



Thursday, 25 March 2010

# AUTOCLENZ HOLDINGS PLC

(AIM: ACZ)

**Preliminary Announcement of Results for the year to 31 December 2009**

## Highlights

- Margin Improvement and Overhead Reduction are successfully offsetting sales decline in Automotive Services market
- Cost structure appropriately adjusted to match reduced UK new car sales whilst maintaining service levels and customer retention targets
- Operating profit (adjusted for amortisation of intangibles and share option related charges) increased 28% to £1.54 million (2008: £1.2 million)
- Earnings per share (adjusted for amortisation of intangibles and share option related charges) increased 45% to 12.5 pence (2009: 8.6 pence)
- Consolidated Income Statement shows profit before tax £0.48 million (2009: loss £0.246 million) with basic earnings per share 4.03 pence (2009: loss 2.51 pence)
- Continuing strong cash generation with net debt reduced to £1.5 million (2009: £2.7 million)
- Cautious return to dividend payments with recommended final of 1 pence (2008: nil)

Chairman James Leek commented:

*"Overall in 2009, following the management team's actions, we performed better in revenue and margin terms than the prevailing market conditions suggested we should. At this early stage of 2010 our target is to at least maintain last year's level of profitability and stem some of the revenue declines we have seen in the past two years."*

### Enquires:

James Leek, Chairman	07966 528295
Grahame Rummery, Chief Executive	07860 680428
Trevor Clingo, Group Finance Director	01283 550033

### Autoclenz Holdings Plc

Nick Cowles	
<b>Zeus Capital Ltd</b>	0161 831 1512

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<b>Citigate Dewe Rogerson Ltd</b>	



**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**STATEMENT BY THE CHAIRMAN, JAMES LEEK**

**Results**

I am pleased to report that the actions we have taken to improve profitability, and which were evidenced at the half year, have been continued during the remainder of 2009. Thus despite the recession which severely impacted our core automotive markets and reduced our revenue, we have increased our adjusted operating profit (before the amortisation of intangibles and share option related charges) by 28% to £1.54 million (2008: £1.20 million). Interest charges were lower at £0.2 million (2008: £0.3 million) reflecting lower rates and debt levels, giving an adjusted profit before tax of £1.36 million (2008: £0.9 million) and adjusted earnings per share of 12.5 pence (2008: 8.6 pence).

We believe that the reporting of adjusted operating profits as defined above gives shareholders a helpful indication of movements in our underlying earnings level. The Financial Review gives a reconciliation with the statutory figures in the Consolidated Income Statement which show: operating profit £0.66 million (2008: £0.05 million), profit before tax £0.48 million (2008: £0.25 million loss) and diluted earnings per share of 4.03 pence (2008: 2.46 pence loss).

**Operating Review**

We continue to operate our activities in two distinct segments:

- **Automotive Services** (incorporating *AUTOCLENZ / PINNACLE* valeting, *AC SMART, READY TO RENT* and *MOVEMENTS*)
- **Specialist Cleaning Services** (the rapid response Decontamination and Specialist Deep Cleaning Services of *REACT*)

**Automotive Services**

Revenue decreased from £26.4 million to £22.4 million reflecting the deep recession, which particularly impacted Movements and Ready to Rent where our customers experienced less demand from business users and reduced their fleet sizes accordingly. However the overall reduction of 15% shows some improvement over the 19% decline reported at the half year. Overall we faced a market in which new car sales declined by 6.4% to 1.99m units; this included 280,000 sales made through the government scrappage scheme which industry commentators point out left "true" sales at 1.7m units (a decline of 20% over 2008). Although the scrappage scheme brought welcome relief to our automotive dealer customers, it did not help our business since the scrapped cars (unlike normal second – hand part exchanges) do not require our valeting or smart repair services. The second-hand car market, which is a higher generator of income for us than the new market, also declined by some 7%.

