

A close-up, high-angle photograph of a silver car's front end. The main focus is a large, circular headlight with a clear lens and a chrome-like bezel. Below it is a smaller, rectangular fog light with a yellowish-tinted lens. The car's body panels are smooth and metallic, reflecting light. The background is a plain, light-colored surface.

Helphire[®]
Group plc

INTERIM REPORT
for the 6 months to 31 December 2007



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ANOTHER PERIOD OF
SIGNIFICANT GROWTH



THIS PERIOD'S HIGHLIGHTS
ARE A **REFLECTION** OF THE
WORK AND COMMITMENT
SHOWN BY OUR STAFF





> highlights

Helphire is pleased to announce

- Hire cases increased by 41%, turnover increased by 45%
- Dividend increased by 25% to 6.5p
- Operating profit increased by 16% to £23.5m
- Profit before tax increased by 7% to £19.4m
- Eight new insurer contracts signed in the period
- Increased banking facilities at the same cost of borrowing to finance strong growth. A third bank has joined the banking syndicate
- Weighted average age of claims has fallen by 9% in the period
- Accelerated claims settlement process continues to develop
- Exceptional current year growth provides an excellent platform for the future; focus on profitability and cash flow
- Fleet ownership model continues to deliver reductions in fleet holding costs
- Legal Services development accelerates



I have pleasure in presenting the Chief Executive's Statement for the 6 months ended 31 December 2007.

➤ overview

The UK non-fault accident management market is maturing and all participants in the provision of services to accident victims are now utilising some or all of the services of accident management companies. This includes insurance companies, insurance brokers, resellers of insurance such as banks, legal expense insurance companies, solicitors, car manufacturers, car dealerships/repair shops. This has resulted in rapid growth in business in the first half of this financial year with an increase of 41% in the number of cases handled to over 92,000 and a concomitant increase in turnover of 45% to £184m. We are also seeing an increasing number of insurers using us for other replacement vehicle products. While this is typically lower margin business we expect increasing profitability due to reduced fleet holding costs and contribution to fixed overheads.

This period has also seen the Group commence eight new insurer contracts and we now have relationships with many of the UK's leading motor insurers as customers and all as counterparties. Helphire's ever closer relationship with insurers puts us in a stronger position in the longer term as our market matures and it is already facilitating steps that will bring financial benefits to both Helphire and the insurer. In this period, the weighted average age of a claim has fallen by 9% compared to 8% in the whole of the last financial year. Under the ABI GTA, to which we and the insurers subscribe, there is a financial incentive for insurers to settle claims promptly but achieving more rapid settlement requires close cooperation between ourselves and insurers. Discussions regarding accelerated settlement are now underway with insurers representing 70% of the market. A step change in settlement profile however leads to a short term impact on gross and net margins as 'late payment penalties' collected under the terms of the ABI GTA decrease. This is compensated for by the reduction in the costs of financing and handling claims which more rapid claims settlement brings but this will not be seen until next financial year.

The overwhelming driver of cash flow in our business is growth. In the first six months of the year, our rapid growth meant that we were adding new cases faster than existing cases were being settled so the value of our debtors naturally increased commensurately. Helphire's rapid growth masks the underlying improvement in such measures as debtor days. It is very important

to maintain our rapid increase in market penetration as we believe that organic growth will slow over the course of the next two to three years as ever more of the available cases are the subject of a credit hire.

As the market continues to develop and the new claims settlement processes take full effect, we expect to see a recovery in net margin and improved cash generation combined with the opportunity to take advantage of the cost reduction and efficiency gains from initiatives such as Project Expedite, the business process re-engineering project which reaches full implementation next year.

The change of the Group's year-end to 30 June has reduced seasonality of business volumes due to winter weather. However, the second half of the financial year still includes the busiest months.

Helphire continually appraises the relative merits of owning or contract hiring vehicles. Over the last two years we have moved from a position of owning around twenty per cent of a fleet of 10,000 vehicles to over eighty per cent of a fleet of 20,000. The cost saving of owning the vehicles is considerable. The residual risk associated with the second hand disposal of the vehicles is effectively identical whether they are owned or hired as contract hire rates move to reflect residual values. The average holding period for the fleet is 12 months. However, this is constantly under review and may rise slightly if commercial benefits can be secured. Our banking syndicate is happy to fund this expansion and we recently negotiated increased facilities with an enlarged syndicate. This new facility is at the same cost of borrowing as our existing facility.

