

Ai CLAIMS SOLUTIONS PLC

Preliminary Results for year ending 30 June 2011

Group Financial Summary & Highlights

	2010/11	2009/10	
	£'000	£'000	Change
Revenue	117,621	91,929	+28%
Gross margin	18.5%	18.1%	
Adjusted profit ¹	3,811	2,722	+40%
Profit before taxation	3,737	2,630	+42%
Taxation	(1,084)	(708)	+53%
Profit for the period	2,653	1,922	+38%
Dividends	(428)	(385)	+11%
Earnings per share:			
- Adjusted basic ¹	4.46p	3.29p	+36%
- Basic	4.34p	3.14p	+38%
Dividend per share	0.75p	0.66p	+14%

Financial Highlights

- Revenue increased by 28% to £117.6m from £91.9m
- 40% increase in adjusted profits¹ to £3.8m (2009/10: £2.7m)
- Earnings² before interest, taxation, depreciation and amortisation (EBITDA) up 38% to £5.8m (2009/10: £4.2m)
- Gross margin of 18.5% (2009/10: 18.1%)
- Adjusted profit¹ margin of 3.2% (2009/10: 3.0%)
- 2.7 percentage points increase in return² on shareholders' funds to 15.7% (2009/10: 13.0%)
- Proposed final dividend of 0.42p per share (2009/10: 0.37p per share)
- Interim & final dividend in respect of 2010/11 is increased at 0.75p per share (2009/10: 0.66p per share)

Operational Highlights

- Successful implementation of a major broker based scheme which commenced on 1 July 2010
- Retained the business of three vehicle manufacturer clients and three other referral providers
- Settlement reached with a major insurer to settle £4.9m of GTA³ debt due with no diminution to the carrying value of the debt. Forward payment protocol also entered into with this insurer
- Work-in-Progress ('WiP') days reduced by 17 days to 22 days (30 June 10: 39 days) as a result of process improvements
- Non GTA³ debtor days reduced by 11 days to 41 days (30 June 10: 52 days). GTA³ debtor days increased by 22 days to 145 days (30 June 10: 123 days)
- Strengthened commercial repair terms with the Ai Repair (AIR) network and introduced an effective fast-track repair solution
- Ai's First Notification Of Loss ('FNOL') technology shortlisted for three awards
- Developing Ai's full outsourced claims handling capabilities for (both brokers and insurers) for launch in 2011/12 for a pilot and a new scheme

- Secured the 'Investors In People' Silver Award

¹ Adjusted profit represents profit before taxation excluding IFRS2 share option charges

² Based on profit for the period excluding IFRS share option charges

³ The Association of British Insurers' (ABI) General Tariff Agreement

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Chairman's Statement

I am pleased to report that, while the market has become tougher in the second half, it has been another record year for Ai. The Group has delivered a profit before taxation (and before IFRS2 charges) of £3.8m for the year ending 30 June 2011, in line with management's expectations. The key highlights are:

- Further revenue growth by 28% to £117.6m (2009/10: £91.9m)
- Record adjusted profits up 40% to £3.8m (2009/10: £2.7m) with EBITDA level profits 38% higher at £5.8m (2009/10: £4.2m)
- Adjusted basic earnings per share up 36%
- Strong start to the year due to a new broker referred contract followed by a challenging second half due to the market wide fall off in accident frequencies
- Settlement with a major insurer (covering 9% of Ai's GTA debt) with no diminution of its carrying value and the implementation of a payment protocol arrangement for future claims

Market Background

Ai positions itself as the leading 'ethical' motor claims solution provider. We continue to focus on satisfying the needs of claimants as quickly, efficiently, and cost effectively as possible in order to facilitate timely claims payment by insurers and minimise their claims settlement uncertainty. The foundations for delivering such a service are our experienced and talented people and our technologically advanced workflow software. The latter incorporates Ai's automated decision making functionality which has significantly improved the speed and accuracy of our liability decisions.

