Brandon Hire Group Holdings Limited (formerly BTH 1 Limited)

Company Registration No. 07324345

Report and Consolidated Financial Statements for the year ended

31 December 2011

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DIRECTORS AND PROFESSIONAL ADVISERS

Directors

D O Maloney (Chairman)
N D Morrill
D R Wardrop
T V Smith
S Cummings
A J Partridge

Registered Office

72-75 Feeder Road
St Philips
Bristol
BS2 0TQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
31 Great George Street
Bristol
BS1 5QD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2011.

On 26th March 2012, the company changed its name to Brandon Hire Group Holdings Limited

Principal activities

The Company's principal business activity is that of an investment holding company. The principal activity of the Group is the hire and sale of tools, equipment and accessories

Review of business and future developments

The group received £5.4m for the early termination of the licence arrangements relating to those sites under shared occupancy.

On 16 December 2011, Brandon Hire Group Limited (formerly BTH 2 Limited) acquired the entire issued share capital of PSE Investments Limited, the holding company of Phoenix Surveying Equipment Limited, a company engaged in the hire and sale of survey and safety equipment, for a total consideration of £5,045,000, including estimated contingent consideration and incidental costs

The directors monitor the business using information that is available in the profit and loss account and so no separate analysis using key financial performance indicators is presented.

The Directors do not foresee, at the date of this report, that there will be any major changes in the Company's activities in the next year

Principal risks and uncertainties and financial risk management

There are a number of risks and uncertainties which could have an impact on the Group's long-term performance The Group has a risk management structure in place which is designed to identify, manage and mitigate business risk.

Market Risk

The Group's customers include construction based companies of various sizes and the Group's results are consequently dependent on the levels of activity in their markets The market price and the demand for the products hired to customers can fluctuate These fluctuations can affect the operating results As the Group operates in a number of different markets with differing characteristics, it competes with and is affected by the actions of many local and regional competitors together with product manufacturers The Group manages this risk through a large, diversified customer base and by actively working with its customers to find new ways to meet their changing needs in order to remain at the forefront of its chosen markets.

While the Group is not engaged in a "regulated" industry, its operations are affected by various statutes, regulations and laws in the markets in which it operates. The Group monitors regulation across its markets to ensure that the effects of changes are minimised.

Price risk

The group is exposed to price risk in its trading activities. Relationships with suppliers are managed on an ongoing basis in order to limit exposure to changes in material prices

Credit risk

The Group provides sales on credit terms to many of its customers and has established procedures in place to review and collect outstanding debts. The Group manages credit risk arising on the Group's cash balances by only using recognised financial institutions with an appropriate credit rating.

Principal risks and uncertainties and financial risk management (continued)

Liquidity Risk

The Group has external debt finance facilities which are designed to ensure that the Group has sufficient available funds. Cash for the repayment of these balances and the accruing interest is generated by the Group's wholly owned trading subsidiary, Brandon Hire Limited Liquidity and cash flow risks are managed by preparation of budgets, monthly management accounts and regular re-forecasts together with the maintenance of banking facilities that are considered sufficient to meet the cash flow needs of the group.

Interest Rate and Cash Flow Risk

The Group is exposed to financial risk arising from fluctuations in interest rates on its external borrowings. This risk is managed by the use of derivative financial instruments in the form of an interest rate swap and cap. Further details are disclosed in note 12 to the accounts

Result and dividends

As shown in the Group's profit and loss account on page 9, revenue for the period was £75.3m (2010 £25.1m for a 5 month period) and operating profit was £10.9m (2010: £1.4m for a 5 month period) Operating profit before exceptional items and goodwill amortisation was £6.1m (2010: £2.2m for a 5 month period). Profit before taxation was £5.7m (2010. loss of £0.1m)

The consolidated balance sheet on page 11 of the financial statements shows that the Group's net assets at the period-end were £5.3m (2010· £0 07m)

No dividends were paid in respect of 2011 or 2010 The directors do not propose payment of a final dividend (2010: £Nil).

Health, Safety and Environment

The Group recognises the importance of its environmental responsibilities. The principles followed by the Group relating to environment cover include: the integration of environmental management into business operations; a commitment to the adoption and achievement of best practice wherever this is practicable, a commitment to prevent pollution, compliance with environmental legislation, the adoption where practicable of formal environmental management systems; a commitment to strive for continual improvement, and a commitment to ensure proper communication with employees on environmental matters.