➤ operational performance

Accident Management UK (Automotive, Albany, Helphire)

Strong growth in core credit hire and repair business has been achieved both from new and existing clients. A number of new insurer clients started referring cases in the period and many long-standing customers are now increasing the penetration of the service and referring more cases as the benefits both in terms of service, cost saving and income generation become clearer.

92,833 hires were started in the period (2006: 65,714), an increase of 41% and 35,479 repairs (2006: 23,893), an increase of 48%. A total of 17,216 personal injury cases were accepted (2006: 14,355), an increase of 20% helped in part by business combinations during the period.



Over 97% of hires were fulfilled using the Group's own fleet. The Group fleet is now operated out of 31 depots around the United Kingdom with 6 further depots currently being sourced.

In November 2007, Cab Aid was acquired. Cab Aid is a provider of replacement vehicles to the taxi market, offering a full range of licensed vehicles and also specialising in the customisation of replacement vehicles for the specific needs of the relevant local authorities. This acquisition significantly strengthens the Group's presence in this particular niche of the accident management market. The business is performing in line with expectations.

Legal Services

In August 2007, a financial agreement with CS2 Lawyers Limited based in Chesterfield was announced, alongside the acquisition of the CS2 Group of Legal Services companies. This marked a significant step forward in the development of the Legal Services Division of the Group, which we regard as an exciting opportunity over the next few years. We are already seeing strong growth in our PI business and expect to see further growth in other Legal Service offerings.

Accident Management Overseas

A Spanish accident management operation has now commenced trading. Based in Madrid it is now processing approximately 30 hires per month. The target for the year to 30 June 2008 is a modest one, the intention being to test the viability of the service in terms of profitability and acceptance by the insurance industry before committing significant investment. The results to date are promising.

Further market research is being carried out in France and Germany with the intention of exploring these markets in due course.

> claims settlements

Traditionally, the accident management industry has handled each case as an individual claim against a third-party insurer. This process is time consuming, prolonging claims settlement and slowing cash collection.

The insurer incurs claims handling costs, has to reserve cash against the potential value of each claim and incurs 'late payment' penalties of up to 30%. The accident management company also incurs claims handling costs and cash collection is slow which increases borrowing requirements and financing costs.

The strength of our insurer relationships is allowing Helphire to explore various methods of more rapid 'bulk' settlement involving single invoices for groups of cases which are paid to an agreed formula and settled by the insurer within a much reduced period. As the average claims settlement time falls, the level of 'late payment penalties' also declines, according to the ABI GTA tariff. In the short-term, more rapid claims settlement therefore reduces net income per case but in the medium term, claims handling and borrowing costs will be reduced.

One such settlement has recently been entered into which will have the effect of accelerating payment of an insurer's entire debt to the Group totalling £25m.

> financial results and position

Revenue increased by 45% to over £183.9m (2006: £126.5m).
Gross profit increased by 27% to £67.0m (2006: £52.8m).
Operating profit increased by 16% to £23.5m (2006: £20.3m).
Profit before taxation increased by 7% to £19.4m (2006: £18.1m).
Excluding the impact of amortisation and impairment of intangible assets, share option charges and aborted acquisition costs, adjusted profit before tax increased by 6% to £21.8m (2006: £20.6m).

We have historically referred to debtor days, calculated by dividing total Group debtors at the balance sheet date by the previous twelve months' turnover and multiplying by 365. This ratio is inflated in a rapidly growing business such as ours when the period-end debtor balance is far higher than the average for the period. This makes it a poor indicator of cash flow performance of the business. At 31 December 2007 this ratio was 248 (31 December 2006: 213). It should also be noted that accrued income (i.e. hires and repairs which have been completed but not yet billed) is included in the turnover and debtor figures in the simple calculation of debtor days. Stripping out this element, debtor days would be 201. We have experienced a reduction in the average age of debt by 9% in the six month period (year ended 30 June 2007: 8% in 12 months).