After a record start to the year, referrals fell in the second half of the year by 15-20% as a result of a market wide fall in accident frequencies. The industry has also received a lot of bad publicity by being implicated in the public discussions around claims inflation, in particular referral fees on personal injury (PI) cases. Ai is well placed in this regard as our business model places minimal reliance on PI referral fees and does not sell any personal data.

There is some uncertainty around when, or if, the accident frequency rate will recover. In our plans for the next few years, we have taken a prudent view on when this will happen so, as well as continuing to explore growth opportunities, we are reviewing all our processes to ensure we have the basics right for our customers and our people and to realise further shareholder value.

Results

Record revenue of £117.6m has been reported this year which represents an uplift of 28% on last year. The new broker schemes (one starting in the second half of 2009/10 and the other at the start of this year) have largely contributed to this but their impact has been partially offset by the fall in referrals in the second half of this year.

These new schemes have strengthened Ai's presence in the credit hire market with services provided on credit hire and repair cases increasing by 17% to 96,000 (2009/10: 82,000). Gross margin of £21.7m was 30% higher than last year (2009/10: £16.7m), driven largely by volume improvements (20% more core services provided) and also, to a lesser extent, by margin improvements on both Ai's hire (0.5 percentage points higher this year at 19.5%) and repair services (2.1 percentage points higher at 11.8%).

We continue to place significant management focus on improving our level of work in progress ('WiP') and trade debtors.

During the year, we achieved a settlement with one major insurer of all their outstanding debt (equivalent to 9% of Ai's GTA debt at the time). This settlement was achieved with no diminution in the carrying value of the debt and provides significant assurance that Ai's revenue recognition and provisioning policies are robust and realistic.

We have also entered into a forward protocol arrangement with this insurer. This establishes a contractual relationship, as opposed to an adversarial one, with the insurer whereby claims made by Ai for hires provided to non-fault parties (where the at-fault party is insured by this major insurer) are charged at a fixed protocol amount. Agreed settlement terms apply to this debt.

In the first year of this arrangement, we expect to be close to a break-even position, i.e. where the amounts billed under the protocol arrangement in the first year are in line with the amounts that could have been billed to this insurer under the GTA.

Debtor days with this insurer prior to the block settlement and establishment of the protocol arrangement were 233 days

and are now 57 days – a 176 day (76%) improvement. We are in discussions with several other insurers to develop similar arrangements and also exploring other methods of expediting settlement of our claims.

Our billing processes have also been improved and this is demonstrated by the 17 day reduction in WiP days to 22 days (30 June 10: 39 days). Non-GTA debtor days have also improved - by 11 days to 41 days (30 June 10: 52 days). Continued slow payment by insurers has contributed to the 22 days increase in GTA debtor days to 145 days (30 June 10: 123 days).

Strategy

Our core values of Service, Innovation and Ethics are as important to Ai today as they have ever been. Our conversion levels are up 14 percentage points to 88%. We are looking to expand into new markets (such as full claims outsourcing) to diversify our portfolio by capitalising on our claims handling expertise. Given the wider regulatory pressure to reduce premiums and thereby claims costs there are opportunities for our cost saving intervention product, Reserva, which would have added benefit to Ai given its less intensive working capital requirements. Our low hire durations support our ethical focus and continue to be well below the industry average. We have also, this year, invested in systems and processes specifically to ensure that we continue to benefit our customers by shortening downtime and reducing costs at every stage.

In addition, through strategic partnering with major car rental providers, Ai's customers have access to over 300,000 vehicles from an extensive national network.

Board

Following the expiry of my initial two year incentivisation arrangement (under which I took no fees but was remunerated solely by a share incentive scheme based upon an increase in the share price over the period to 2010), I was reappointed Chairman under a new agreement which reflected my continued confidence in the Group's ability to create value for shareholders. Under this agreement, part of my remuneration is based on the appreciation of the Company's shares from a base figure of 20.0p (but only if the Company's share price exceeds 35.0p for a specified period during the vesting period) under an unapproved share option agreement.