Employee Policies

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of gender, race, colour, disability, religious beliefs or marital status The group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Directors

The Directors of the Company during the year, and up to the date of approval of the financial statements, were:

D O Maloney (Chairman)	(appointed 22 March 2011)
N D Morrill	
D R Wardrop	
T V Smith	
A J Partridge	
S Cummings	(appointed 16 December 2011)
D Mills	(resigned 3 November 2011)

Donations

The Group's charitable donations totalled £4,782 (2010: £1,116 for a 5 month period). The Group made no political donations

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

So far as the Directors of the Company are aware, there is no relevant audit information of which the Group's auditors are unaware The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing that they be re-appointed will be put to the Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board

S Cummings
Director
26/04/2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDON HIRE GROUP HOLDINGS LIMITED (FORMERLY BTH 1 LIMITED)

We have audited the group and parent company financial statements (the "financial statements") of Brandon Hire Group Holdings Limited (formerly BTH 1 Limited) for the year ended 31 December 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement, the Consolidated and Company Balance Sheets and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Brandon Hire Group Holdings Limited (formerly BTH 1 Limited)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Colin Bates (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

16 April 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 31 December 2011 £'000	5 months ended 31 December 2010 £'000
Turnover	1	**75,341**	25,062
Cost of sales		**(21,459)**	(7,311)
Gross profit		**53,882**	17,751
Distribution costs		**(8,199)**	(2,462)
Administrative expenses		**(40,131)**	(13,938)
Other operating income		**5,397**	-
Operating profit is analysed:			
Adjusted operating profit		**6,067**	2,185
Exceptional items			
- Bad debt expense	3	**-**	(663)
- Licence termination receipt	3	**5,397**	-
Goodwill amortisation		**(515)**	(171)
Operating profit		**10,949**	1,351
Interest receivable and similar income	4	**-**	1
Interest payable and similar charges	5	**(5,232)**	(1,482)
Profit/ (loss) on ordinary activities before taxation		**5,717**	(130)
Tax on profit / (loss) on ordinary activities	6	**(453)**	(329)
Profit / (loss) for the financial period	15	**5,264**	(459)

The Group's turnover and operating profit arose solely from continuing operations.

The Group has no recognised gains or losses other than the profit for the current period Accordingly no statement of total recognised gains and losses is presented

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**Year ended 31 December 2011 £'000**	5 months ended 31 December 2010 £'000
Net cash inflow from operating activities	17a)	**15,538**	3,451
Return on investments and servicing of finance	17c)	**(860)**	(333)
Taxation		**(141)**	-
Capital expenditure and acquisitions	17b)	**(7,378)**	(18,825)
Net cash inflow / (outflow) before financing		**7,159**	(15,707)
Net cash (outflow) / inflow from financing activities	17d)	**(5,843)**	44,459
Repayment of debt to former owner of subsidiary undertaking		**-**	(27,362)
Net cash inflow for the period		**1,316**	1,390
Cash and cash equivalents at start of the period		**1,390**	-
Cash and cash equivalents at end of the period		**2,706**	1,390

Analysis of changes in net debt

	At start of the period £'000	Cash flows £'000	Acquisition £'000	Other changes £'000	**At end of the period £'000**
Cash at bank and in hand	1,390	1,183	133	-	**2,706**
Bank loans	(13,441)	847	(700)	-	**(13,294)**
Loan notes	(32,412)	5,000	-	(4,125)	**(31,537)**
Obligations under finance leases	-	-	(129)	-	**(129)**
Total	(44,463)	7,030	(696)	(4,125)	**(42,254)**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	7	**14,455**	10,138
Tangible assets	9	**26,745**	26,169
		41,200	36,307
Current assets			
Stocks	10	**2,208**	1,912
Debtors	11	**18,415**	18,149
Cash at bank and in hand		**2,706**	1,390
		23,329	21,451
Creditors: amounts falling due within one year	12	**(15,504)**	(13,382)
Net current assets		**7,825**	8,069
Total assets less current liabilities		**49,025**	44,376
Creditors: amounts falling due after more than one year	12	**(42,647)**	(43,294)
Provisions for liabilities and charges	13	**(1,044)**	(1,017)
Net assets		**5,334**	65
Capital and reserves			
Called up share capital	14	**529**	524
Profit and loss account	15	**4,805**	(459)
Shareholders' funds	16	**5,334**	65

These financial statements on pages 9 to 33 were approved by the Board of Directors on 26/04/2012.

