

# Ai CLAIMS SOLUTIONS PLC

## Preliminary Results for year ending 30 June 2010

### Group Financial Summary and Highlights

	2009/10 £'000	2008/09 £'000
Revenue	91,929	55,744
Gross margin	18%	26%
Adjusted profit <sup>1</sup>	2,722	2,016
Profit before taxation	2,630	1,874
Taxation	(708)	(573)
Profit for the period	1,922	1,301
Dividends	(385)	(368)
Earnings per share ("EPS"):		
- Adjusted basic <sup>2</sup>	3.29p	2.36p
- Basic	3.14p	2.13p
Dividend per share	0.66p	0.60p

### Financial Highlights

- Revenue increased by 65% to £91.9m from £55.7m
- 35% increase in adjusted profits of £2.7m (2008/09: £2.0m)
- Earnings<sup>2</sup> before interest, taxation, depreciation & amortisation ("EBITDA") up 27% to £4.2m (2008/09: £3.3m)
- Gross margin of 18% (2008/09: 26%) reflecting change in mix of business
- 3 percentage points increase in the return<sup>2</sup> on shareholders' funds ("ROCE – Equity") to 13% (2008/09: 10%)
- Adjusted basic EPS of 3.29p (2008/09: 2.36p)
- Proposed final dividend of 0.37p per share (2008/09: 0.34p per share). Interim & final dividend in respect of 2009/10 is increased at 0.66p (2008/09: 0.60p)

### Operational Highlights

- Doubled working capital funding facilities agreed from £15.0m to £30.0m
- Commenced three new intermediary relationships & are piloting products with a large self insured organisation
- Retained the business of a large automotive client & continued to work with vehicle manufacturers to develop their branded accident management schemes
- Significant growth in Ai's BrokerAid product – now a major player in this market sector in under two years
- Developed & implemented, as part of Ai's operating platform, a first notification of loss ("FNOL") capability
- Debtor days of 103 days (2008/09: 95 days) are higher than the prior year due to the ever challenging environment but are still considerably better than the industry's averages owing to the strong relationships that Ai maintains with insurance companies

<sup>1</sup> "Adjusted profit" represents profit before taxation excluding IFRS 2 share option charges

<sup>2</sup> based on profit for the period excluding IFRS 2 share option charges

For further information, please contact:

David Sandhu	Ai Claims Solutions plc	0844 571 3108
Peter Harrison	Ai Claims Solutions plc	0844 571 3200
Dru Danford	Shore Capital & Corporate Ltd ( <i>NOMAD to the Company</i> )	0207 408 4090

## Chairman's Statement

### Record Revenues, Record Profits & Record Start To New Year

I am delighted to announce the results for the year ending 30 June 2010. The key highlights are:

- Record revenues of £91.9m up 65% (£55.7m)
- Record adjusted profits of £2.7m up 35% (2008/09: £2.0m). EBITDA level profits up 27% to £4.2m
- Earnings per share up 39%
- New contract effective from 1 July 2010 has meant a strong start to our new financial year
- Extended bank facilities to accommodate working capital for further profitable growth
- Improving debtor position with several leading Insurers

### Market Background

Our business model has always been different from those of our leading competitors and whilst we have at times struggled to get that message across to the industry and to investors the evidence of the last 12 months suggests it is a message that is now more clearly understood. In the last year, our share price has performed well relative to our quoted competitors.

The credit hire industry is now firmly established, and it is strategically important that companies in the market continue to develop cooperative relationships with insurers who are striving to restore profitability and so are actively managing their claims costs.

Ai, by positioning itself as the 'ethical' provider of accident solutions, is perfectly placed in this regard and continues 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 its claims settlement uncertainty.

### Results

Several new contracts during the year have led to revenues of £91.9m which is 65% ahead of last year's performance. This has driven the 35% increase in adjusted profits. Costs in the business were increased by the need to resource for the new contract that began on 1 July 2010.

Ai continues to strengthen its presence in the credit hire market with services provided on Mobilisa cases increasing by 34% to 59,000 (2008/09: 44,000); Ai's other products continue to strengthen – non-Mobilisa services now represent 40% of total services on cases (2008/09: 36%), thereby broadening the revenue opportunities available to the company.