Diluted earnings per share increased by 13% to 9.88p (2006: 8.74p). Diluted earnings per share adjusted for amortisation of intangible assets, share-based payment charges and non-recurring items increased by 9% to 11.10p (2006: 10.23p).

Excluding fleet finance, indebtedness of the Group rose to £122.0m comprising £54.7m of working capital borrowings,



£61.1m of acquisition finance and £6.2m of property related mortgages. Fleet finance was £29.9m, bringing total indebtedness (excluding fleet finance lease liabilities of £201.7m) to £151.9m. A new banking facility was agreed at the end of February which introduced a third bank to the syndicate. The facility includes £85m of working capital, £30m of acquisition finance, £65m of fleet finance and £40m of term loan. The total bank facility is therefore increased by £40m from £180m to £220m at the same borrowing cost as the previous facility.

The Group's net assets at 31 December 2007 were £135.0m (2006: £132.0m). The increase in net assets is explained fully in the condensed consolidated statement of changes in equity. The purchase of Hephire shares by an employee benefit trust, for the purpose of satisfying share-based payment awards, has reduced net assets by £5.5m, as the cost of the shares is required to be accounted for directly in reserves.

➤ infrastructure

The Group now operates out of a total of 195,000 square feet of office space based in Bath, Bristol, Northwich, Chesterfield and Peterlee. A further 85,000 square feet of space now has been sourced which will fulfil space-planning requirements for 2008-9. At 31 December 2007 a total of 3,100 people were employed by the Group (2006: 1,925) of these 310 were based in Peterlee, 125 in Northwich, 260 in Chesterfield, 845 in the branch network distributed around the United Kingdom, 80 in Surrey, and the remaining 1,480 in Bath and Bristol.

The business process re-engineering programme Project Expedite has made progress in the period. Hire cases were first processed in August 2007 and the next target is a pro rata claims handling capacity of 36,000 cases per annum by September 2008. Business case financial benefits will begin to be experienced in the next financial year. The new system offers significant efficiencies in terms of the speed and cost of claims processing.

➤ principal risks and uncertainties

The principal risks and uncertainties facing the Group have not changed significantly from those described in the Annual Report and Accounts for the year ended 30 June 2007 and we anticipate these will also be relevant for the second half of the financial year. Liquidity risk is being addressed by the steps taken to reduce the average case settlement

period discussed earlier in this Statement and the new banking facilities outlined above. Risks relating to the fleet are managed by continuous review of optimum holding periods as discussed earlier. Interest rate risk is addressed by the use of hedging. The Group entered into an interest swap arrangement in January 2008 which is designed to reduce the Group's exposure to adverse interest rate movements.

➤ dividends

Last year, a total dividend of 11.0p was paid for the whole year. At the end of the first six months of that financial period, the interim dividend payment was 5.2p.

The progressive dividend policy will continue. I am therefore pleased to announce that the Board is recommending an interim dividend of 6.5p, which will be paid on 1 May 2008 to shareholders on the register at 28 March 2008.

➤ responsibility statement

The directors are responsible for the preparation of the condensed consolidated financial statements and interim management report comprising this set of Interim Results for the six months ended 31 December 2007, each of whom accordingly confirms that to the best of his knowledge:

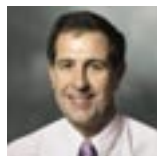
- The condensed consolidated financial statements have been prepared in accordance with IAS34;
- The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules ("DTR") 4.2.7R (indication of important events during the first 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 interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Hephire Group plc are listed in the Annual Report and Accounts for the year ended 30 June 2007.