Signed on behalf of the Board of Directors

S Cummings

S Cummings

Director

Company registered number 07324345

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	8	-	-
Current assets			
Debtors	11	**529**	524
Net assets		**529**	524
Capital and reserves			
Called up share capital	14	**529**	524
Profit and loss account		-	-
Shareholders' funds		**529**	524

These financial statements on pages 9 to 33 were approved by the Board of Directors on 26/04/2012

Signed on behalf of the Board of Directors

S Cummings

S Cummings
Director

Company registered number: 07324345

1 Accounting policies

Accounting convention

Basis of accounting

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the year.

The consolidated accounts consolidate the results of the Company and its subsidiary undertakings made up to 31 December 2011. The results of subsidiary undertakings are included in the group accounts from the date at which control of those undertakings passes to the Company. Appropriate adjustments are made to eliminate from the consolidated accounts intra-group transactions and any unrealised profits arising from intra-group trading. The difference between the fair value of the assets and liabilities acquired with subsidiary undertakings and the fair value of the consideration paid is included on the Group's balance sheet as goodwill.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own profit and loss account

Adjusted operating profit

The Group has presented an adjusted operating profit measure in the consolidated profit and loss account The comparative figures for the period ended 31 December 2010 have been presented on the same basis. The directors believe that the presentation of adjusted operating profit provides additional useful information on underlying trends to shareholders. The principal adjustments are made in respect of the amortisation of goodwill and one-off exceptional income or expense items

Exceptional items are those material items which by virtue of their size or incidence are presented separately in the consolidated profit and loss account to enable a full understanding of the Group's financial performance Transactions which may give rise to exceptional items include significant one-off income or expense items.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the Group's ordinary activities, excluding estimated and actual sales returns, trade and early settlement discounts, value added tax and similar sales taxes. Income from the hire of equipment and machinery under hire contracts is accounted for on an accruals basis. All turnover comes from the Group's principal activity and arises entirely in the UK.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation is provided on all tangible fixed assets (except freehold land) to write off the cost or valuation of those assets, less their residual values, over their estimated useful lives. The principal rates of depreciation are as follows:

Hire equipment (in Plant and machinery)	12.5% to 25% per annum reducing balance
Short leaseholds and improvements	life of lease
Plant and machinery	10-15% straight-line
Fixtures and fittings	15% straight-line
Computers	20% to 100% straight-line
Motor vehicles	25% straight-line

Impairment of fixed assets and goodwill
In accordance with FRS 11 fixed assets and goodwill are subject to review for impairment. Any impairment is recognised in the profit and loss account in the year in which it occurs.

Stocks
Stocks are valued at the lower of cost and net realisable value, due allowance being made for obsolete or slow moving items Goods purchased for resale are stated at cost on a first in first out basis Cost includes the original purchase price of the stocks and the costs attributable to bringing the stocks to its working condition for its intended use Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

Taxation
The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing
Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the lower of its estimated useful life and the term of the lease Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Costs in respect of operating leases are charged on a straight-line basis over the period of the lease

Pensions
The Group operates an employees' optional money purchase contracted-in retirement and death benefit scheme Both employees and employer are required to make contributions that are calculated as a percentage of employees' salaries. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Goodwill
Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired and is capitalised and amortised over its estimated useful life. Goodwill arising from acquisitions is capitalised and amortised on a straight-line basis over a period of not more than 20 years.

The net assets of businesses acquired are incorporated in the Group at their fair value to the Group. The fair value of tangible fixed assets is based on depreciated replacement cost for which net book value of the assets at acquisition in the acquired company is deemed an appropriate estimate. Fair value adjustments relate principally to adjustments necessary to bring the accounting policies of the acquired businesses into line with those of the Group but may also include other adjustments necessary to restate assets and liabilities at their fair values at the date of acquisition

Goodwill (continued)

Contingent consideration is recorded at its fair value being the estimated expected amounts that will become payable. Contingent consideration is not discounted unless the impact would be considered material to the financial statements

Impairment reviews are performed by the directors when there has been an indication of potential impairment. Any impairment losses are recognised in the profit and loss account in the year in which they occur.

Provisions

Provision is made against the estimated costs to be incurred under leasehold property dilapidation claims anticipated in respect of properties within two years of the end of the lease period. Provision is made in respect of vacant property where the Group remains committed to incurring cost on the property but for which it no longer obtains any benefit of occupancy Provisions are not discounted

Finance costs

Interest costs are charged to the profit and loss account as they accrue Finance arrangement fees are capitalised and amortised over the life of the finance to which they relate. The amortisation charge reduces proportionately as the borrowing is repaid.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements on its external borrowings The Group does not hold or issue derivative financial instruments for speculative purposes.