However there was an interesting and significant upward movement of second-hand car prices during 2009 reflecting customers credit squeeze buying preferences compared to higher cost and sometimes unavailable new cars. This was good for our dealer and auction customers but not quite so good for us since cars can be sold at a satisfactory price without always having the full valeting and smart repair services which we offer. Overall, following the management team's actions, we performed better in revenue and margin terms than the prevailing market conditions suggested we should.

Gross margin at 24.6% (2008: 21.6%) continued to show a very satisfactory improvement following our programme of detailed attention to operating costs and procedures, a favourable mix trend and rationalisation of some poorer performing accounts. In the current climate and with strong competition our valeting service prices continue to be under pressure. However, we will not take on work at uneconomic margins and if necessary we sometimes regretfully lose customers for price reasons despite the fact that we are offering a premium product service. It is a notable factor of the valeting industry that in every year there is a certain amount of customer "churn" - we will gain some customers from competitors and lose other customers to them. However, a major focus during 2009 was customer retention by ensuring the highest level of satisfaction and close contact at all stages of our work process. I am pleased to say that this has had some success and will continue to receive ongoing attention during 2010. Our new website [www.Autoclenz.co.uk](http://www.Autoclenz.co.uk) gives a full description of the automotive services which we offer across our customer range.

During 2010 we will continue the actions which helped our margin improvement in 2009 by focussing on:

- Customer retention and offering our valeting related services across our complete customer range
- Increasing the number of customers for AC Smart – in 2009 we gained 3 new auction sites
- Strengthening the management team and operating processes in Ready to rent and Movements to combat the recessionary effect.

We updated shareholders fully on the legal case Autoclenz v. Belcher with a Stock Exchange announcement on 14 October 2009 the full text of which can be found in the Investor Relations section of our website. We have been successful in our application to the Supreme Court for leave to appeal against the Court of Appeal judgment against us. It is not expected that this appeal will be heard until the last quarter of 2010, and we will update shareholders with any further developments as it is appropriate to do.

### **Specialist Cleaning Services**

Our *REACT* business has also suffered from recessionary pressures with Councils and Public Authorities all facing squeezes. Revenue showed a small 4% increase to £1.63m, but % gross margin fell slightly leaving gross profit unchanged at £0.88m. The margin change reflects our move during the year to diversify into new markets particularly the housing market which is lower margin than our clinical decontamination services.

We are conscious however, that the total *REACT* revenue and profitability have, despite our aspirations and programmes, not shown any growth over the 4 years since our coming to the AIM market. The outlook is even more challenging for the current year but we are endeavouring to maintain the performance of *REACT* by adding additional sales and management resource and increasing our marketing expenditure with double the number of exhibitions, specialist presentation facilities, a target list of new major potential customers and a modernised website which details the wide range of our services (see [www.react-decon.co.uk](http://www.react-decon.co.uk)).

We are also adding a new Infection Control Service with portable nebuliser equipment, which treats bacteria and viruses by dispensing airborne microns over surfaces and sanitising. In addition, as our financial structure improves with lower debt, we are beginning to look for add-on acquisitions which could sit alongside the *REACT* business and benefit from cross - referrals and operating synergies.

### **Balance Sheet, Cash Flow and Dividends**

Cash flow and debt management have continued to be a high priority. I am pleased to report that with operating cash flow of £1.3 million (2008: £1.8 million) after capital expenditure of £0.5 million (2008: £0.5 million) we have ended the year with net debt of £1.5 million (2008: £2.7 million), comfortably beating our target of reducing debt below £2 million. We continue to comply with bank covenants and are targeting net debt to be under £1 million by the end of 2010, assuming no outflow for acquisitions.

In our last annual report we expressed the hope that we would be able to recommence the payment of modest dividends if we achieved our targeted debt reduction and maintained profitability. We have achieved those two goals in 2009 so we are pleased to recommend to shareholders for their approval at the forthcoming AGM the payment of a final dividend of 1 pence per share based on the results for 2009 (and subject to the cancellation of the Company's share premium account, as noted in the report from the Finance Director). The dividend will be covered some 12 times by adjusted earnings per share, and reflects the good results of 2009. Future dividend policy will depend very much on our ability to maintain profitability and the cash generation of the Company. With hindsight, the initial dividend policy of the Company in the first two years after listing on AIM was generous and did not foresee the bumps in the road for our industry and the UK economy; shareholders will I hope understand the more cautious approach which we are now taking.

