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Date: Wednesday, 24 September 2008

## **Autoclenz Holdings Plc Interim Results for the period from 1 January to 30 June 2008**

### **STATEMENT BY THE CHAIRMAN, JOHN BELL**

The six months to 30 June 2008 has been a challenging period for Autoclenz, as reported in our Trading Update of 1 August 2008. Conditions in the UK automotive market deteriorated significantly in the first half of the year and remain at a low level. Management acted speedily to counter the effects of falling demand by, where possible, reducing the cost base of our core valeting business. Our strong market reputation built on many years of providing value, quality, service and reliability has helped us retain business and also capture new accounts.

Sales in the first half of the year were £14.5m (2007: £13.5m), which is in line with the indications given in our Trading Update, and operating profit of £51,000 (2007: £712,000).

### **Operations**

Our core valeting business, which comprises around a third of total sales, experienced a 14 per cent sales reduction, compared to the same period last year, and appears to have now stabilised at this level.

The new sales organisation, introduced in the early months of 2008, is already bringing results as we capture new accounts within our core valeting business at acceptable margins. The new simplified structure will ensure that we are well placed to capitalise immediately on any improvement in market conditions.

Our *AC SMART* business experienced a seven per cent sales reduction in the period due mainly to the slow down in used car sales, which is where the bulk of its business arises. Despite this disappointing sales performance among the existing customer base we are continuing to build new business within this division.

Our *Ready to Rent* and *Movements by Autoclenz* divisions are trading at sales levels in line with internal expectations and we have embarked upon a sales campaign within *Movements by Autoclenz* to reduce its dependency on purely daily rental style business. Margins, however, are below expectations and we are taking action to address this.

We have renewed a major contract with one of *Pinnacle's* long standing customers, which will run from January 2009 to January 2011; the terms reflect the very tough trading conditions but also demonstrate the strength of the trading relationship.

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We have recently redoubled our marketing and sales efforts within *React* by expanding the offering to new markets such as the Housing Association sector, and looking for more immediately accessible business opportunities whilst continuing to tender for the long term traditional *React* business. Our aim is to achieve growth and a broader based business.

### **Strategic Review**

The strategic review of the Group is ongoing and has already led to a restructuring of some parts of the business and a detailed review of the profitability of certain contracts. Cost savings including a reduction in central overheads are consistently being made while still leaving us in a position to find new business in new markets through improved direct marketing.

In addition the Board is consulting externally to formulate a strategy to grow a significant non-automotive business within the Group building on the existing activities of React but looking also to other areas of the Support Services Sector.

### **Outlook**

Whilst the current economic conditions are no different for us than they are for most other businesses, we feel that with our continued focus on sales and cost control we are in a good position to secure new business opportunities and manage them professionally and to rekindle the growth when market conditions improve from within our existing business.

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**Autoclenz Holdings Plc**

**Condensed consolidated income statement  
for the period from 1 January to 30 June 2008**

		<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007 Restated see note 1
	Notes	£000	£000
<b>Revenue</b>		<b>14,505</b>	13,503
Cost of sales		<b>(10,973)</b>	(9,738)
<b>Gross profit</b>		<b>3,532</b>	3,765
Distribution costs		<b>(311)</b>	(314)
Administration expenses		<b>(3,170)</b>	(2,739)
<b>Operating profit</b>		<b>51</b>	712
Finance cost		<b>(154)</b>	(170)
<b>(Loss)/profit before taxation</b>		<b>(103)</b>	542
Taxation		<b>80</b>	(190)
<b>(Loss)/profit for the period</b>		<b>(23)</b>	352
Basic (loss)/earnings per share	3	<b>(0.22)p</b>	1.91p
Diluted (loss)/earnings per Share	3	<b>(0.22)p</b>	1.87p
Basic earnings per share (excluding amortisation)	3	<b>5.33p</b>	7.05p
Diluted earnings per share (excl amortisation and share-based payment)	3	<b>5.22p</b>	6.88p

The results for the period are derived from continuing operations.