Ai's debtor days averaged 103 days this year (2008/09: 95 days) which, although higher than the last year end, continues to be substantially better than our quoted competitors as we continue to work closely with the insurance industry to expedite settlement of claims in this challenging environment. There is some evidence that insurers have not staffed their claims departments to meet the increased volumes they are processing; in addition they are resisting claims with excessive hire durations being made by some of our competitors. This has slowed down the process of settling claims and, in turn, has increased the resource we have needed to apply to chase debt. Of the five leading insurers our discussions have been positive although there have been material difficulties with one insurer. We are generally loathe to pursue claims in court as we expect to reach amicable agreement because we handle claims in an ethical manner. Nonetheless we are prepared to resort to the courts where insurers act unreasonably.

Whilst it is taking longer to collect our debt, our experience is that we ultimately recover at least 100% of the amounts we initially recognise in our financial statements; at the balance sheet date we had collected over 100% of income initially recognised prior to 30 June 2008. At the end of June 2010 we had also collected 93% of all income initially recognised prior to 30 June 2009. This collection rate continues to mature by circa 3% per quarter. Whilst market conditions are challenging and insurers are slowing payments and challenging the amounts they pay, it does show that Ai's approach has served it well and we have not therefore seen the periodic write downs that many competitors have witnessed across the last few years. This also demonstrates that Ai's revenue recognition and provisioning policies are robust and realistic.

In May 2010, despite the tough credit markets, Ai secured agreement on competitive terms from its bankers to expand its bank facilities from £15.0m to £30.0m. This was to meet the increased working capital funding

requirement of the business from the recent growth in revenues as well as in anticipation of further growth during 2010/11. These facilities will provide Ai with a strong platform going forward and demonstrates the confidence our bank has in both Ai's business model and future prospects.

## **Strategy**

Our strategy continues to focus on being an ethical provider of accident management services that are based on a low cost and lean balance sheet model, supported by an efficient operating and financial platform. Our £4.7m investment in our operating platform is now bearing fruit and is able to deliver scale efficiencies as we expand and ensure our claims are well controlled, which minimises the risk of write offs.

We are continuing to invest in our product offering and distribution footprint. To ensure our growth is managed and sustainable, we have strengthened our management team, processes and control environment and also appointed Ernst & Young LLP as our internal auditors.

By securing vehicles through strategic partnering with major car rental providers (rather than the industry preference for ownership), Ai also avoids the impact on its results of both the vagaries of the used car market and the costs associated with non utilisation of a car fleet, whilst maintaining a national network of vehicle locations with an extensive range of vehicle types available to meet our customers' requirements rapidly and efficiently.

## **Future Prospects & Dividends**

Two significant schemes with a major intermediary started in 2009/10 and initial performance on these contracts is promising with the first two months of the financial year, which are traditionally quiet summer holiday months, producing a record start. These contracts should produce substantial growth in hire and repair business within the next year. We expect additional growth opportunities to continue to become available.

The year ahead will have its challenges given the current pressures faced across the economy as a whole. I am, however, confident that Ai, with its collaborative approach to the market and lower risk and lean financial model, will continue to deliver an excellent performance for its customers and an attractive return to investors. I would like to take this opportunity to thank all of Ai's employees for their hard work during the last year.

The Board is recommending a final dividend of 0.37 pence per share, making a full year dividend of 0.66 pence, an increase of 10.0 per cent over the previous year. This dividend is covered 5 times by the profit for the period. The dividend will be paid on 12 January 2011 to shareholders on the register at 10 December 2010.

## **Chairmanship**

I assumed the chair in mid 2008 under an 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 remain confident in the company's ability to create value for shareholders and I have therefore agreed in principle to extend these arrangements for a further two year period.

## **Steve Broughton**

*Chairman*

27 September 2010

## Operating & Financial Review

Ai Claims Solutions manages motor claims from the initial incident through to final resolution, including replacement vehicles and repairs for several of the leading insurance companies, brokers, fleet companies and automotive businesses across the UK.