The group has not adopted FRS 26 'Financial instruments: recognition and measurement', because it has not voluntarily adopted the fair value accounting rules of the Companies Act 2006 The disclosures required by the Companies Act 2006 concerning derivative financial instruments are included in note 12.

Related party transactions

The Company is exempt under the terms of FRS 8 "Related party disclosures" from disclosing related party transactions with wholly owned entities that are part of the Brandon Hire Group of companies. The Brandon Hire Group of companies comprises the company, its wholly owned subsidiary, Brandon Hire Group Limited (formerly BTH2 Limited), and three other subsidiaries wholly owned by Brandon Hire Group Limited: Brandon Hire Limited, PSE Investments Limited and Phoenix Surveying Equipment Limited

2 Staff costs

	Year ended 31 December 2011	5 months ended 31 December 2010
	Group £'000	Group £'000
Wages and salaries	**21,724**	7,193
Social security costs	**2,042**	721
Other pension costs	**293**	130
	24,059	8,044

2 Staff costs (continued)

	2011 Group Numbers	2010 Group Numbers
The average monthly number of employees during the period was as follows:		
Management and administration	**124**	125
Hire operations	**835**	842
	959	967

Directors' remuneration

	Year ended 31 December 2011	5 months ended 31 December 2010
	Group £'000	Group £'000
Emoluments	**546**	134
Pension contributions to money purchase schemes	**21**	5

The remuneration of the highest paid director was as follows

	Group £'000	Group £'000
Emoluments	**205**	61
Pension contributions to money purchase schemes	**3**	3

One director was compensated for loss of office and received £57,000 (2010: no directors, £nil).

2 of the Directors who served during the period received no remuneration from the Group (2010:2 Directors)

Retirement benefits are accruing to 3 Directors (2010· 3 Directors) under money purchase pension schemes.

Some employees of the Group have contracts of employment with the Company. They do not receive any remuneration from the Company and are paid by Brandon Hire Limited

3. Note to the profit and loss account

Operating profit stated after charging/ (crediting):	**Year ended 31 December 2011 Group £'000**	5 months ended 31 December 2010 Group £'000
Exceptional items - Bad debt expense	**-**	663
- Licence termination receipt	**(5,397)**	-
(Profit) / loss on disposal of tangible fixed assets	**(35)**	25
Depreciation - owned assets	**4,501**	1,492
Amortisation of goodwill	**515**	171
Operating lease rentals – Land and buildings	**5,181**	1,748
Other	**2,314**	743
Sevices provided by the company's auditor		
Fees payable for the audit of the parent company and consolidated financial statements	**2**	5
Audit of the company's subsidiaries pursuant to legislation	**43**	34
Fees payable for other services – tax compliance	**10**	10
Fees payable for other services – tax advice	**27**	10

The exceptional item of £5,397,000 (2010. £Nil) represents a gain for the early termination of the licence arrangements relating to those sites under shared occupancy.

The tax effect of the exceptional items set out above was £Nil (2010: credit of £186,000) due to the availability of previously unrecognised capital losses.

In 2010 and in addition to the auditors' remuneration disclosed above, corporate finance fees of £582,000 were paid to the Group's auditors This cost was included in the goodwill arising on the acquisition of Brandon Hire Limited

4. Interest receivable and similar income

	Year ended 31 December 2011 Group £'000	5 months ended 31 December2 010 Group £'000
Bank interest receivable	-	1

5. Interest payable and similar charges

	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
Loan note interest payable	**4,125**	1,148
Bank interest payable	**594**	236
Other (including bank charges)	**266**	26
Amortisation of loan arrangement costs	**247**	72
	5,232	1,482

6. Taxation

Analysis of the tax charge	**Year ended 31 December 2011 Group £'000**	5 months ended 31 December 2010 Group £'000
The tax charge on the loss on ordinary activities for the period was as follows:		
Current tax:		
UK corporation tax	**-**	90
Adjustment in respect of prior period	**(141)**	-
Total current tax	**(141)**	90
Deferred tax:		
Origination and reversal of timing differences	**488**	239
Impact of change in rate	**106**	-
Total deferred tax	**594**	239
Tax on loss on ordinary activities	**453**	329

During the year, as a result of the changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 and that was effective from 1 April 2011, and to 25% that was substantively enacted on 5 July 2011 and that (prior to the March 2012 Budget) would have been effective from 1 April 2012, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget The main rate of corporation tax will reduce from 26% to 24% from 1 April 2012. This reduction is in addition to the decrease to 25% enacted in the Finance Act 2011. The Budget proposes to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 It also proposes to make a further reduction to the main rate of corporation tax to 22% on 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The directors do not believe that the impact of the reductions in the main corporation tax rate will have a material impact on the value of the deferred tax assets.