### **People**

To produce such creditable results in the worst recession for 20 years says something about the quality of the management, staff, and sub-contractors who deliver the Autoclenz services. I would like to thank them all on behalf of shareholders for the energy and initiative they continue to show in these challenging times. The whole of the Management Team are totally committed to continuing to drive all parts of the business forward, and the structure we have in place should allow us to take advantage of any upturn in market conditions.

### **Outlook**

At this early stage of the year our target is to at least maintain last year's level of profitability and show reasonable cash generation. Hopefully our initiatives with customers and service delivery will enable us to stem some of the revenue declines we have seen in the past two years. The early weeks of January naturally suffered with the snow and ice, but February and March have shown some recovery and are broadly in line with budget. In Automotive Services we are bidding for some important contracts during this year, and have already won some £900,000 of new Valeting and Movements business so far, however, we also have some major contracts coming up for renewal in the last quarter of the current year.

With an impending general election, and an inevitable squeeze on both public and private expenditure, Autoclenz cannot of course be immune to any new deterioration in economic circumstances. It will be a challenging period but we will give it our best efforts and keep you informed appropriately as the year progresses.

James Leek  
Non-Executive Chairman

**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**FINANCE REVIEW BY THE GROUP FINANCE DIRECTOR, TREVOR CLINGO**

In the period reported the Autoclenz results show adjusted operating profit growth of 28.2% and debt reducing to £1.476 million. Both of these critical financial measures have been achieved in a challenging automotive market and with a background of an economy struggling to get out of recession.

**Period Reported**

The primary statements all cover the period from 1 January 2009 to 31 December 2009.

Autoclenz Holdings Plc trades through two wholly owned subsidiaries, Autoclenz Ltd and Autoclenz Services Ltd. Autoclenz Services Ltd provides Collection and Delivery Services predominately for the Rental market but also for Retail Dealerships. Autoclenz Ltd provides Car Valeting, SMART Repairs, Premises Cleaning and Specialist Cleaning Services. The comparative trading period is 1 January 2008 to 31 December 2008.

**Revenue**

Revenue reduced during the year by 14.1% to £24 million. The decline was seen entirely within Automotive Services as volume dipped in line with the reduction in car sales. The reduction also was impacted by the account rationalisation that took place in the second half of 2008. Specialist Cleaning Services grew by 3.9% marginally increased from the growth in 2008.

**Gross Profit**

In the reporting period a gross profit of £6.4 million (2008 £6.6 million) gave a margin of 26.6% (2008 23.6%).

The margin within Automotive Services increased by 3% from 21.6% to 24.6%. This has been achieved without increasing prices but by careful management of non labour direct costs and the closing of low margin accounts in the early part of 2009. Together this resulted in an overall improvement of 3%.

Specialist Cleaning Services saw its margin decrease by 3.1% from 56.6% to 53.5%. This reduction is wholly due to the change in mix of non-clinical to specialist clinical cleans. The non-clinical cleans require lower specialist skills and are subject to more price pressure but usually involve larger often recurring revenues.

**Adjusted Fixed Costs**

The adjusted fixed costs (Administration and Distribution costs less amortisation of intangibles and share related movements) fell 10.5% to £4.834 million (2008 £5.399 million). This has been achieved through detailed analysis of costs and their impact on the profitability of the business. This resulted in operational management savings whilst avoiding an adverse impact on the service levels within our business. Administrative processes were improved through the use of Information Technology. Over 100 sites are now administered via a paperless vehicle management system. This has enabled Autoclenz to offer an improved service to those customers and to reduce the administrative costs.

Indirect costs such as telephone, stationery, printing and professional services were all subject to stringent review during Q4 2008 and Q1 2009, the full year effect of this can be seen in the reduced fixed costs for 2009.