We are ethical, proactive and open in our service delivery providing market leading customer service with an ethos to control claims cost inflation.

## Business & Commercial Development

The successful agreement of additional working capital funding during the financial year has provided a solid foundation to support Ai's future growth plans.

Rental of its hire fleet is a key differentiator between Ai and most of the other major players in the credit hire market who own their vehicles so have the added complexity of factoring used car prices and utilisation rates into their business models. During the year we secured the renewal of our main vehicle rental partnership arrangement for a further two years, providing security of supply and pricing for the future.

Our migration away from our Legacy IT System is now nearly complete and, except for one broker scheme (which is in run off), all other new business is being written on our new platform. In addition, a number of new modules have been released, in particular the roll out of Ai's automated decision making ("ADS") software which has significantly improved the speed and accuracy of Ai's liability decisions. This provides Ai with a first notification of loss ("FNOL") service which it was unable to offer previously.

A new claims strategy has been implemented and we expect this to have a significant impact on our future results, efficiency and performance.

We also undertook a full product refresh for both Ai's Reserva and Defenda products which has enhanced our ethical and proactive capabilities and will lead to further savings for our insurer customers.

In terms of major contract wins, Ai has successfully negotiated a significant non-fault broker referral source which has expanded our presence in this sector. We have also commenced three new intermediary broker schemes (providing FNOL and non-fault services for both credit hire and repair) and are piloting products with a large self insured organisation.

We have implemented a full outsource scheme for an insurer in run off, handling FNOL (fault and non-fault) claims. This scheme has delivered repair volumes in excess of those initially anticipated and has also resulted in increased demand from existing key referral sources. Ai has also been selected as a bilateral partner for a large insurer.

Ai has retained the business of a large automotive client and continues to work with vehicle manufacturers to develop their branded accident management schemes. We also continue to develop relationships and products with car dealer groups to increase Ai's penetration in that sector.

## People

Our headcount grew to an average of 375, from 368 in the previous year, a 2% increase. This reflects underlying business growth together with efficiency improvements realised from the roll out of our CARS system and also improvements to other key efficiency drivers, such as attrition and sickness. We have been able to continue to make improvements to our attrition rate, reducing this by 3 percentage points to 23% this year. Since the year end, Ai has been able to grow its workforce to over 460 employees in line with its continuing growth.

We continue to invest in providing effective training and a wealth of opportunities for all our staff. This has been recognised by the inclusion of our "Getting Connected" course in the shortlist for the "Best Training Programme" in the North West Contact Centre 2010 Awards. This follows on from the success in 2007 when Ai won this award for its industry leading "Talent Academy" programme.

## Principal Risks & Uncertainties

**Impact**

**Mitigation**

<b>Customers and reduction in demand</b>	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.
<b>Bought in costs in managing a claim</b>	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.
<b>Competition</b>	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.
<b>Access to capital</b>	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 September 2011. Failure to remain within covenants or extend bank facilities beyond September 2011 could potentially materially affect the prospects of the group.	Bank covenants are modelled and stress tested against the groups 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
<b>Interest Rate Risk</b>	The group borrows to principally fund its working capital needs. Interest rates are at a low level currently and the company's profitability would be affected by an increase in rates.	When pricing for contracts, headroom is built into funding rate estimates. The group has hedged its part of its exposure to significant increases in rates.
<b>Settlement estimation of claims</b>	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.
<b>Credit Risk</b>	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 FSA. The insurance industry operates a policy holders protection scheme to alleviate the impact of the failure of an insurance company.
<b>Maintenance and compliance with General Tariff</b>	The GTA is a voluntary code of conduct between companies providing credit hire and repair services, and insurance	The group takes an active part in the GTA development and compliance and maintains positive and productive