6. Taxation (continued)

Factors affecting the tax (credit) / charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK The difference is explained below

	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
Profit / (loss) on ordinary activities before taxation	**5,717**	(130)
Profit / (loss) before tax multiplied by the weighted average standard rate of UK corporation tax of 26 5% (2010 28%)	**1,515**	(36)
Net non-deductible expense	**1,142**	374
Utilisation of previously unrecognised losses	**(1,403)**	-
Accelerated capital allowances	**(810)**	(150)
Other timing differences	**(444)**	(98)
Adjustment in respect of prior period	**(141)**	-
Current tax (credit) / charge	**(141)**	90

The Group has not recognised a deferred tax asset of in respect of capital losses of £4,653,000 (2010: £10,050,000). Were the group to recognise the losses in full at the substantively enacted UK main corporation tax rate of 25% (2010 27%) it would include an additional asset of £1,164,000 (2010 £2,714,000) in its balance sheet.

7. Intangible fixed assets

Group

	Goodwill £'000
Cost	
At 1 January 2011	10,309
Arising on acquisition during the year	4,832
At 31 December 2011	**15,141**
Accumulated amortisation and impairment charges	
At 1 January 2011	171
Charge for the year	515
At 31 December 2011	**686**
Net book value	
At 1 January 2011	10,138
At 31 December 2011	**14,455**

The goodwill acquired during the year arose on the acquisition of PSE Investments Limited on 16 December 2011 and is being amortised over an expected useful economic life of 20 years.

The provisional fair value of the assets and liabilities acquired and of the consideration paid is set out in the table below

	Per books £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets	1,752	-	1,752
Stocks	293	-	293
Debtors	938	-	938
Cash	133	-	133
Creditors	(2,817)	-	(2,817)
Provisions	(88)	-	(88)
Net assets acquired	211	-	211
Consideration paid			5,043
Goodwill arising			4,832

The directors are satisfied that there are no fair value adjustments arising from a detailed financial review conducted at the point of the acquisition of PSE Investments Limited conducted by the Board of Brandon Hire Group Holdings Limited (formerly BTH 1 Limited).

The profit after tax of Phoenix from 1 January 2011 to the date Phoenix was acquired by Brandon Hire Group Holdings Limited (formerly BTH 1 Limited) was £605,000.

8. Fixed asset investments

Investments in subsidiary undertakings

The Company balance sheet includes the Company's investment in Brandon Hire Group Limited (formerly BTH 2 Limited), which is held at its historic cost of £1. The Group's subsidiary undertakings at 31 December 2011 are as follows:

Name	*Country of incorporation*	*Class of shares held*	*Percentage of shares held*	*Principal activity*
Brandon Hire Group Limited (formerly BTH 2 Limited)	England and Wales	Ordinary shares of £1	100%	Investment holding company
Brandon Hire Limited*	England and Wales	Ordinary shares of 10p each	100%	Hire and sale of tools, equipment and accessories
PSE Investments Limited*	England and Wales	"A" ordinary shares of £1 each	100%	Investment holding company
Phoenix Surveying Equipment Limited*	England and Wales	Ordinary shares of £0.10 each	100%	Hire and sale of survey and safety equipment

*Held indirectly via Brandon Hire Group Limited (formerly BTH 2 Limited)

9. Tangible fixed assets

Group

	Short leasehold buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 January 2011*	1,225	60,864	865	13,945	76,899
Acquisition (note 7)	-	2,503	93	229	2,825
Additions	71	3,584	45	1,154	4,854
Disposals	-	(6,327)	(75)	(34)	(6,436)
At 31 December 2011	**1,296**	**60,624**	**928**	**15,294**	**78,142**
Accumulated depreciation					
At 1 January 2011*	736	39,203	824	9,967	50,730
Charge	151	2,779	38	1,533	4,501
Acquisition (note 7)	-	902	47	124	1,073
Disposals	-	(4,803)	(71)	(33)	(4,907)
At 31 December 2011	**887**	**38,081**	**838**	**11,591**	**51,397**
Net book value					
At 1 January 2011*	489	21,661	41	3,978	26,169
At 31 December 2011	**409**	**22,543**	**90**	**3,703**	**26,745**

9. Fixed assets (continued)

*Restated Following a review by the directors, certain assets have been reclassified for the purpose of the statutory accounts between the categories "fixtures and fittings" and "plant and machinery". The split between cost and accumulated depreciation has also been amended in some cases These adjustments had no impact on the net book value of fixed asset and are not separately identified.

