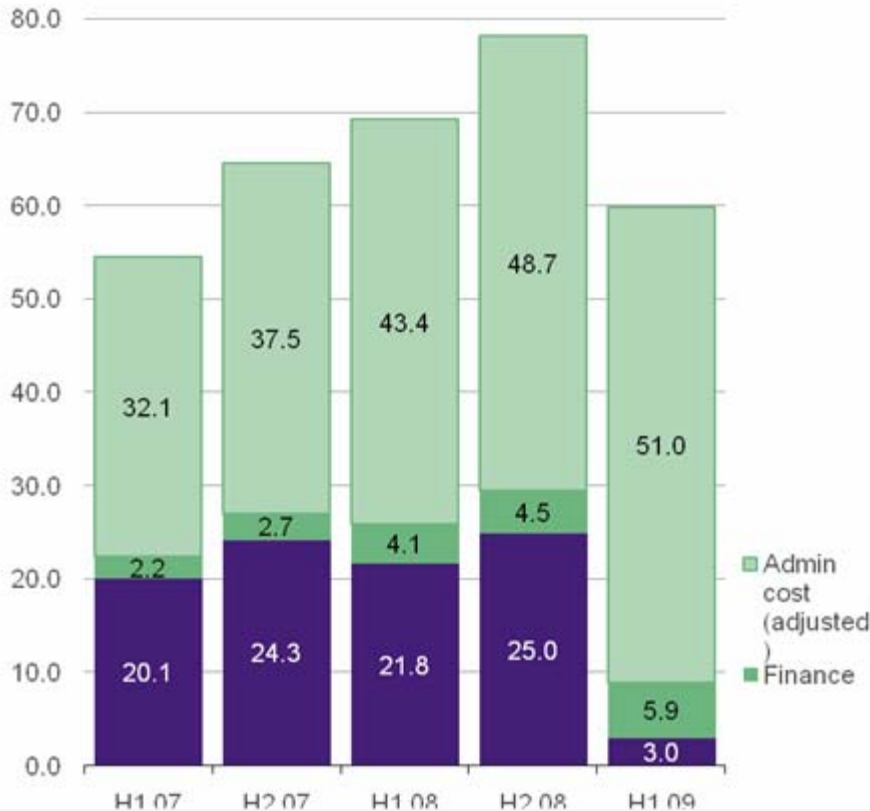
Interim Results – Business Overview



- Total revenue in H1 09 10% up on prior year
- Core hire business still growing vs prior year
- Strong growth in both repair and PI business
- Hire margin impacted by increased fleet and commission costs
- Repair margin steady
- PI margins squeezed by commission inflation

Interim Results – Business Overview

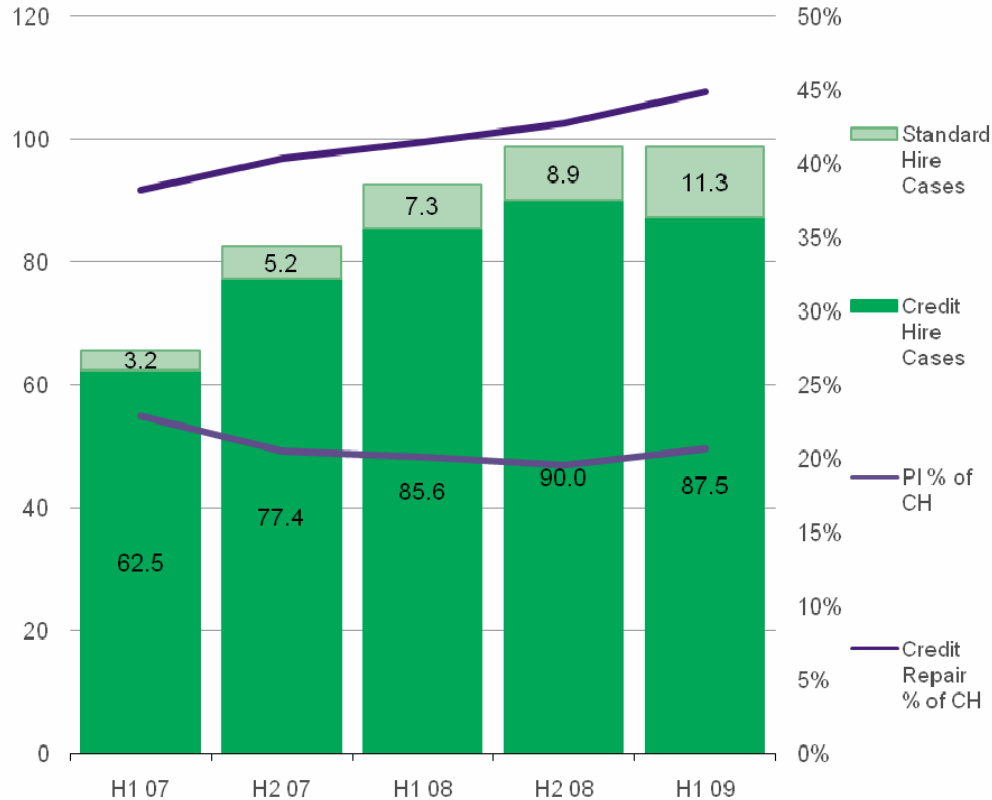
GROSS PROFIT* BREAKDOWN (£M)