<b>Agreement (“GTA”)</b>	companies. Vehicle rates and terms of payment are covered in this code.	relationships with insurance companies. Internal controls support the group’s compliance with the GTA.
<b>IT systems</b>	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
<b>ROCE – Equity</b> <i>In a capital intensive business, post tax return on capital is a more important measure of performance than profitability alone.</i>	<b>13%</b> <i>ROCE is maximised through a combination of managing net margin and working capital requirement within banking facilities and a sustainable gearing level.</i>	<b>&gt; 15%</b>
<b>EPS</b> <i>Basic EPS is a key short term measure of performance used by shareholders.</i>	<b>3.14p</b> <i>Basic EPS of 3.14p compares to 2.13p in the previous year.</i>	<i>The target is to maximise shareholder value by increasing EPS in the short term alongside ROCE – Equity.</i>
<b>Referrals</b> <i>Key driver of growth and business mix and capital requirement.</i>	<b>158,000</b> <i>This represents a 10% increase on the previous year (2008/09: 143,000).</i>	<i>To best utilise the skills of our experienced staff &amp; IT platform, the target is to maximise opportunities for converting leads.</i>
<b>Conversion into service</b> <i>Key customer service indicator and revenue generator.</i>	<b>80%</b> <i>A 4 percentage points increase compared to last year (2008/09: 76%).</i>	<b>&gt; 80%</b>
<b>Customer service index</b> <i>Key measure of overall customer satisfaction.</i>	<b>83%</b> <i>Where Ai’s service has been rated as ‘Very Good’ or ‘Excellent’.</i>	<b>&gt; 85%</b>
<b>Claims Recovery Ultimate</b> <i>Estimated ultimate recovery is a key driver in a longer cash cycle business for converting initially reported revenue into cash.</i>	<b>100%</b>	<b>&gt; 100%</b>
<b>WIP Days</b>	<b>39 days</b>	<b>&lt; 45 days</b>

*A key controllable working capital investment driver.*

**Debtor Days – GTA** **123 days** **< 90 days**

*Not fully controllable as dependent upon insurers payment efficiency in a claimant situation.*

**Debtor Days – Other** **52 days** **< 60 days**

*More controllable as debt should be payable within agreed payment terms.*

**Hire duration** **17 days** **< 18 days**

*Key customer service indicator and indicator of control of cases.*

## Operational Performance

The majority of referrals still come from insurance companies – twelve of the top twenty motor insurers are served by Ai – but to expand its distribution platform, our commercial team have started to put more emphasis on building relationships with insurance brokers, car body shops, car manufacturers and fleet operators.

Referrals in the year were up 10% to 158,000 cases (2008/09: 143,000 cases). Ai provided 126,000 core services (hire, repair, personal injury (“PI”) or service fee) on cases referred, up 16% on the previous year (2008/09: 108,000). This represents a service conversion of 80%, up from 76% in the previous year. Average revenue per service increased from £516 to £729 during the year due to changes in business mix.

Ai continues to report below-average hire durations – Ai’s average hire period on credit hire is 17 days compared to an industry average of 21 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 debtor days increased from 95 days to 103 days this largely reflects payment backlogs witnessed at most insurers. Debt collection performance continues to be significantly better than most credit hire organisations and this is down to Ai’s ethical approach to working in partnership with the insurance sector and the effective control of claims submitted for payment. Ai’s claims remain very well controlled and our average hire duration on credit hire remains around 17 days (2008/09: 16 days).

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 4 insurer to bring their account up to date and accelerate payment at no diminution to the value of Ai’s debt. Similar discussions continue to be held with other companies.

## Financial Review

Revenue of £91.9m (2008/09: £55.7m) increased by 65% over the previous year due to growth in Ai’s core vehicle replacement & repair services.

The group has witnessed a change in business mix during the year, which has increased the revenue generated from cases managed, as noted above. Hire revenue from cases increased by £20.5m (53%) to £59.1m (2008/09: £38.6m) and repair revenue increased by £16.0m (117%) to £29.6m (2008/09: £13.6m). PI related revenue increased by £0.6m (86%) to £1.3m (2008/09: £0.7m). Service only based income reduced by £0.9m (32%) to £1.9m (2008/09: £2.8m). The increase in hire, repair and PI income is attributable to growth in both Non Fault and Fault related business. The reduction in service only based income is attributable to the cessation of certain pilot schemes and the group’s decision not to develop a strategic IT solution for another product.