Assets acquired in the acquisition of PSE Investments Limited have been shown at gross cost and gross accumulated depreciation.

Assets held under finance leases and hire purchase contracts included in the above were as follows·

	2011 Group £'000	2010 Group £'000
Net book value	**501**	-

In order to secure banking facilities the Group has provided a floating charge over its tangible fixed assets. The Group's hire fleet, which is included within plant and machinery above, is also specifically designated as collateral for the Group's asset-based loan facility

The Company does not hold any tangible fixed assets.

10. Stocks

	2011 Group £'000	2010 Group £'000
Goods for resale	**2,208**	1,912

In the opinion of the Directors there is no material difference between the value of stocks as disclosed in the balance sheet and their replacement cost at the balance sheet date. Certain of the Group's goods for resale have been specifically designated as collateral for the Group's asset-based loan facility

11. Debtors

	2011 Group £'000	2010 Group £'000	**2011 Company £'000**	2010 Company £'000
Amounts falling due within one year:				
Trade debtors	**15,156**	13,952	**-**	-
Amounts owed by group companies	**-**	-	**529**	524
Deferred taxation	**1,025**	1,619	**-**	-
Corporation tax recoverable	**141**	-	**-**	-
Other debtors	**485**	908	**-**	-
Prepayments and accrued income	**1,608**	1,670	**-**	-
	18,415	18,149	**529**	524

The Group's trade debtors are subject to an asset-based finance agreement, whereby legal title passes to the bank, but the economic risks associated with the trade debtors remain with the Group

Deferred taxation

The elements of deferred taxation are as follows.

	Group 2011 £'000	Group 2010 £'000
Accelerated capital allowances	**658**	1,158
Other timing differences	**25**	461
Tax losses carried forward	**342**	-
	1,025	1,619

The movement in the deferred tax balance was as follows

	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
At start of period	**1,619**	-
Acquired with subsidiary	**-**	1,858
Amount charged to profit and loss account	**(594)**	(239)
At end of the period	**1,025**	1,619

A potential deferred tax asset of £1,614,000 (2010: £2,714,000) arising in respect of capital losses has not been recognised on the grounds that there is insufficient evidence that the capital losses will be offset against future capital gains

12. Creditors

	2011 Group £'000	2010 Group £'000	**2011 Company £'000**	2010 Company £'000
Amounts falling due within one year:				
Bank loans (secured)	**2,586**	1,860	-	-
Obligations under finance leases	**98**	-	-	-
Trade creditors	**4,624**	3,529	-	-
Corporation tax	**176**	142	-	-
Other creditors	**3**	-	-	-
Social security and other taxes	**1,962**	2,541	-	-
Accruals and deferred income	**6,055**	5,310	-	-
	15,504	13,382	-	-

	2011 Group £'000	2010 Group £'000	**2011 Company £'000**	2010 Company £'000
Amounts falling due after more than one year:				
Bank loans (secured)	**10,255**	10,882	-	-
Obligations under finance leases	**31**	-	-	-
"A" loan notes (secured)	**31,479**	32,360	-	-
"B" loan notes (unsecured)	**58**	52	-	-
Contingent consideration payable	**824**	-	-	-
	42,647	43,294	-	-

No interest is charged on amounts owed to group undertakings (2010: £Nil)

The contingent consideration payable relates to the acquisition of PSE Investments Limited on 16 December 2011. Under the terms of the acquisition contingent consideration becomes payable if Phoenix Surveying Equipment Limited achieves certain location-specific sales targets for specified periods The estimated fair value of the consideration is £824,000, all of which is expected to be paid in the year ended 31 December 2013

12. Creditors (continued)

Bank loans

	Group 2011 £'000	Group 2010 £'000
Bank loans are repayable as follows		
Repayable within one year – secured term loan	**2,000**	2,000
Repayable within one year – other secured loan	**700**	-
Arrangement fees capitalised	**(114)**	(140)
Repayable within one year	**2,586**	1,860
Repayable between two and five years – secured term loan	**6,000**	8,000
Repayable between two and five years – asset-based loan	**4,594**	3,441
Arrangement fees capitalised	**(339)**	(559)
Repayable after more than one year	**10,255**	10,882