**Autoclenz Holdings Plc**

**Condensed consolidated balance sheet  
as at 30 June 2008**

	Notes	As at 30 June 2008 £000	As at 31 December 2007 Restated see note 1 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		9,091	9,091
Other intangible assets	4	6,638	7,173
Property, plant and equipment	5	736	847
		<b>16,465</b>	<b>17,111</b>
<b>Current assets</b>			
Inventories		18	11
Trade and other receivables	6	5,064	4,274
Cash and cash equivalents		87	658
		<b>5,169</b>	<b>4,943</b>
<b>Total assets</b>		<b>21,634</b>	<b>22,054</b>
<b>Current liabilities</b>			
Trade and other payables	7	(1,762)	(2,211)
Current tax liabilities	7	(1,349)	(1,113)
Short term loan	7	(1,300)	(600)
Bank loan and overdraft	7	(3,250)	(1,250)
<b>Non-current liabilities</b>			
Deferred tax asset	8	(1,737)	(1,972)
Bank Loans	8	-	(2,480)
<b>Total liabilities</b>		<b>(9,398)</b>	<b>(9,626)</b>
<b>Net assets</b>		<b>12,236</b>	<b>12,428</b>
<b>Equity</b>			
Share capital		1,040	1,040
Share premium account		11,383	11,383
Share option reserve		249	206
Retained earnings		(436)	(201)
<b>Total equity</b>		<b>12,236</b>	<b>12,428</b>

**Autoclenz Holdings Plc**

**Condensed consolidated cash flow statement  
for the period from 1 January to 30 June 2008**

		<b>Six months ended 30 June 2008</b>		Six months ended 30 June 2007 Restated see note 1
	Notes	£000	£000	£000
<b>Net cash inflow from operating activities</b>	9		<b>(26)</b>	<b>1,660</b>
<b>Investing Activities</b>				
Interest received		11		5
Proceeds on disposal of property, plant and equipment		36		36
Purchase of property, plant and equipment		(253)		(344)
<b>Net cash used in investing activities</b>			<b>(206)</b>	<b>(303)</b>
<b>Financing Activities</b>				
Dividends paid		(385)		(312)
Proceed of short term borrowing		700		300
Repayment of long term borrowings		(500)		(500)
Interest paid		(154)		(168)
<b>Net cash outflow from financing activities</b>			<b>(339)</b>	<b>(680)</b>
<b>(Decrease)/Increase in cash</b>			<b><u>(571)</u></b>	<b><u>677</u></b>

**Condensed consolidated statement of recognised income and expense  
for the period from 1 January to 30 June 2008**

		<b>Six months ended 30 June 2008</b>		Six months ended 30 June 2007 Restated see note 1
		£000	£000	£000
Transfers:				
Transferred profit from equity on cash flow hedges			<b>11</b>	7
(Loss)/profit for the period			<b>(23)</b>	352
<b>Total recognised (expense)/income for the period</b>			<b><u>(12)</u></b>	<b><u>359</u></b>
Attributable to:				
Equity holders of the parent			<b><u>(12)</u></b>	<b><u>359</u></b>

## Autoclenz Holdings Plc

### Notes to the Financial Accounting Statements

#### 1. Accounting Policies

##### Basis of preparation

The Group is required to prepare its annual consolidated financial statements in accordance with IFRS as adopted in the European Union (EU) and implemented in the UK.

The unaudited consolidated income statement for each of the six month periods and the unaudited consolidated balance sheet as at 30 June 2008 do not amount to full accounts within the meaning of section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The interim report was approved by the Board of Directors on 19 September 2008. The unaudited comparative figures for the six months to 30 June 2007, and the balance sheet as at 31 December 2007 have been prepared using accounting policies consistent with IFRS. They do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unqualified audited accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

##### Accounting convention

The financial statements have been prepared under the historical cost convention.

##### Revenue

Revenue is measured at the fair value of invoiced goods sold, and services provided, to third parties, net of value added tax and trade discounts.

##### Goodwill

The purchased goodwill of the Group is regarded as having an indefinite useful economic life and, in accordance with IAS36 Impairment of Assets, is not amortised but is subject to annual tests for impairment. In reviewing the carrying value of goodwill of the various businesses, the board has considered the separate plans and cash flows of these businesses consistent with the requirements of IAS36, and is satisfied that these demonstrate that no impairment has occurred.

##### Intangible assets

For the acquisition of Autoclenz Limited on 7 December 2005, the Group recognised separately from goodwill intangible assets that were separable or arose from contractual or other legal rights and whose fair value could be measured reliably. These intangible assets have finite lives and are amortised on a straight-line basis over those lives, which range from 7-10 years.