### Reconciliation of Profit

The table below reconciles the statutory operating profit detailed on the Consolidated Income Statement to an operating profit adjusted for amortisation of intangible assets and IFRS 2 (share based payments).

In 2009 there was a write back of £0.186 million of share option related charges. This is because the share option awards from 2 November 2006 have lapsed as the target EPS has not been met, therefore no shares will vest.

### Reconciliation of Profit before Tax

£000	2009	2009	2008	2008	Change in Year %
<b>Sales</b>					
Automotive Services	22,389		26,401		-15.2%
Specialist Cleaning	1,629		1,568		3.9%
<b>Total Sales</b>	<b>24,018</b>		<b>27,969</b>		<b>-14.1%</b>
		<b>Gross Margin %</b>		<b>Gross Margin %</b>	
<b>Gross Profit</b>					
Automotive Services	5,507	24.6%	5,715	21.6%	-3.6%
Specialist Cleaning	871	53.5%	888	56.6%	-1.9%
<b>Total Gross Profit</b>	<b>6,378</b>	<b>26.6%</b>	<b>6,603</b>	<b>23.6%</b>	<b>-3.4%</b>
Adjusted Fixed Costs	-4,834		-5,399		10.5%
Adjusted Operating Profit before Interest	1,544		1,204		28.2%
Interest	-180		-294		38.8%
Adjusted Operating Profit after Interest	1,364		910		49.9%
Amortisation of Intangible Assets	-1,070		-1,070		0.0%
Share Option Related Charges	186		-86		316.3%
<b>Profit / (Loss) before Tax as per Consolidated Income Statement</b>	<b>480</b>		<b>-246</b>		<b>295.1%</b>

### Taxation

The adjusted effective rate of taxation in the period on profit before amortisation of intangible assets and share based write backs is 28% (2008, 37%).

### Earnings per share

Basic earnings per share for the period was 4.03 pence (2008, (2.51 pence)) and fully diluted earnings per share for the year was 4.03 pence (2008, (2.46 pence)). The adjusted basic earnings per share before the amortisation of intangible assets and share based write backs was 12.53 pence (2008, 8.61 pence).

### Dividend

The Directors recommend a final dividend of 1.0 pence per share (2008, nil). The dividend will be conditional upon (and) paid after the cancellation of the Company's share premium account and the crediting of that cancelled amount to distributable reserves. The process for the cancellation will commence with a resolution at the Annual General Meeting (AGM) on May 19<sup>th</sup>. The accounting entries for these steps would be included in the 2010 accounts.

### Cash Flow

Net debt reduced by £1.182 million (2008, £1.134 million). The closing debt as at 31 December 2009 is £1.476 million (2008, £2.658 million). The major differences in cash are the lower financing costs and dividend payments which are £0.496 million lower than 2008, offset by an increase in working capital, which is detailed more fully in Note 7 to the Consolidated Financial Statements. Closing debt is the sum of the outstanding term loan payments £1.3 million, the working capital drawdown £0.6 million, and the finance lease creditor £0.064 million less the cash in bank of £0.488 million.

### Reconciliation of Cash Flow

£000	2009	2008	better/ (worse)
<b>Opening Debt</b>	<b>(2658)</b>	(3792)	1134
Net Cash from Operating Activities	<b>1766</b>	2269	(503)
Assets acquired on finance lease	<b>(22)</b>	(42)	20
Capital Expenditure	<b>(486)</b>	(472)	(14)
Proceeds on Disposal	<b>104</b>	58	46
Financing	<b>(180)</b>	(294)	114
Dividends Paid	<b>0</b>	(385)	385
<b>Closing Debt</b>	<b>(1476)</b>	(2658)	1182

### Banking Facilities

The Bank Facilities Agreement dated 1 December 2005 providing a loan of £5 million repayable over 5 years and a £3 million working capital facility remains in place, with the addition of a side letter that extends the latter facility a further 6 months to June 2011.

All term loan repayments have been made on due dates and covenants have all been complied with in 2009. It is expected that all covenants will be met in 2010.