MARK JACKSON

Chief Executive



	Note	Unaudited 6 months ended 31 December 2007 £'000	Unaudited 6 months ended 31 December 2006 £'000
Revenue			
Existing operations		178,501	126,514
Business combinations	13	5,419	–
		183,920	126,514
Cost of sales		(116,912)	(73,745)
Gross profit		67,008	52,769
Administrative expenses			
Abortive acquisition costs		–	(766)
Amortisation of intangible assets		(1,058)	(1,148)
Impairment of intangible assets		–	(406)
Share-based payment charge		(1,317)	(164)
Other		(43,365)	(31,723)
		(45,740)	(34,207)
Other operating income		2,233	1,743
Operating profit analysed between			
Existing operations		22,065	20,305
Business combinations	13	1,436	–
Total operating profit		23,501	20,305
Finance costs		(4,111)	(2,238)
Profit on ordinary activities before taxation		19,390	18,067
Tax on profit on ordinary activities	4	(5,521)	(5,784)
Profit for the period		13,869	12,283
Earnings per share			
Basic	5	10.03	9.01
Diluted	5	9.88	8.74
Adjusted earnings per share			
Basic	5	11.27	10.55
Diluted	5	11.10	10.23

	Note	Unaudited 31 December 2007 £'000	Audited 30 June 2007 £'000
Assets			
Non-current assets:			
Goodwill		73,877	67,052
Intangible assets	7	9,263	7,502
Property, plant and equipment (including vehicles)	8	213,426	144,109
Investments		300	300
Deferred tax asset		2,232	2,054
Other receivables		–	2,023
		299,098	223,040
Current assets:			
Trade and other receivables		249,950	191,494
Tax receivable		–	432
Cash and cash equivalents		9,793	4,895
		259,743	196,821
Total assets		558,841	419,861
Liabilities			
Current liabilities:			
Trade and other payables		(54,411)	(52,865)
Tax liabilities		(7,705)	–
Obligations under finance leases	10	(152,722)	(126,237)
Short term borrowing and overdrafts	9	(92,315)	(47,221)
		(307,153)	(226,323)
Net current liabilities		(47,410)	(29,502)
Non-current liabilities:			
Long-term borrowings and overdrafts	9	(59,272)	(33,498)
Deferred tax liability		(8,519)	(7,394)
Obligations under finance leases	10	(48,943)	(20,606)
		(116,734)	(61,498)
Total liabilities		(423,887)	(287,821)
Net assets		134,954	132,040
Equity			
Share capital	11	6,945	6,910
Share premium account	11	70,039	68,664
ESOP reserve		(5,524)	–
Equity reserve		7,347	6,206
Retained earnings		56,147	50,260
Total equity		134,954	132,040

	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Equity reserve £'000	Retained earnings £'000	Total £'000
Six months ended 31 December 2007						
Balance at 1 July 2007	6,910	68,664	–	6,206	50,260	132,040
Profit for the period	–	–	–	–	13,869	13,869
Issue of new ordinary shares	35	1,375	–	–	–	1,410
Share based incentive plans	–	–	–	1,317	–	1,317
Current tax – share based incentive plan	–	–	–	46	–	46
Deferred tax – share based incentive plan	–	–	–	(222)	–	(222)
Dividend	–	–	–	–	(7,982)	(7,982)
Helphire Group plc shares acquired by ESOP	–	–	(5,524)	–	–	(5,524)
Balance at 31 December 2007	6,945	70,039	(5,524)	7,347	56,147	134,954

condensed consolidated cash flow statement

for the 6 months ended 31 December 2007

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	Unaudited 6 months ended 31 December 2007 £'000	Unaudited 6 months ended 31 December 2006 £'000	£'000
Cash flows from operating activities:			
Operating profit	23,501	20,305	
Depreciation, amortisation and impairment charges	19,897	10,464	
Gains on sale of tangible fixed assets	(397)	(300)	
Share based payment charge	1,317	164	
Increase in debtors	(47,112)	(30,353)	
Increase in creditors	224	3,584	
Cash (used in)/generated from operations		(2,570)	3,864
Bank and loan interest paid	(3,732)	(2,009)	
Interest element of finance lease rentals	(379)	(229)	
		(4,111)	(2,238)
Taxation received/(paid)		610	(1,716)
Net cash flow from operating activities		(6,071)	(90)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(18,821)	–	
Purchase of other intangible assets	(673)	(2,088)	
Proceeds from sale of property and equipment	39,981	12,219	
Helphire Group plc shares acquired by ESOP	(5,524)	–	
Business combinations (note 13)	(13,072)	–	
Deferred consideration on acquisitions	(1,893)	–	
Net cash flow from investing activities		(2)	10,131
Cash flows from financing activities:			
Net proceeds from issue of ordinary share capital	1,410	1,270	
Net proceeds from issue of new loans	59,053	13,661	
Repayment of borrowings	(500)	(20,899)	
Finance lease principal repayments	(53,324)	(12,739)	
Dividends paid to shareholders	(7,982)	(9,535)	
Net cash flow from financing activities		(1,343)	(28,242)
Net decrease in cash and cash equivalents		(7,416)	(18,201)
Cash and cash equivalents at beginning of period		(37,510)	(14,423)
Cash and cash equivalents at end of period		(44,926)	(32,624)
Cash and cash equivalents comprise:			
Cash at bank and in hand	7,852	5,900	
Cash held in restricted deposit	1,941	426	
Bank overdraft	(54,719)	(38,950)	
	(44,926)	(32,624)	