Bob Newton, who joined the Board in 2008 as Non-executive director, has indicated that he does not wish to seek re-election at the forthcoming Annual General Meeting (AGM), owing to the pressures of his other business commitments. I would like to thank Bob on behalf of the Board for his significant contribution to the Company.

Future Prospects & Dividends

Three manufacturer schemes have recently been renewed and Ai is also undertaking two ventures in the full claims outsourcing arena: a pilot scheme with a broker and a full claims handling service to an insurer. We expect additional growth opportunities to continue to become available but also value the strong relationships that we have with our current referral partners and will continue to invest our time, expertise and commitment into those relationships to ensure that their requirements are put at the very heart of everything we do. In addition we are re-examining all our processes with a view to improving the bottom line through additional cost savings.

The Board is recommending a final dividend of 0.42 pence per share, making a full year dividend of 0.75 pence, an increase of 14.0% over the previous year. This dividend is covered 6 times by the profit for the period. Subject to approval at the AGM, the dividend will be paid on 11 January 2012 to shareholders on the register at 9 December 2011.

It is a tough trading environment, with lower accident frequencies, mounting government and press scrutiny of the industry, insurer frustration and ongoing economic uncertainty and this will continue to challenge the business. I am, however, confident that Ai, with its unique and flexible operating model and its experienced management team, will be able to continue on its path in a solid, resilient manner. As well as further growth potential, there are also opportunities to identify and realise efficiencies in processes and costs by maintaining its strong focus on margin and costs. It is through the commitment and endeavour of our people that this solid set of results has been achieved in such testing times so I would like to say a personal thank you to all of them.

Steve Broughton

Chairman

26 September 2011

Operating & Financial Review

We are ethical, proactive and transparent in our service delivery providing market leading customer service with an ethos to control claims cost inflation. We continue to put our customers at the very heart of everything that we do, ensuring swift resolutions and maintaining consistently high service levels; we work hard to contain and minimise costs for our clients.

Business and Commercial Development

Ai has steadily built up long term strategic partnerships with certain key vehicle rental providers which gives access to over 300,000 vehicles to its customers whilst allowing its teams to focus on controlling what they should be controlling - claims and cost.

The business continues to benefit from its bespoke claims administration and recovery system (CARS). This was built in house using technologically advanced workflow software and has allowed the business to build from this strong, scalable platform. The system continues to be developed to enable creation of innovative solutions and to facilitate new business opportunities. It allows our staff to provide services quickly and efficiently, returning customers to normality as soon as possible thereby keeping claims costs under control.

To capitalise on its expertise in the claims handling arena to exploit opportunities in new markets, Ai has also begun to develop its full claims outsourcing capabilities for launch in the latter part of 2011 for a new pilot scheme for a broker and also a new scheme for an insurer.

Ai has successfully implemented a significant non-fault broker referred scheme which commenced at the start of the financial year and has expanded its presence in this sector. In addition, Ai has retained the business of three vehicle manufacturers and continues to work with others to develop their branded accident management schemes. We also continue to develop relationships and products with car dealer groups in order to increase Ai's penetration in that sector.

Following agreement of a bulk settlement arrangement with a major insurer in the second half of the year, Ai took the proactive steps to establish a payment protocol arrangement with that insurer in order to provide more assurance over cash collection. Other insurers have also showed interest in such an arrangement and so these are currently being explored. Whilst providing efficiencies in our collection process, such arrangements bring new risks to Ai's business model so we are developing our systems, processes and MI to ensure such arrangements deliver their intended benefits.

People

Our headcount grew to an average of 471, from 375 in the previous year, a 26% increase. This reflects our underlying business growth and is largely driven by the two significant non-fault broker referred schemes that have recently been implemented - one at the end of the last financial year and one at the start of this one. Attrition rates have been maintained at a similar level to the prior year - 25% (2009/10: 23%).