Repair income now represents 32% of revenue (2008/09: 24%) and hire income accounts for 64% of revenue (2008/09: 69%). The change in mix towards lower margin fault and non fault repair work contributed to a reduction in gross margin from 26% to 18%.

As noted above, referrals and service volumes increased by 10% and 16% respectively. This growth was managed with a relatively modest increase in full time employees and staff costs which increased by 2% and 8% respectively. The increase in volume has been transacted on the new IT platform, bringing efficiency benefits, and the increased scale enables greater leverage of central costs. Administrative expenses increased by £1.4m (11%) to £13.6m (2008/09: £12.2m). Operating margin (based on EBITDA) reduced by 1 percentage point from 6% to 5%. EBITDA profit per employee increased by 25% to £11,200 (2008/09: £9,000).

The Group generated a pre-tax profit of £2.6m in the year (2008/09: £1.9m). Profit before tax & IFRS 2 charge was £2.7m (2008/09: £2.0m).

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. Over 100% of income initially recognised prior to 30 June 2008 has been collected to date. 93% of all income initially recognised prior to 30 June 2009 has been settled and, as this data continues to mature by circa 3% per quarter, we expect to recover the remaining 7% in due course.

## **Financing**

Financial expenses increased by 95% to £0.4m as a result of additional working capital to fund the growth in revenue. Financial expenses are covered 7 times by operating profit (2008/09: 9 times).

## **Taxation**

The effective tax rate was 27% (2008/09: 31%). The effective rate benefits from enhanced Research and Development relief being agreed by the Inland Revenue for prior periods.

## **Earnings Per Share**

Basic EPS increased by 1.01p to 3.14p (2008/09: 2.13p). Adjusted EPS, which measures EPS before the IFRS 2 share option charge, increased by 0.93p to 3.29p (2008/09: 2.36p).

## **Dividends**

The dividend charge of £385,000 relates to the payment of a final dividend in respect of the year ended 30 June 2009 of 0.34p per share (£208,000) together with the payment of an interim dividend in respect of this financial year of 0.29p per share (£177,000). The Board have proposed the payment of a final dividend for the year of £227,000 (0.37p per share) payable on 12 January 2011 to shareholders on the register at 10 December 2010. The total dividend in respect of the financial year ended 30 June 2010 of £404,000 is covered 5 times by the profit for the period.

## **Return on Capital Employed**

Return on shareholder's funds, post tax, was 13% (2008/09: 10%). The Group was able to secure additional borrowing facilities to service increased working capital resulting from growth.

## **Balance Sheet**

Total assets less total liabilities at 30 June 2010 were £16.3m (2008/09: £14.6m), equivalent to 26.5p per share (2008/09: 23.8p per share).

Intangible assets increased by £0.6m to £3.5m during the year, in respect of new modules added to the CARS system less amortisation. A further £0.6m was invested in property, plant and equipment, primarily computer equipment.

Net debt increased by £10.3m from £9.1m to £19.4m predominantly as a result of new business growth. Whilst there has been an extension to debtor days, this has been mitigated by a reduction in work in progress days from 48 days to 39 days. The net overdraft of £18.3m remains comfortably within the recently extended facility of £30.0m.

## **Cashflow**

Net cash outflow from operating activities was £8.1m (2008/09: £5.0m). This was driven by growth in revenue of 65% and an increase in debtor days from 95 days to 103 days.

## **Capital Structure & Financing**

Gearing at 30 June 2010 was 119% (2008/09: 62%), as additional working capital funding was provided through increased borrowing facilities.

New financing arrangements with Yorkshire Bank came into effect in September 2009 when the committed secured overdraft facility was increased from £10.0m to £15.0m and again in April 2010 when the limit was increased by a further £15.0m to £30.0m. The facility is reviewed annually and this is next scheduled for review on or after 30 September 2012. At 30 June 2010, the net overdraft was £18.3m (30 Jun 09: £8.2m).

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

In addition to the committed overdraft facility the group has a mortgage loan with Yorkshire Bank secured over freehold property. At 30 June 2010, the remaining loan was £1.0m (30 Jun 09: £1.2m).