	Audited 1 July 2007 £'000	Cash flow £'000	Other non-cash changes £'000	Unaudited 31 December 2007 £'000
Analysis and reconciliation of net debt				
Net cash and cash equivalents	(37,510)	(7,416)	–	(44,926)
Debt due within one year	(4,816)	(32,780)	–	(37,596)
Debt due after more than one year	(33,498)	(25,774)	–	(59,272)
Finance leases	(146,843)	53,324	(108,146)	(201,665)
	(185,157)	(5,230)	(108,146)	(298,533)
Net debt	(222,667)	(12,646)	(108,146)	(343,459)

	Audited 1 July 2006 £'000	Cash flow £'000	Other non-cash changes £'000	Unaudited 31 December 2006 £'000
Analysis and reconciliation of net debt				
Net cash and cash equivalents	(14,423)	(18,201)	–	(32,624)
Debt due within one year	(25,785)	24,492	–	(1,293)
Debt due after more than one year	(15,487)	(17,254)	(6,198)	(38,939)
Finance leases	(46,985)	12,739	(65,302)	(99,548)
	(88,257)	19,977	(71,500)	(139,780)
Net debt	(102,680)	1,776	(71,500)	(172,404)

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been 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 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. 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 contain statements under Section 237(2) or (3) of the Companies Act 1985.

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 2007.

In the current financial year the Group has adopted IFRS7, “Financial Instruments: Disclosures”. However, as IFRS7 is a disclosure standard only, its adoption has not impacted on the condensed consolidated financial statements for the period ending 31 December 2007.

3 SEGMENTAL INFORMATION

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 trading activity of Helphire Spain SL during the period was immaterial.

4 INCOME TAX CHARGE

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 28% (2006: 32%).

5 EARNINGS PER SHARE

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

	Unaudited 6 months ended 31 December 2007 £’000	Unaudited 6 months ended 31 December 2006 £’000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to equity holders	13,869	12,283
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	138,262,631	136,251,504
Effect of dilutive potential ordinary shares – share options and other share plans	2,044,703	4,219,856
Weighted average number of ordinary shares for the purposes of diluted earnings per share	140,307,334	140,471,360

Adjusted earnings per share

The calculation of basic and diluted adjusted earnings per share is based on the number of shares as for the unadjusted earnings per share set out above and the profit for the period adjusted by the following expenses:

	Unaudited 6 months ended 31 December 2007 £’000	Unaudited 6 months ended 31 December 2006 £’000
Abortive acquisition costs	–	766
Amortisation of intangible assets	1,058	1,148
Impairment of intangible assets	–	406
Share-based payment charge	1,317	164
Adjustments to profit before tax	2,375	2,484
Tax credits attributable to the above expenses	(665)	(394)
	1,710	2,090

6 DIVIDENDS

	Unaudited 6 months ended 31 December 2007 £'000	Unaudited 6 months ended 31 December 2006 £'000
Final dividend for the year ended 30 June 2007 of 5.8p per ordinary share	7,982	–
Final dividend for the 15 month period ended 30 June 2006 of 4.0p per ordinary share	–	5,456
	7,982	5,456

An interim dividend of 6.5p for the year ending 30 June 2008 was proposed at 31 December 2007 but it is not recorded in the condensed consolidated financial statements as it has been not approved. An interim dividend of 5.2p for the year ending 30 June 2007 was proposed at 31 December 2006 but was not recorded as a liability as it had not been approved.