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit). In prior years a reversal of impairment loss is rerecognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Property, plant and equipment**

Tangible non-current assets are stated at cost, net of depreciation and are tested for impairment. The cost of tangible non-current assets is depreciated using a straight-line basis over their expected useful lives as follows:

Plant and motor vehicles	between 2 and 5 years
Property improvements	7 years

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. For inventories that are ordinarily interchangeable, cost is calculated using the weighted average method. Net realisable value represents the expected selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### **Taxation**

UK Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **Restatement of comparatives**

Following further interpretation of IAS 12 "Income Taxes", the Group has amended its accounting for deferred tax on identified intangible assets on its opening balance sheet. The current interpretation of IAS 12 requires that a deferred tax liability is recognised in respect of intangible assets arising on past business combinations of £2.8 million. As the intangible assets are amortised, the deferred tax liability unwinds through the taxation line of the Income Statement.

Such deferred tax liability (and related increase in goodwill) was not included in the Consolidated balance sheet published as part of the 2007 Annual Report.

This accounting adjustment has no impact on either the Group's cash flows or on available distributable reserves.

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### **Basis of consolidation**

On 15th November 2007 Autoclenz Services Ltd was incorporated as a wholly owned subsidiary of Autoclenz Ltd. Autoclenz Services Ltd is the only subsidiary of Autoclenz Ltd.

The accounts consolidate the accounts of the company, Autoclenz Limited and Autoclenz Services Limited. The results of Autoclenz Services Limited are included for the period 1 January 2008 to 30 June 2008.

### **Employee benefits**

The Group offers all employees membership of the Group personal pension plan after 3 months' service. The company makes contributions at varying levels from 4% to 10%, depended on the level of contribution made by the employee. Amounts charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and paid in the year are shown as either accruals or prepayments on the balance sheet.

Under IAS19 there is a requirement to recognise the monetary value of employee benefits accruing to employees but not yet settled; typically holiday pay. There is a requirement to present the value of the liability for employee benefits to be paid in the future for services provided up to the reporting date.

### **Finance costs**

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant periodic rate on the carrying amount.

### **Period covered**

All notes below detail costs and statistics relating to the period 1 January 2008 to 30 June 2008 for Autoclenz Limited, Autoclenz Holdings Plc and for Autoclenz Services Limited. The comparative period being the period from 1 January 2007 to 30 June 2007.

### **Derivative transactions**

The group enters into derivative transactions to manage the interest rate risk arising from its operations and sources of finance.

The group does not hold or issue derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance cost' of the income statement.

### **Share-based payments**

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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## 2. Segmental Analysis

	Six months ended 30 June 2008	Six months ended 30 June 2007 Restated see note 1
	£000	£000
<b>Revenue</b>		
Autoclenz	10,398	11,591
REACT	798	796
AC SMART	1,067	1,116
Movements	2,242	-
<b>Total</b>	<b>14,505</b>	<b>13,503</b>
<b>Results</b>		
Autoclenz	2,327	2,974
REACT	454	479
AC SMART	246	312
Movements	505	-
Distribution costs	(311)	(314)
Administration expenses	(3,170)	(2,739)
Finance cost	(154)	(170)
<b>(Loss)/profit before taxation</b>	<b>(103)</b>	<b>542</b>
Tax	80	(190)
<b>(Loss)/profit after taxation</b>	<b>(23)</b>	<b>352</b>

The Group does not allocate all operating costs to the segments identified above, and these unallocated costs are separately identified above.

Assets and liabilities are not split by segment. The nature of the services provided is such that the return on capital is not a useful measure. The low value assets are not apportioned across the various businesses and the ledgers for payables and receivables are not segmented. Geographically, the group operates solely in the UK and as such revenue, costs, assets and liabilities all originate and are held in the UK.

## 3. Earnings per Share

	Basic shares	Diluted shares
Weighted average number of ordinary shares	10,400,020	10,400,020
Effect of dilutive potential ordinary shares: share options	-	231,560
Total	10,400,020	10,631,580
(Loss) (£000s)	(23)	(23)
(Loss) per share (pence)	(0.22)p	(0.22)p
Earnings per share (excl amortisation and share-based payment) (pence)	5.33p	5.22p

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#### 4. Other Intangible Assets

	Contractual Customers £000	Non-contractual customer relationships £000	Brand £000	Total £000
<b>Cost</b>				
At 1 January 2008	2,656	3,169	3,506	9,331
At 30 June 2008	2,656	3,169	3,506	9,331
<b>Amortisation</b>				
At 1 January 2008	537	913	708	2,158
Charge for period	133	227	175	535
At 30 June 2008	670	1,140	883	2,693
<b>Carrying amount</b>				
At 30 June 2008	1,986	2,029	2,623	6,638
<b>Carrying amount</b>				
At 31 December 2007	2,119	2,256	2,798	7,173