- Gross profit £9.5m lower than prior year
- Overhead growth due to
 - inclusion of CS2 and CabAid
 - expansion of CS2 business
 - increase in collections/litigation resource
 - expectation of higher volumes

* includes other operating income

Interim Results - KPIs



- 6% increase in cases
- Revenue per case slightly down on prior year as a result of reduced hire length, offset by rate increase
- Fleet and commission cost per case both up 15%
- Hire days at Albany increased on back of Admiral growth

** includes other operating income*

Interim Results – Adjusting Items

	£m
● Revised estimate of settlement of receivables	34.5
● Fleet impairment	5.4
● Goodwill impairment	18.7
● Restructuring costs	1.5
● Change in fair value of interest rate swaps	1.9
● Others (net)	0.3

	62.3



Interim Results - Balance Sheet

	Dec 08	Dec 07	+/-	Jun 08
	£m	£m		£m
Non current Assets	266.6	299.1	-10.9%	300.9
Debtors	291.1	250.0	+16.4%	297.5
Creditors	(88.9)	(70.6)	+25.9%	(95.4)
Net Assets	468.8	478.5	-2%	503.0
Equity	121.1	135.0	-10.3%	140.7
Debt	347.7	343.5	+1.2%	362.3
Funds Employed	468.8	478.5	-2%	503.0
Leases	179.6	201.7	-11.0%	198.8
Bank Facilities	180.2	151.6	+18.9%	171.4
Cash	(12.1)	(9.8)	+23.5%	(7.9)
Net Debt	347.7	343.5	+1.2%	362.3

- Book value of fleet reducing due to holding policy
- £19m reduction in lease debt has put pressure on bank facilities due to lower than expected profitability and cash generation
- Underlying trade receivables increased by £28m offset by exceptional adjustment