7 INTANGIBLE ASSETS

During the period the Group spent approximately £0.7m on software development. The remaining increase in intangible assets relates to customer relationships acquired in business combinations during the period (see note 13).

8 PROPERTY, PLANT AND EQUIPMENT (INCLUDING VEHICLES)

During the period the Group spent approximately £126.3m on additions being principally vehicles. £107.5m of this was funded by finance leases. It also disposed of plant and equipment (predominantly vehicles) with a carrying amount of £39.6m for disposal proceeds of £40.0m. The remaining increase in property, plant and equipment relates to assets acquired in business combinations during the period (see note 13) and depreciation and amounts written off of £18.9m.

9 BORROWINGS

During the period the Group increased its bank overdraft by £15.8m. The Group also received proceeds of £59.1m from the advance of new loan funding and made loan repayments of £0.5m.

Funding arrangements in place at 31 December 2007 comprised a £150m facility including Term Loans and a banking facility at a cost of 0.95% to 1.40% above LIBOR dependent on specific financial ratios. The facility included a Term Loan facility of £40m, a Revolving Facility A of £50m and a Revolving Facility B of £10m. The £40m Term Loan facility is repayable at a rate of £6.3m per year, with a final bullet payment of £11.9m due in 2011. The facility also included an additional £50m Term Loan facility which has yet to be utilised. There was also a fleet funding facility of £29.9m.

10 OBLIGATIONS UNDER FINANCE LEASES

During the period the Group entered into new finance leases with a principal value of £107.5m and made principal repayments of existing finance leases of £53.3m. In addition, finance lease obligations of £0.6m were assumed in business combinations (see note 13).

11 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Share capital and share premium account increased during the period by £1.4m. This related principally to the issue of shares under the terms of share incentive plans.

12 CONTINGENT ASSETS AND LIABILITIES

Details of contingent assets and liabilities relating to warranty claims arising from the acquisitions of Albany and Swift in 2004 and 2005 respectively were disclosed in note 27 of the Group's Annual Report for the year ended 30 June 2007. Claims on behalf of the Group are being pursued but remain at an early stage such that it is not possible to assess their success, or otherwise, with sufficient certainty. In respect of liabilities the directors have estimated the likely impact of these matters and recognised an associated liability in the condensed consolidated balance sheet.

13 BUSINESS COMBINATIONS

On 6 August 2007 the Group acquired the entire issued share capital of E-Claim Limited, Medirep Marketing Limited, QSIT Limited, Fleet Legal Limited and Lawyer.com Limited (together "the Companies"). Also on that date the Group entered into long-term financial arrangements with CS2 Lawyers Limited ("CS2LL"), which included a loan of £5.1m used by CS2LL to purchase the trade, assets and liabilities of CS2 Lawyers partnership. The Group has no shareholding in CS2LL. CS2LL provide uninsured loss recovery services. The Companies provide insurance mediation services, medico-legal reports and fleet assistance. The Group has also exchanged contracts on the purchase of freehold property occupied by CS2LL and the Companies for a consideration of £4.2m, due to complete in March 2008.

On 19 November 2007, the Group acquired 100% of the issued ordinary share capital of Cab Aid Limited and NFL Cover Limited (together "the Cab Aid Group"). Cab Aid is engaged in the provision of replacement hire vehicles to the hire and reward sector.

Although the Group has no shareholding in CS2LL, the nature of its financial arrangements are such that, in accordance with the requirements of IAS27, 'Consolidated and Separate Financial Statements', CS2LL and the Companies have been consolidated into the Group from 6 August 2007. The Cab Aid Group has been consolidated from 19 November 2007.