As at 31 December 2009 a net £0.112 million was being utilised of the working capital facility (2008, £0.016 million).

In 2009 4 repayments were made of the term loan totalling £1.3 million leaving a balance of £1.3 million, this will be paid in 2010. In addition to this £0.2 million was repaid of the working capital facility during 2009, leaving a balance of £0.6 million at the year end.

### Key Performance Indicators (KPI)

Key Performance Indicators are used by the Board and Senior Management to monitor progress against targets on a monthly basis. The major KPI's for 2009 were:

	<i>Target</i>	<i>Actual</i>
Customer Churn	13.0%	12.9%
Gross Margin	23.1%	26.6%
Indirect Costs	£4.9m	£4.8m
Customer Care Survey Collection	80%	78%
Number of Vehicle Accidents	663	352

The results in the table above show that we met our targets for four of the major KPI's. The Directors identified in the early part of 2009 that sales growth would be difficult to achieve and that careful attention to service levels at current customer accounts together with an improvement in gross margin and savings in fixed cost would underpin a good performance in the year.

**Principal Risks and Uncertainties**

There are a number of risks and uncertainties which could impact the Group's long term performance. The Board has a process to identify, manage and mitigate risk. The principal risk is currently considered to be:

<i><b>Principal Risk</b></i>	<i><b>Mitigating Action</b></i>
Self Employed Status	Continuing Process Audits, training Managers, review strict operating processes and specialist advice of Valeters

Autoclenz is defending a claim in which 20 of the 2078 operators used in 2008 are claiming employment status. Autoclenz continues vigorously to defend its position. The 20 operators were all engaged within one of Autoclenz's two hundred and fifty customer accounts within its core valeting business. The particular location has different working practices to the vast majority of other accounts. However we have made financial provision which although no reflection on our belief of the likely outcome is nevertheless prudent.

Retention and Capability of Managers, Succession Planning	Competitive pay packages Personal Performance Related Bonus Scheme Appraisals, Career Progression
Loss of Customers to Competition	Largest customer only 7% of Company revenue Careful attention to account management and account relationships Multi service offering that is not replicated by competitors, Paperless Vehicle Management System linked to customer, Customer Care Process managed by an independent manager
<i><b>Principal Financial Risks</b></i>	<i><b>Mitigating Action</b></i>
Credit Risk – customer bad debt	New customers credit checked, rigorous use of credit recovery agents, daily monitoring of incoming cash, meticulous approach to credit control
Price pressure – low barriers to entry	Multi service offering, customer profitability measured, continuous reduction of indirect costs
Liquidity – ensuring funds are available	Regular communication with lenders, banking facilities extended 6 months, alternative methods evaluated for working capital funding
Interest Rate	Interest rate swap contract in place to hedge this exposure

### **Going Concern Basis**

The Group's business activities are detailed in the Chairman's Statement on pages 2-4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described earlier in this financial review.

As highlighted earlier in this financial review the Group meets its day to day working capital requirements through a revolving credit facility that has just been extended to 30 June 2011.

The Group's forecast and projection, taking account of reasonable possible changes in trading performance, show that the Group will operate within the current level of this facility.

This report also highlighted earlier the ongoing legal case (Autoclenz Ltd v Belcher) regarding the employment status of valeters. The case is listed for an appeal hearing at the Supreme Court in October 2010. Professional advice has been commissioned from employment lawyers throughout the process. All 20 of the valeters are engaged at one location in the Midlands, the court case relates to some extent to the specific working requirements of this particular auction customer. Autoclenz's business model and indeed the valeting industry rely on self employed valeters so its important to note that Autoclenz believe that this claim is isolated to this account as the majority of Autoclenz's 250 customer accounts are operating with different working practices.