The secured term loan of £8m (2010 £10m) is repayable to Investec Plc at a rate of £0.5m per quarter and bears interest at 4.75% above LIBOR. It is secured by a fixed and floating charge over the assets of the Company and Group. The other secured loan is secured on the trade debtors of Phoenix Surveying Equipment Limited and is expected to be repaid in April 2012

The asset-based bank loan is drawn down under a revolving asset-based finance facility with Investec Plc that expires in September 2015. Under the facility the Group is able to drawdown funds to the value of up to 35% of approved trade debtors and inventory of Brandon Hire Limited qualifying as eligible collateral. The interest rate applicable to the facility is 4.5% above the published Investec base rate

The carrying values for bank loans are stated net of an appropriate allocation of unamortised loan arrangement fees

Derivative financial instruments

The Group is required to maintain hedging arrangements covering agreed proportion of its bank borrowings The notional principal value of interest rate derivatives held at 31 December 2011 is £5.3m (2010 £6 7m) and the fair value of those instruments was a liability of £26,100 (2010: £9,539) The Group has elected not to adopt FRS 26, "Financial Instruments Recognition and Measurement" and so the fair value of derivative instruments is not included in the company's accounts.

12. Creditors (continued)

Loan notes

The "A" loan notes are repayable to investment funds, managed by Rutland Partners LLP, and certain directors of the Group and bear interest at 12.5% per annum. They are repayable in full on 30 June 2020 or on the sale or listing of the Group, should this occur earlier They are secured by a fixed and floating charge over the assets of the Group.

The "B" loan notes are repayable to management of the Group and an individual associated with Rutland Partners LLP. They bear interest at 12 5% per annum and are repayable in full on 30 June 2020 or on the sale or listing of the Group, should this occur earlier The "B" loan notes are unsecured.

13. Provisions for liabilities and charges

	At 1 January 2011 £'000	Acquired with subsidiary £'000	Created / (released) £'000	Utilised £'000	**At 31 December 2011 £'000**
Property dilapidations	856	-	(63)	(54)	**739**
Vacant property	161	-	179	(123)	**217**
Deferred taxation	-	88	-	-	**88**
	1,017	88	116	(177)	**1,044**

Property-related provisions

The provision for property dilapidations relates to expected costs of returning leased properties to appropriate condition upon cessation of the leases The vacant property provision relates to future rental and rates obligations on properties from which the group is not deriving any economic value. In determining the provision, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates.

Deferred taxation

The provision for deferred taxation was acquired with the acquisition of Phoenix Surveying Equipment Limited. The liability represents accelerated capital allowances on fixed assets.

14. Called up share capital

	Group and Company 2011 £'000	Group and Company 2010 £'000
Allotted, issued and fully paid :		
403,768 "A" ordinary shares of £1 each	**404**	404
105,942 (2010. 100,942) "B" ordinary shares of £1 each	**106**	101
19,000 "C" ordinary shares of £1 each	**19**	19
	529	524

5,000 "B" shares were issued at par during the year to D O Maloney for consideration of £5,000

The "B" shares rank paripassu with the "A" shares except in the event of a Default Event (as defined in the Company's Articles of Association) in which case their voting rights are restricted and new shares can be issued that rank ahead of the "B" shares

The "C" shares rank paripassu with the "B" shares except that they have no pre-emption rights and restricted rights in the event of a Capital Dividend (as defined in the Company's Articles of Association).

Rutland Fund II LP has call options over 18,620 (2010 18,620) "C" shares and Rutland II CCLP has call options over 380 (2010: 380) "C" shares. These options allow the Funds to purchase the shares at par at any time.

15. Group profit and loss account

	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
At start of the period	**(459)**	-
Profit / (loss) for the period	**5,264**	(459)
At end of the period	**4,805**	(459)

16. Reconciliation of movements in shareholders' funds

Group	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
Opening shareholders' funds	**65**	-
Profit /(loss) for the financial period	**5,264**	(459)
Shares issued	**5**	524
Closing shareholders' funds	**5,334**	65

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006 The amount of the consolidated profit for the financial year dealt with in the financial statements of the company is £Nil (2010: £Nil)