Interim Results – Cash Flow

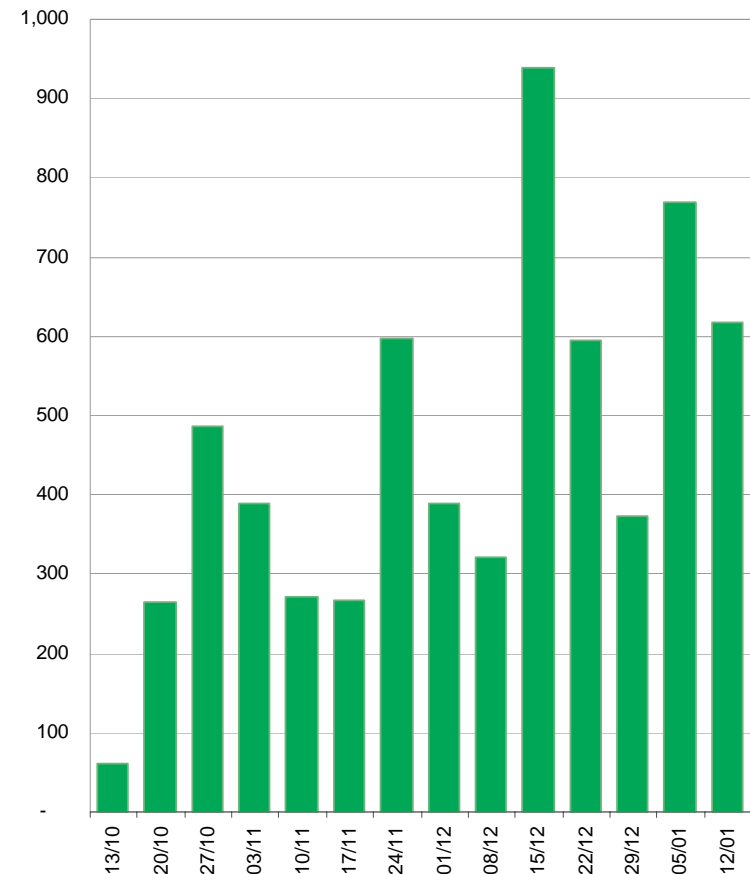
	FY 09 H1 £m
Operating Profit	(51.6)
Depreciation, amortisation	47.1
Loss on disposal of vehicles	1.9
Other	(0.6)
EBITDA	(3.1)
Movement in working capital	12.7
Interest paid	(5.9)
Tax Paid	(6.6)
Capex	(3.5)
Operational cashflow	(6.5)
Vehicles	
Lease repayments	(60.1)
Less; Disposal proceeds	27.6
Cash Flow - Vehicles	(32.5)
Equity issue	
Equity issue	42.3
Less Dividend	(7.9)
Cash Flow - Equity	34.4
Net movement in long term loans	(0.6)
Decrease in headroom	(5.2)

- Reduced profitability combined with continued increase in debtors resulted in cash shortfall
- Due to EBITDA shortfall net £34m of equity has been consumed largely by lease repayments
- Cash is being collected, progress at Albany encouraging but improvement in Q2 interrupted by a TPI moratorium

Interim Results - Litigation Strategy

- AIM: transfer all cases to solicitors no later than 120 days for rapid issue of proceedings
 - cases expected to settle held back
 - significant progress with current caseload but objective not yet achieved
 - slow progress with backlog
- Litigation capacity built from 1,000 cases per month to over 4,000 cases per month using panel solicitors
- Average recovery rate on cases handled by TSS is well above ABI 30 day rate (typically circa 115%) despite failure to settle pre-litigation
- Costs awarded in almost all cases
 - cases >£5,000 generate profit costs and can be 'sold' to solicitors
 - cost recovery on cases <£5,000 is low so increased litigation increases overhead costs

CASES TRANSFERRED TO SOLICITORS PER WEEK



Key Themes - Fleet Costs

- Issue

- surplus vehicles
- business over-committed going into the downturn
- residual vehicle values have fallen sharply
- fleet inflexible

- Solution

- disposal of 2,000 vehicles underway, programme complete by May 2009
- contract hire of over 3,000 vehicles to corporate users as seasonal demand reduces
- improve management information to enhance decision making
- more flexible fleet



Key Themes - Admin Costs

- Issue

- cost base is too high, too inflexible
- parts of the operations are very inefficient
- greater sense of urgency required

- Solution

- moratorium on all recruitment (NB call centre staff turnover historically high)
- group-wide cost reduction programme to remove more than £5m being implemented
- cost to achieve savings is circa £1.5m
- process re-engineering in Helphire UK – eliminate processes not adding value
- two mainstream accident management units brought together to eliminate duplicated costs
- accelerate business simplification and development of lower cost, contractual business models



Key Themes - Cash Collection

- Issue

- lack of collection discipline and poor claims handling has created a backlog of neglected cases
- analysis shows claims are recoverable, collections practice very poor in places, pockets of good practice
- sustainable change requires a change in insurer expectations (payment is now being enforced)
- good progress made at Albany - Helphire UK problematic