The borrowing facilities are subject to financial covenants as follows:

**1. Interest cover ratio**

A minimum cover ratio of PBIT to interest of 1.75, tested monthly and on a rolling annual basis. Interest cover for the year ended 30 June 2010 was 7.1.

**2. Mortgage loan to property value**

A maximum loan to property value of 70% must be maintained. At 30 June 2010, the loan to property value was 49%.

**3. Average Debt turn ratio**

The bank calculates debt turn on a 3 monthly rolling annual basis. The debt turn should not exceed 135 days. At 30 June 2010 the calculated debt turn was 106 days. The consequence of failing this covenant would be for the bank to reduce their advance percentage from 80% by 1% for each 1 day by which the debt turn exceeds 135 days.

**4. 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 2010.

<sup>3</sup> net debt as a percentage of closing shareholders' funds

## 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.

## Outlook

Ai's reputation and standing in the credit hire and repair markets continues to go from strength to strength whilst others are falling by the way side, struggling within the current economic climate or are finding operating conditions tough.

We believe Ai, even given the tough challenges the whole economy is facing, will continue to capitalise on its industry leading hire durations, strong debtor collection performance and recently introduced claims strategy

(supported by its technologically advanced workflow software) to make further inroads in all the markets it operates in.

Ai is well positioned with its unique and flexible operating model to meet the needs of the diverse range of both current and potential customers who require hire, repair and claims management services and we are continuing to develop our product offerings to make Ai the partner of choice in these markets.

**David Sandhu**

*Chief Executive Officer*

**Peter J Harrison**

*Chief Financial Officer*

27 September 2010

## Consolidated Statement of Comprehensive Income

Year ended 30 June 2010

	Note	2009/10 £'000	2008/09 £'000
<b>Revenue</b>		<b>91,929</b>	55,744
Cost of sales		<b>(75,265)</b>	(41,470)
Gross profit		<b>16,664</b>	14,274
Administrative expenses		<b>(13,600)</b>	(12,178)
<b>Operating profit</b>		<b>3,064</b>	2,096
Financial expenses		<b>(434)</b>	(222)
<b>Profit before taxation</b>		<b>2,630</b>	1,874
Income tax		<b>(708)</b>	(573)
<b>Profit for the period</b>		<b>1,922</b>	1,301
Basic earnings per ordinary share	1	<b>3.14p</b>	2.13p
Diluted earnings per ordinary share	1	<b>3.11p</b>	2.11p

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 this preliminary announcement. The profit for the period is fully attributable to the owners of the parent.

## Consolidated Statement of Changes in Equity

Year ended 30 June 2010

	Share capital £'000	Share premium £'000	Other reserves £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 July 2008	6,142	1,579	271	-	5,631	13,623
Profit & total comprehensive income for the year	-	-	-	-	1,301	1,301
Share based payments	-	-	74	-	68	142
Purchase of treasury shares	-	-	-	(54)	-	(54)
Tax on items charged to equity	-	-	-	-	(8)	(8)
Dividends to equity holders	-	-	-	-	(368)	(368)
<b>At 30 June 2009</b>	<b>6,142</b>	<b>1,579</b>	<b>345</b>	<b>(54)</b>	<b>6,624</b>	<b>14,636</b>
Profit & 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)
<b>At 30 June 2010</b>	<b>6,142</b>	<b>1,579</b>	<b>269</b>	<b>(28)</b>	<b>8,341</b>	<b>16,303</b>

# Consolidated Statement of Financial Position

As at 30 June 2010

	Note	30 Jun 10 £'000	30 Jun 09 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill		6,726	6,726
Other intangible assets		3,530	2,894
Property, plant & equipment		2,463	2,463
Deferred tax asset		111	27
		<b>12,830</b>	12,110
<b>Current assets</b>			
Trade & other receivables		55,998	31,096
Cash & cash equivalents	2	183	130
		<b>56,181</b>	31,226
<b>Total assets</b>		<b>69,011</b>	43,336
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing loans & borrowings	2	(18,582)	(8,379)
Trade & other payables		(32,646)	(18,988)
Income tax liability		(479)	(454)
		<b>(51,707)</b>	(27,821)
<b>Non-current liabilities</b>			
Interest bearing loans & borrowings		(1,001)	(879)
<b>Total liabilities</b>		<b>(52,708)</b>	(28,700)
<b>Total assets less total liabilities</b>		<b>16,303</b>	14,636
<b>Shareholders' equity</b>			
Share capital		6,142	6,142
Share premium account		1,579	1,579
Other reserves		269	345
Retained earnings		8,341	6,624
Treasury shares		(28)	(54)
<b>Total shareholders' equity</b>		<b>16,303</b>	14,636