We continue to recruit, train and retain the best people in the industry. Ai has enjoyed 'Investor In People' status since 2003 and, in November 2010, we were awarded their silver status. We constantly monitor and review staffing levels to ensure our customers receive an excellent standard of service and we continue to provide significant investment in training to improve staff skills. Our call centre won Best Contact Centre in the Call North West 2010 awards and Ai have been shortlisted three times in the Call North West 2011 awards.

Principal Risks and Uncertainties

Risk is an accepted part of doing business and has the potential to impact financial performance or hinder the achievement of business objectives. If we do not manage these risks effectively we could miss potential opportunities to further develop and expand our business. A successful risk management process balances risks and rewards and relies on a sound judgement of their likelihood and consequences. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives. The key risks faced by the Group and relevant mitigating factors are set out on the following page.

	Impact	Mitigation
Customers and reduction in demand	The Group services motor claims. Economic and environmental factors may impact on the number of vehicles on the road and their accident frequency, which may impact revenues and profitability.	The Group operates with a highly variable cost base with no fixed investment being required for a vehicle fleet infra-structure or a repair garage infra-structure. Volumes are monitored closely to understand any shortfall against expectations.
Bought in costs in managing a claim	The cost of bought in supplies has a direct effect on gross margins.	The Group contracts with suppliers, principally hire companies and repairers. The company seeks to match its revenue and cost exposure and secures rental rates over a 2-3 year period.
Competition	The Group operates in a competitive sector.	The Group seeks to develop long term relationships with customers and protect these with contracts and the development of innovative products. The Group also reviews the performance of its accounts to ensure it remains competitive. Financial and operational barriers to entry exist to develop a significant market presence.
Access to capital	The Group requires capital to fund working capital and to support the investment in infra-structure. In order to continue to access its credit facilities, the Group needs to remain compliant with its bank covenants. Bank facilities consist of a property loan and overdraft. They are reviewed each year and will next be reviewed at the end of 30 September 2012. Failure to remain within covenants or extend bank facilities beyond 30 September 2012 could potentially materially affect the prospects of the Group.	Bank covenants are modelled and stress tested against the Group's business plan. Covenants are reviewed on a monthly basis to ensure ongoing compliance. If there was a shortfall in cash generated from operations, the Group would reduce its capital requirement.
Interest rate risk	The Group borrows to principally fund its working capital needs. Interest rates are at a low level currently and the Group's profitability would be affected by an increase in interest rates.	When pricing for contracts, headroom is built into funding rate estimates. The Group has hedged part of its exposure to significant increases in rates.

	Impact	Mitigation
Settlement estimation of claims	The realisable values of credit hire and repair claims can be subject to dispute, which may result in a loss to the Group.	The Group makes an initial estimate of receivable amounts based on relevant experience and settlement trends. This initial estimate is reviewed throughout the life-cycle of the claim to ensure the carrying value of debt is appropriate.
Credit risk	Credit risk arises if a party paying the Group's debt was unable to meet its obligations.	Debts are due from insurance companies. The capitalisation of insurers is regulated by the Financial Services Authority. The financial services industry operates a compensation scheme to alleviate the impact of the failure of an insurance company.
Maintenance and compliance with the GTA	The GTA is a voluntary code of conduct between companies providing credit hire and repair services, and insurance companies. Vehicle rates and terms of payment are covered in this code.	The Group takes an active part in the GTA development and compliance and maintains positive and productive relationships with insurance companies. Internal controls support the Group's compliance with the GTA.
IT systems	The Group's business involves a high volume of transactions, supported by diligent and detailed case notes. Reliance is placed on the availability and proper functioning of IT systems for the effective running of the operation. Any interruption would have a material impact on the business.	The Group seeks to minimise the risk of business interruption through controls over change and operating an effective IT general control environment. Reviews are carried out by Internal Audit and external consultants as appropriate. Additionally the Group has a disaster recovery plan.