#### 5. Property, Plant and Equipment

	Plant, motor vehicles and property improvements £000
<b>Cost</b>	
At 1 January 2008	2,671
Additions	253
Disposals	(196)
At 30 June 2008	2,728
<b>Accumulated Depreciation</b>	
At 1 January 2008	1,824
Charge for the period	355
Eliminated on disposals	(187)
At 30 June 2008	1,992
<b>Carrying Amount</b>	
At 30 June 2008	736
<b>Carrying Amount</b>	
At 31 December 2007	847

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**6. Trade and Other Receivables**

	<b>2008</b>	<b>2007</b>
		Restated see note 1
	<b>£000</b>	£000
Amounts receivable for the sale of goods	<b>4,871</b>	4,126
Other debtors	<b>4</b>	2
Prepayments	<b>189</b>	146
Amounts falling due within one year	<b>5,064</b>	4,274

**7. Current Liabilities**

	<b>2008</b>	<b>2007</b>
		Restated see note 1
	<b>£000</b>	£000
<b>Amounts falling due within one year</b>		
Short term loan	<b>1,300</b>	600
Bank loan and overdraft	<b>3,250</b>	1,250
Trade creditors	<b>1,258</b>	1,093
Corporation tax	<b>282</b>	143
Other taxation and social security	<b>1,067</b>	970
Other creditors	<b>24</b>	31
Accruals and deferred income	<b>480</b>	702
Proposed dividend	<b>-</b>	385
	<b>7,661</b>	5,174

As at 30 June 2008 there was a breach of the cash covenant, one of four covenants attached to the Bank Facilities Agreement dated 1 December 2005. Due to this breach being in place as at 30 June 2008, the term loan and other borrowings in place as at 30 June 2008 are treated as current liabilities as at the Balance Sheet date as per IAS 1 paragraph 65. Subsequent to 30 June 2008, a covenant waiver was issued by the lender, and a resetting of the covenants took place. The bank have been supportive of the company throughout this period. All term loan repayments have been made on the due date. The company expects to comply with the new covenants.

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## 8. Non-current liabilities

	2008	2007
	£000	Restated see note 1 £000
Deferred Taxation	(1,737)	(1,972)
Bank loan	-	2,480
	<u>(1,737)</u>	<u>508</u>
<b>Deferred Taxation</b>		
Amounts falling due after more than one year	<u>(1,737)</u>	<u>(1,972)</u>
<b>Bank loan</b>		
More than one year but not more than two years	-	1,300
More than two years but not more than five years	-	1,300
Finance costs incurred obtaining the bank loan	-	(200)
Finance costs amortised	-	80
	<u>-</u>	<u>2,480</u>
	<u>(1,737)</u>	<u>508</u>

The bank loan is secured by a charge on all the assets of the Group. Interest is charged at 1.75% over LIBOR.

## 9. Cash Flow

### Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£000	Restated see note 1 £000
(Loss)/profit for the period	(23)	352
Adjustments for:		
Finance Income	(11)	(7)
Finance costs	154	170
Income tax expense	(80)	190
Depreciation of property, plant and equipment	355	305
Amortisation of intangible assets	535	534
Amortisation of finance costs	20	20
Share based payment expense	43	43
Gain on disposal of property, plant and equipment	(27)	(31)
Operating cash flows before movements in working capital	966	1,576
(Increase) in inventories	(7)	(11)
(Increase) in receivables	(787)	(157)
Increase in payables	27	574
Cash generated by operations	(767)	406
Income taxes paid	(225)	(322)
<b>Net cash from operating activities</b>	<u>(26)</u>	<u>1,660</u>

## 10. Dividends Paid and Proposed

	2008	2007
	£000	£000
Dividends paid and proposed on equity shares - interim £nil (2007: 1.8p) per ordinary share	-	187

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**11. General notes**

This interim report will be posted to all shareholders of the company, and will be available on the Company's website ([www.autoclenz.co.uk](http://www.autoclenz.co.uk)).

The report will be available for inspection by the public at the registered office of the company during normal business hours on any weekday. Further copies will be available on request from Autoclenz Holdings plc, Stanhope Road, Swadlincote, Derbyshire, DE11 9BE.

## **INDEPENDENT REVIEW REPORT TO AUTOCLENZ HOLDINGS PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
St Albans  
23 September 2008