## Consolidated Statement of Cash Flow

Year ended 30 June 2010

	Note	2009/10 £'000	2008/09 £'000
<b>Cash flows from operating activities</b>			
Profit for the period		1,922	1,301
Adjustments for:			
Depreciation of property, plant & equipment		453	432
Amortisation of other intangibles		604	503
Gain on sale of property, plant & equipment		-	(2)
Share compensation charge		92	142
Share options exercise		26	-
Financial expense		434	222
Taxation		708	573
Increase in trade & other receivables		(24,687)	(13,650)
Increase in trade & other payables		13,552	5,762
Interest paid		(434)	(222)
Taxation paid		(753)	(51)
<b>Net cash outflow from operating activities</b>		<b>(8,083)</b>	<b>(4,990)</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property, plant & equipment		-	3
Purchases of property, plant & equipment		(154)	(286)
Purchases of other intangible assets		(1,089)	(718)
<b>Net cash outflow from investing activities</b>		<b>(1,243)</b>	<b>(1,001)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares		-	(54)
Proceeds of borrowings		-	215
Repayment of borrowings		(216)	(82)
Finance lease principal repayments		(93)	(50)
Dividends paid		(385)	(368)
<b>Net cash outflow from financing activities</b>		<b>(694)</b>	<b>(339)</b>
Net decrease in cash & cash equivalents		<b>(10,020)</b>	(6,330)
Cash & cash equivalents at 1 July		<b>(8,126)</b>	(1,796)
<b>Cash &amp; cash equivalents at 30 June</b>	2	<b>(18,146)</b>	<b>(8,126)</b>

# 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 2010 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:

	<b>2009/10</b>	2008/09
	<b>£'000</b>	£'000
<i>Profit for the year attributable to ordinary shareholders</i>	<b>£1,922,000</b>	£1,301,000
<i>Weighted average number of ordinary shares</i>	<b>61,151,965</b>	61,201,394
<i>Basic earnings per share</i>	<b>3.14p</b>	2.13p

### Diluted Earnings Per Ordinary Share

The calculation of diluted earnings per ordinary share at 30 June 2010 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:

	<b>2009/10</b>	2008/09
	<b>£'000</b>	£'000
<i>Profit for the year attributable to ordinary shareholders</i>	<b>£1,922,000</b>	£1,301,000
<i>Weighted average number of ordinary shares – diluted</i>	<b>61,709,295</b>	61,761,908
<i>Basic earnings per share</i>	<b>3.11p</b>	2.11p

### Adjusted Basic Earnings Per Ordinary Share

The calculation of basic adjusted earnings per ordinary share at 30 June 2010 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:

	<b>2009/10</b>	2008/09
	<b>£'000</b>	£'000
<i>Profit for the year attributable to ordinary shareholders</i>	<b>£2,014,000</b>	£1,443,000
<i>Weighted average number of ordinary shares</i>	<b>61,151,965</b>	61,201,394
<i>Basic earnings per share</i>	<b>3.29p</b>	2.36p

## 2. Cash & Cash Equivalents In The Consolidated Statement of Cash Flow

	<b>2009/10</b>	2008/09
	<b>£'000</b>	£'000
Cash at bank & in hand	<b>183</b>	130
Bank overdrafts <sup>3</sup>	<b>(18,329)</b>	(8,256)
<b>Cash &amp; cash equivalents in the consolidated statement of cash flow</b>	<b>(18,146)</b>	(8,126)

<sup>3</sup> 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 27 September 2010. 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 2010 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 2009 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 2009 have been delivered to the Registrar of Companies.