Key Performance Indicators

Indicator	Performance	Target
ROCE – Equity In a capital intensive business, post tax return on capital is a more important measure of performance than profitability alone.	16% (2009/10: 13%) . ROCE is maximised through a combination of managing net margin and working capital requirement within banking facilities and a sustainable gearing level.	> 15%
EPS Basic EPS is a key short term measure of performance used by shareholders.	4.34p (2009/10: 3.14p)	The target is to maximise shareholder value by increasing EPS in the short term alongside ROCE – Equity.
Referrals Key driver of growth, business mix and capital requirement.	130,000. This represents a 2% decrease on the previous year (2009/10: 132,000). <i>(excludes accident damage and courtesy car schemes)</i>	To best utilise the skills of our experienced staff and IT platform, the target is to maximise opportunities for converting leads.

Indicator	Performance	Target
Conversion into service Key customer service indicator and revenue generator.	88%. A 14 percentage points increase compared to last year (2009/10: 74%). <i>(excludes accident damage and courtesy car schemes)</i>	> 80%
Customer service index Key measure of overall customer satisfaction.	84% (2009/10: 83%). Where Ai's service has been rated as 'Very Good' or 'Excellent'.	> 85%
Claims recovery ultimate Estimated ultimate recovery is a key driver in a longer cash cycle business for converting initially reported revenue into cash.	100% (30 June 10: 100%)	> 100%
WIP days A key controllable working capital investment driver.	22 days (30 June 10: 39 days)	< 45 days
Debtor days – GTA Not fully controllable as dependent upon insurers payment efficiency in a claimant situation.	145 days (30 June 10: 123 days)	< 90 days
Debtor days – other More controllable as debt should be payable within agreed payment terms.	41 days (30 June 10: 52 days)	< 60 days
Hire duration Key customer service indicator and indicator of control of cases.	18 days (2009/10: 17 days)	< 18 days

Operational Performance

The majority of referrals continue to come from insurance companies – twelve of the top twenty motor insurers are served by Ai – but to expand Ai's distribution platform, our commercial teams continue to put more emphasis on building relationships with insurance brokers, car body shops, car manufacturers, fleet operators and affinity scheme partners. Broker referrals doubled this year and now represent 30% (2009/10: 15%) of all referrals.

131,000 referrals (excluding accident damage and courtesy car schemes) were received by the business - in line with the prior year (2009/10: 132,000 cases). The additional referrals received from the two new broker referred scheme were offset by the drop in accident frequencies in the second half of the year. The latter was caused by the spike in petrol prices earlier this year which, when combined with the general economic climate we are currently experiencing, has had a significant impact upon driving habits, miles travelled and average speed.

Although referrals were level, core services provided (hire, repair and other service fees) increased by 20% on last year to 116,000 cases (2009/10: 97,000) as Ai significantly improved its conversion rate this financial year by 14 percentage points to 88% (2009/10: 74%).

Ai continues to report below-average hire durations. However, due to the mix of referrals received from the two new broker schemes, Ai's average hire period on credit hire during the year increased by 1 day to 18 days (2009/10: 17 days) which is still well below the industry average of 22 days. This, together with Ai's policy to avoid, wherever possible, costly litigation to secure payment of claims by insurers reinforces Ai's ethical stance on claims management – key differentiators between

Ai and its competitors, who generally view hire periods as a source of revenue and profit. Although our GTA debtor days increased from 123 days to 145 days, this continues to reflect payment backlogs witnessed at most insurers. Our non-GTA debtor days fell by 11 days to 41 days. Debt collection performance continues to be a key focus of senior management and is significantly better than most credit hire organisations.

We are making progress in our engagement with insurers to ensure they have sufficient resources to deal with our claims and this is bringing tangible results. During the year, we agreed terms with a top insurer to bring their account up to date (at no diminution to the value of Ai's debt) and to enter into a fixed protocol arrangement. Similar discussions continue to be held with other companies.

Financial Review

Revenue was £117.6m (2009/10: £91.9m) and this represented an increase of 28% over the previous year.

Hire revenue from cases increased by £16.9m (29%) to £76.0m (2009/10: £59.1m) and repair revenue increased by £9.3m (31%) to £38.9m (2009/10: £29.6m). PI related revenue decreased by £0.3m (35%) to £1.0m (2009/10: £1.3m). Service only based income reduced by £0.1m (5%) to £1.8m (2009/10: £1.9m).