17. Notes to the consolidated cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2011 Group £'000	5 months ended 31 December 2010 Group £'000
Operating profit	**10,949**	1,351
Increase in stocks	**(3)**	(27)
Decrease in debtors	**219**	510
Decrease in creditors	**(547)**	(97)
(Decrease) / increase in provisions	**(61)**	26
Depreciation charge	**4,501**	1,492
Goodwill amortisation charge	**515**	171
(Profit) / loss on disposal of fixed assets	**(35)**	25
Net cash inflow from operating activities	**15,538**	3,451

b) Capital expenditure and acquisitions (net)	**Year ended 31 December 2011 Group £'000**	5 months ended 31 December2010 Group £'000
Cash paid to acquire shares in subsidiary undertaking	**(4,223)**	(19,457)
Cash balances acquired with subsidiary undertaking	**133**	1,784
Payments to acquire tangible fixed assets	**(4,852)**	(1,900)
Proceeds from sale of tangible fixed assets	**1,564**	748
Net cash outflow from capital expenditure	**(7,378)**	(18,825)
c) Return on investments and servicing of finance		
Bank interest received	**-**	1
Bank interest paid	**(860)**	(334)
Net cash outflow from return on investment and servicing of finance	**(860)**	(333)
d) Financing activities		
Proceeds from issue of share capital	**5**	524
Proceeds from issue of loan notes	**-**	47,294
Repayment of loan notes	**(5,000)**	(16,030)
Bank loans (repaid) / advanced (net of arrangement fees)	**(848)**	12,671
Net cash inflow from financing activities	**(5,843)**	44,459

17. Notes to the consolidated cash flow statement (continued)

e) Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Increase in cash in the period	**1,316**	1,390
Net cash outflow/ (inflow) from movement in bank loans	**847**	(13,441)
Net cash outflow/ (inflow) from movement in loan notes	**5,000**	(31,264)
Movement in loan notes due to "payment-in-kind" interest	**(4,125)**	(1,148)
Bank loans and finance leases acquired with subsidiary	**(829)**	-
Increase/ (decrease) in net debt	**2,209**	(44,463)
Net debt brought forward	**(44,463)**	-
Net debt carried forward	**(42,254)**	(44,463)

18. Operating lease commitments

The Group has entered into non-cancellable operating leases for which the annual commitments are as follows:

	Group 2011 £'000	Group 2010 £'000
Land and buildings		
Expiring:		
Within one year	**940**	622
Between two and five years	**3,042**	4,466
After five years	**980**	147
	4,962	5,235

	Group 2011 £'000	Group 2010 £'000
Other		
Expiring:		
Within one year	**584**	151
Between two and five years	**859**	1,145
	1,443	1,296

19. Capital commitments

The Group had capital commitments for fixed assets contracted for but not accrued in the financial statements of £61,000 (2010: £432,000) at 31 December 2011

20. Contingent liabilities

The Company has provided guarantees in respect of a £8m (2010 £10m) term loan payable to Investec Plc by Brandon Hire Group Limited (formerly BTH 2 Limited). This loan is also secured by a fixed and floating charge over the assets of the Company and Group

21. Related party transactions

The Group incurred management fees of £136,000 (2010 £33,000) payable to Rutland Partners LLP. These costs are included within administrative expenses. In 2010 the Company incurred professional fees of £660,000 payable to Rutland Partners LLP in respect of advice on the acquisition of BHL, and this amount was included within cost of investments in the balance sheet.

The Group's loan notes, as shown in note 12 above, included the following amounts payable to related parties as at 31 December 2011, together with the following amounts in respect of interest expense:

2011 **Group**	**Loan notes payable £'000**	**Interest expense £'000**
Rutland Fund II LP (shareholder)	**30,812**	**4,031**
Rutland II CCLP (shareholder)	**636**	**83**
T V Smith (director)	**24**	**3**
A J Partridge (director)	**7**	**1**
	31,479	**4,118**

2010 Group	Loan notes payable £'000	Interest expense £'000
Rutland Fund II LP (shareholder)	31,675	1,122
Rutland II CCLP (shareholder)	655	23
T V Smith (director)	22	1
A J Partridge (director)	6	-
	32,358	1,146

The Group has taken advantage of the exemption under paragraph 3 of FRS8 "Related Party Transactions" from disclosure of transactions with 100% owned group undertakings.

22. Ultimate controlling party

Brandon Hire Group Holdings Limited (formerly BTH 1 Limited) is a company controlled by Rutland Fund II LP and Rutland II CCLP, each of which act by their manager, Rutland Partners LLP. Copies of the company's financial statements can be obtained from the company's registered office.