CS2 Lawyers Limited and the Companies

The book value and provisional fair value of the net assets consolidated and the goodwill arising are as follows:

	Carrying amount before combination £'000	Fair value adjustments £'000	Fair value £'000
Net assets consolidated:			
Intangible assets	–	1,323	1,323
Property, plant and equipment (including vehicles)	719	(20)	699
Trade and other receivables	3,745	3,331	7,076
Cash and cash equivalents	766	–	766
Trade and other payables	(1,527)	(100)	(1,627)
Tax liabilities	(304)	(1,253)	(1,557)
Deferred tax liability	–	(379)	(379)
	3,399	2,902	6,301
Goodwill arising:			
Consideration – cash			10,880
			4,579
Net cash outflow:			
Cash and cash equivalents consolidated			766
Cash consideration paid			(10,880)
			(10,114)

The fair value adjustments related principally to the recognition of intangible assets on combination in accordance with IAS38, "Intangible assets", the restatement of the revenue recognition policy for legal fees to an accruals basis in line with Group policy and IAS18, "Revenue", and the recognition of deferred tax liabilities in relation to these items as required by IAS12, "Income Taxes". The policy adopted for legal fee revenue is to recognise such revenue at the fair value of the amount receivable for services provided in the period net of VAT and inclusive of accrued income at the period-end. The intangible assets recognised relate to customer relationships and IT development costs and are being amortised over 3 to 5 years.

The goodwill arising is attributable to operating synergies, quality operating processes and staff and management expertise.

CS2LL and the Companies together contributed revenues of £4.5m and operating profit of £1.3m during the period. If the business combination had been completed on 1 July 2007, the total Group revenue would have been £184.7m and the profit for the period would have been £13.9m.

13 BUSINESS COMBINATIONS CONTINUED

The Cab Aid Group

The book value and provisional fair value of the net assets acquired in the transaction and goodwill arising are as follows:

	Carrying amount before combination £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible assets	–	792	792
Property, plant and equipment (including vehicles)	722	–	722
Trade and other receivables	927	1,318	2,245
Cash and cash equivalents	1,084	–	1,084
Trade and other payables	(872)	(55)	(927)
Tax liabilities	(32)	(602)	(634)
Obligations under finance leases	(617)	–	(617)
Deferred tax liability	–	(237)	(237)
	1,212	1,216	2,428
Goodwill arising on acquisition:			
Consideration – cash			4,042
Deferred contingent consideration			632
			2,246
Net cash outflow arising on acquisition:			
Cash and cash equivalents acquired			1,084
Cash consideration paid			(4,042)
			(2,958)

The fair value adjustments relate principally to the recognition of intangible assets on acquisition in accordance with IAS38, "Intangible Assets", the restatement of the revenue recognition basis for credit hire to an accruals basis to be consistent with the Group's existing policy and IAS18, "Revenue", and recognition of the related deferred tax liabilities in accordance with IAS12, "Income Taxes". An increase in the current tax liability was also required in order to reflect the estimated liability at acquisition. The intangible assets recognised related to customer relationships and are being amortised over 3 years.

The terms of the acquisition of Cab Aid provided for additional deferred contingent consideration to become payable in the event that agreed revenues are generated from specified sources. The total amount potentially payable by the Group under this arrangement is £1.2m and at this point the Directors' estimate of the likely amount that will be payable in November 2008 is £632,000. A provision has been made for this liability.

The goodwill arising is attributable to future fleet synergies and post acquisition cost reductions.

Cab Aid contributed revenues of £0.9m and operating profit of £0.1m during the period.

If the business combination had been completed on 1 July 2007, the total Group revenue would have been £188.9m and the profit for the period would have been £14.5m.

14 POST BALANCE SHEET EVENTS

Revised banking facilities were agreed in February 2008, which introduced a third bank to the syndicate. This facility includes £85m of working capital, £30m acquisition finance, £65m of fleet finance and £40m of other funding. The terms are similar to previous facilities.

15 APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 28 February 2008.

We have been engaged by the company to review the condensed consolidated financial statements in the interim report for the six months ended 31 December 2007 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 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 interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 consolidated financial statements included in this interim 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 consolidated financial statements in the interim 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 consolidated financial statements in the interim report for the six months ended 31 December 2007 are 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 & Touche LLP

Chartered Accountants and Registered Auditor

28 February 2008
Bristol, United Kingdom

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Printed by Apple Litho (Bristol) Ltd, who are accredited with the ISO 14001 Environmental Management System.
The paper used on the report contains 75% recycled waste.