Hire and repair income represents 65% (2009/10: 64%) and 33% (2009/10: 32%) of revenue respectively. Overall revenue growth has been achieved with an uplift in gross margin to 18.5% (2009/10: 18.1%).

Full time employees increased by 28% this year to accommodate the higher activity at the start of the year. Staff costs saw a similar increase - they were 29% up on last year. Administrative expenses increased by £3.5m (26%) to £17.1m (2009/10: £13.6m). Operating margin (based on EBITDA) increased by 0.3 percentage points from 4.6% to 4.9%. EBITDA profit per employee increased by 8% to £12,100 (2009/10: £11,200).

The Group generated a pre-tax profit of £3.7m in the year (2009/10: £2.6m). Adjusted profits were £3.8m (2009/10: £2.7m).

Despite the slow settlement of debts in this sector, Ai's experience shows that it recovers the amounts it initially recognises in its financial statements when it bills insurers. It has a proven model, underpinned by its technologically advanced workflow software, which involves the continued monitoring of trade debtors, developing market relationships, actively managing its claims process and adopting a prudent revenue recognition policy. 101% (30 June 10: 100%) of income initially recognised prior to 30 June 2008 has been collected to date, 97% (30 June 10: 93%) of all income initially recognised prior to 30 June 2009 has been settled, 93% (30 June 10: 83%) of all income initially recognised prior to 30 June 2010 has been settled and, as this data continues to mature, we expect to recover the remaining 3% and 7% respectively in due course.

Financing

Financial expenses increased by 89% to £0.8m as a result of additional working capital to fund the growth in revenue with the increased mix of credit hire. Financial expenses are covered 6 times by operating profit (2009/10: 7 times).

Taxation

The effective tax rate was 29% (2009/10: 27%) which is higher than the applicable standard rate of corporation tax of 28% as depreciation is in excess of capital allowances and there are number of permanent differences.

Earnings Per Share

Basic EPS increased by 1.20p to 4.34p (2009/10: 3.14p). Adjusted basic EPS, which measures EPS before the IFRS 2 share option charge, increased by 1.17p to 4.46p (2009/10: 3.29p).

Dividends

The dividend charge of £428,000 relates to the payment of a final dividend in respect of the year ended 30 June 2010 of 0.37p per share (£227,000) together with the payment of an interim dividend in respect of this financial year of 0.33p per share (£202,000). The Board have proposed the payment of a final dividend for the year of £256,000 (0.42p per share) payable on 11 January 2012 to shareholders on the register at 9 December 2011. The total dividend in respect of the financial year ended 30 June 2011 of £458,000 is covered 6 times by the profit for the period.

Balance Sheet

Return on shareholders' funds, post tax, was 16% (2009/10: 13%). Total assets less total liabilities at 30 June 2011 were £18.5m (30 June 10: £16.3m), equivalent to 30.3p per share (30 June 10: 26.5p per share).

Intangible assets increased by £0.4m to £3.9m during the year, largely in respect of new MI systems developed internally less amortisation. A further £0.3m was invested in property, plant and equipment, primarily computer equipment.

Net debt increased by £3.0m from £19.4m to £22.4m due to new business growth and slow settlement by insurers. Whilst there has again been an extension to debtor days, this has been mitigated by a further reduction in WiP days from 39 days

to 22 days. The net overdraft of £21.2m remains comfortably within the facility of £30.0m.

Cash Flow

Net cash outflow from operating activities was £1.4m (2009/10: £8.1m) which was largely driven by an increase in GTA debtor days from 123 days to 145 days.

Capital Structure and Financing

Gearing at 30 June 2011 was 121% (30 June 10: 119%) as the business has maintained the utilisation of its working capital funding in line with last year.