- Solution

- management reorganised – Martin Ward, Albany MD, appointed to head Helphire UK
- litigation strategy is key - imposes penalty for non-payment - insurers beginning to respond
- receivables management experts brought in to re-engineer collections - implementation of recommendations underway
- active discussions with insurers on settlement of outstanding debt and on-going settlement
- intensive management, improved MI, pay increasingly results-focussed



Key Themes - Management

- Issue

- lack of leadership, control and management information
- lack of senior industry relationships
- insufficient senior operational expertise

- Solution

- new Chairman with proven business transformation credentials
- new CEO and new Group FD
- experienced new non-executive team – See Appendix
 - Michael Howard QC
 - Andrew Cripps
 - Mark McCafferty
- promoted MD of best-performing unit to lead mainstream accident management business
- strengthen management throughout
- eliminate unnecessary management layers



Key Themes - Group Strategy

- Issue

- poor decision-making
- insufficient financial analysis and planning
- historical focus on growth and profit at the expense of cash

- Solution

- focus on cash
- continue to review performance of all of the Group's business units and all referrer contracts - act to ensure acceptable levels of return on capital
- engage with business partners at a more senior level – existing business and added-value services



Key Themes - Potential

- Working capital
 - imposition of business disciplines should lead to significant improvement in capital employed
 - each day's reduction in debtor days will release around £1m cash
- Operations
 - costs are being reduced and operations will become more efficient
 - greater discipline should improve recovery on cases as well as accelerate closure
 - business can be returned to an acceptable level of profit
- Model
 - drive lower cost consensual/contractual model
 - broaden referrer base, reduce business capture costs



Fund Raising

- Profit and cash shortfalls have put pressure on facility headroom and covenants
- Plan to raise £50m before expenses
- Additional finance to provide the funding to achieve turnaround, generate cash and build a quality business
- Lending banks supportive – revised banking arrangements to reflect equity fund raising



Summary

- Challenging economic environment
- Significant deterioration in profitability demanded urgent action
- New management team
- Rapid action taken to resize the business and improve collections
- Plan to raise £50m before expenses to strengthen balance sheet and enable recovery plan to be delivered
- Demand for the service is stable and underlying model is sound
- Clear plan to improve profitability and deliver shareholder value





Appendix

Interim Results



Appendix: New Non-Executives

- **Michael Howard QC (age 67)**

Michael will join the board as Senior Independent Director on 1 March 2009. He will bring a great deal of experience both as a QC and as a statesman and in addition to his role as a director he will assist the board in managing key external relationships.

Michael entered parliament in 1983 and the Cabinet as Secretary of State for Employment in 1990, becoming Home Secretary from 1993 to 1997. He went on to become Shadow Foreign Secretary, Shadow Chancellor and in 2003 was elected Leader of the Opposition.

Michael was a distinguished barrister and for a period of time specialised in personal injury and accident cases.

- **Andrew Cripps (age 51)**

Andrew will join the board as a Non Executive Director and Chairman of the audit committee on 1 March 2009. He will bring extensive experience from a background in accountancy, senior international executive management, corporate finance and M&A.

Andrew started his career with KPMG before spending over 20 years with BAT plc in a variety of finance, management and M&A roles. He currently serves as a Non Executive Director with Booker Group plc, the UK based cash and carry company with sales exceeding £3 billion, and is Deputy Chairman of Swedish Match AB, the Stockholm listed international consumer goods group with 12,000 employees and a market capitalisation of £3 billion.

- **Mark McCafferty (age 49)**

Mark will join the board as Non Executive Director and Chairman of the remuneration committee on 1 March 2009. He will bring extensive sector management and commercial experience to the board having spent a number of years as CEO of Avis Europe PLC.

Prior to Avis Mark was Managing Director of Thomas Cook Group Ltd, and prior to that was a manager in the office of the CEO, Midland Bank International. Mark is currently CEO of Premier Rugby Ltd and has held Non Executive Directorships with HMV Group plc and UMBRO plc.