The financing arrangements with Yorkshire Bank provide the business with a committed secured overdraft facility of £30.0m together with a mortgage loan of £0.8m (30 June 10: £1.0m). The overdraft facility is reviewed annually and this is next scheduled for review on or after 30 September 2012. At 30 June 2011, the net overdraft was £21.2m (30 June 10: £18.3m). The mortgage loan is secured over freehold property.

The committed overdraft available for drawdown is limited to 80% of trade receivables which are less than 240 days old.

The borrowing facilities are subject to financial covenants as follows:

1. Interest cover ratio

A minimum cover ratio of PBIT to interest of 3, tested monthly and on a rolling annual basis. Interest cover for the year ended 30 June 2011 was 6 (2009/10: 7).

2. Mortgage loan to property value

A maximum loan to property value of 70% must be maintained. At 30 June 2011, the loan to property value was 40% (30 June 10: 49%).

3. Achievement of internal forecasts for adjusted profit

The Group submits annual budgets and periodic re-forecasts to Yorkshire Bank. The covenant requires the Group to operate above 85% of budgeted or re-forecast adjusted profit on a year to date basis. The Group met this covenant at 30 June 2011.

Capital Management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

The Group's business model allows for the procurement of services required to service claims without owning a vehicle fleet and infra-structure or repair businesses. Its capital structure is geared towards funding working capital and fixed asset investment.

The Group can choose to adjust its capital structure by varying the scale and mix of its trading activities to reduce the requirement to fund trade debtors. The Board believes that it would be able to convert tranches of trade debtors into cash by agreement with insurance company debtors, although there is likely to be a cost in the form of discount. It can also choose to vary the amount it pays by way of dividend to shareholders, by issuing new shares or adjusting the level of capital expenditure.

Liquidity and Funding

The Group has sufficient funding to meet its normal funding requirements in the medium term to fund its business plan. Covenants attached to those facilities are not restrictive to the Group's operations.

David B Sandhu

Chief Executive Officer

Peter J Harrison

Chief Financial Officer

26 September 2011

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

		2010/11	2009/10
	Note	£'000	£'000
Revenue		117,621	91,929
Cost of sales		(95,902)	(75,265)
Gross profit		21,719	16,664
Administrative expenses		(17,163)	(13,600)
Operating profit		4,556	3,064
Financial expenses		(819)	(434)
Profit before taxation		3,737	2,630
Income tax		(1,084)	(708)
Profit for the period		2,653	1,922
Profit and total comprehensive income for the period		2,653	1,922
Basic earnings per ordinary share	1	4.34p	3.14p
Diluted earnings per ordinary share	1	4.21p	3.11p

All income arises from continuing operations.

There are no items to be recognised in a separate consolidated statement of comprehensive income and, accordingly, this statement has been combined with the consolidated statement of income in these financial statements.

The profit and total comprehensive income for the period is fully attributable to the equity holders of the parent.

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	30 June 11 £'000	30 June 10 £'000
Assets			
Non-current assets			
Goodwill		6,726	6,726
Other intangible assets		3,860	3,530
Property, plant and equipment		2,196	2,463
Deferred tax asset		128	111
		12,910	12,830
Current assets			
Trade and other receivables		63,682	55,998
Cash at bank and in hand	2	57	183
		63,739	56,181
Total assets		76,649	69,011
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	2	(21,506)	(18,582)
Trade and other payables		(35,282)	(32,646)
Income tax liability		(533)	(479)
		(57,321)	(51,707)
Non-current liabilities			
Interest bearing loans and borrowings		(871)	(1,001)
Total liabilities		(58,192)	(52,708)
Total assets less total liabilities		18,457	16,303
Shareholders' equity			
Share capital		6,142	6,142
Share premium account		1,579	1,579
Other reserves		238	269
Retained earnings		10,626	8,341
Treasury shares		(128)	(28)
Total shareholders' equity		18,457	16,303

These financial statements were approved by the Board of Directors on 26 September 2011 and signed on its behalf by:

David B Sandhu
Director

Peter J Harrison
Director

Consolidated Statement of Cash Flow

for the year ended 30 June 2011

		2010/11	2009/10
	Note	£'000	£'000
Cash flows from operating activities			
Profit for the period		2,653	1,922
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		544	453
Amortisation of other intangibles		634	604
Share compensation charge		74	92
Cash settled share options		(98)	-
Share options exercise		-	26
Financial expense		819	434
Taxation		1,084	708
Increase in trade and other receivables		(7,684)	(24,687)
Increase in trade and other payables		2,435	13,552
Interest paid		(819)	(434)
Taxation paid		(994)	(753)
Net cash outflow from operating activities		(1,352)	(8,083)
Cash flows from investing activities			
Purchases of property, plant and equipment		(84)	(154)
Purchases of other intangible assets		(964)	(1,089)
Net cash outflow from investing activities		(1,048)	(1,243)
Cash flows from financing activities			
Purchase of treasury shares		(100)	-
Repayment of borrowings		(81)	(216)
Finance lease principal repayments		(199)	(93)
Dividends paid		(227)	(385)
Net cash outflow from financing activities		(607)	(694)
Net decrease in cash and cash equivalents		(3,007)	(10,020)
Cash and cash equivalents at 1 July	2	(18,146)	(8,126)
Cash and cash equivalents at 30 June	2	(21,153)	(18,146)

Consolidated Statement of Changes In Equity

for the year ended 30 June 2011

	Share capital £'000	Share premium £'000	Other reserves £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 July 2009	6,142	1,579	345	(54)	6,624	14,636
Profit and total comprehensive income for the year	–	–	–	–	1,922	1,922
Share based payments	–	–	(76)	26	168	118
Tax on items charged to equity	–	–	–	–	12	12
Dividends to equity holders	–	–	–	–	(385)	(385)
At 30 June 2010	6,142	1,579	269	(28)	8,341	16,303
Profit and total comprehensive income for the year	–	–	–	–	2,653	2,653
Share based payments	–	–	(31)	–	8	(23)
Purchase of treasury shares	–	–	–	(100)	–	(100)
Tax on items charged to equity	–	–	–	–	52	52
Dividends to equity holders	–	–	–	–	(428)	(428)
At 30 June 2011	6,142	1,579	238	(128)	10,626	18,457

Notes to the Preliminary Announcement

1 Earnings per share

Basic Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders	£2,653,000	£1,922,000
Weighted average number of ordinary shares	61,165,454	61,151,965
Basic earnings per share	4.34p	3.14p

Diluted Earnings Per Ordinary Share

The calculation of diluted earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year including share options with a dilutive effect, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders	£2,653,000	£1,922,000
Weighted average number of ordinary shares – diluted	63,055,833	61,709,295
Diluted earnings per share	4.21p	3.11p

Adjusted Basic Earnings Per Ordinary Share

The calculation of basic adjusted earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders	£2,727,000	£2,014,000
Weighted average number of ordinary shares	61,165,454	61,151,965
Adjusted basic earnings per share	4.46p	3.29p

2 Cash & Cash Equivalents In the Consolidated Statement of Cash Flow

	2010/11	2009/10
Cash at bank & in hand	57	183
Bank overdrafts [^]	(21,210)	(18,329)
Cash & cash equivalents in the consolidated statement of cash flow	(21,153)	(18,146)

[^] included within "Current liabilities: Interest bearing loans & borrowings"

3 Preliminary Announcement

This unaudited preliminary statement, which has been agreed with the auditors, was approved by the Board of Directors on 26 September 2011. It is not the Company's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Copies of the Group's audited statutory accounts for the year ended 30 June 2011 will be despatched shortly to shareholders. The auditors have not yet reported on these accounts. Copies will also be available to the public at the Company's registered office: Indemnity House, Sir Frank Whittle Way, Blackpool Business Park, Blackpool FY4 2FB.

The statutory accounts for the year ended 30 June 2010 received an unqualified audit report and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006. The statutory accounts for the year ended 30 June 2010 have been delivered to the Registrar of Companies.