After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

Trevor Clingo  
Group Finance Director  
24 March 2010

**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**Consolidated Income Statement**

For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
<b>Revenue</b>	1	<b>24,018</b>	27,969
Cost of sales		<u>(17,640)</u>	(21,366)
<b>Gross profit</b>		<b>6,378</b>	6,603
Distribution costs		<b>(533)</b>	(544)
Administration expenses		<b>(5,185)</b>	(6,011)
<b>Operating profit</b>		<b>660</b>	48
Net finance costs		<b>(180)</b>	(294)
<b>Profit/(loss) before tax</b>	2	<b>480</b>	(246)
Tax	3	<u>(61)</u>	(15)
<b>Profit/(loss) for the year</b>		<b>419</b>	(261)
Basic profit/(loss) per share	4	<b>4.03p</b>	(2.51)p
Diluted profit/(loss) per share	4	<b>4.03p</b>	(2.46)p

The results for the period are derived from continuing operations.

**Consolidated Statement of Comprehensive Income and Expenditure**

For the year ended 31 December 2009

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Transfers:		
Transferred profit from equity on cash flow hedges	<b>37</b>	29
Profit/(loss) for the year	<u><b>382</b></u>	(290)
Total recognised income and expense for the period	<u><b>419</b></u>	(261)
Attributable to:		
Equity holders of the parent	<u><b>419</b></u>	(261)

**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**Consolidated Statement of Financial Position**

As at 31 December 2009

	Notes	As at 31 December 2009 £000	As at 31 December 2008 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		9,091	9,091
Other intangible assets		5,033	6,103
Property, plant and equipment		507	593
		<u>14,631</u>	<u>15,787</u>
<b>Current assets</b>			
Inventories		10	17
Trade and other receivables		3,185	2,754
Cash and cash equivalents		488	784
		<u>3,683</u>	<u>3,555</u>
<b>Total assets</b>		<u>18,314</u>	<u>19,342</u>
<b>Current liabilities</b>			
Trade and other payables	5	(1,818)	(1,281)
Obligations under finance leases	5	(20)	(10)
Current tax liabilities	5	(781)	(820)
Borrowings	5	(1,860)	(2,100)
<b>Total current liabilities</b>		<u>(4,479)</u>	<u>(4,211)</u>
<b>Non-current liabilities</b>			
Deferred tax liability		(1,189)	(1,510)
Obligations under finance leases	6	(44)	(32)
Borrowings	6	-	(1,220)
<b>Total liabilities</b>		<u>(5,712)</u>	<u>(6,973)</u>
<b>Net assets</b>		<u>12,602</u>	<u>12,369</u>
<b>Equity</b>			
Share capital		1,040	1,040
Share premium account		11,383	11,383
Share option reserve		106	292
Retained earnings		73	(346)
<b>Total equity</b>		<u>12,602</u>	<u>12,369</u>

**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**Statement of Changes in Equity**

For the year ended 31 December 2009

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Balance at 1 January</b>	<b>12,369</b>	12,544
(Reduction)/Increase in share option reserve	<b>(186)</b>	86
Net profit/(loss) for the year	<b>419</b>	(261)
<b>Balance at 31 December</b>	<b><u>12,602</u></b>	<u>12,369</u>

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2009

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
		£000	£000
<b>Net cash inflow from operating activities</b>	7	<b>1,766</b>	2,269
<b>Investing activities</b>			
Interest received		3	29
Proceeds on disposal of property, plant and equipment		104	58
Purchases of property, plant and equipment		<b>(486)</b>	(472)
<b>Net cash used in investing activities</b>		<u><b>(379)</b></u>	<u>(385)</u>
<b>Financing activities</b>			
Dividends paid		-	(385)
Repayment of borrowings		<b>(1,500)</b>	(1,050)
Interest Paid		<b>(183)</b>	(323)
<b>Net cash used in financing activities</b>		<u><b>(1,683)</b></u>	<u>(1,758)</u>
<b>(Decrease)/increase in cash</b>		<u><b>(296)</b></u>	<u>126</u>

**AUTOCLENZ HOLDINGS Plc**  
**Preliminary Results**  
**for the year ended 31 December 2009**

**Notes to the Consolidated Financial Accounting Statements**

**1 Segmental Analysis**

The Group has adopted IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The identification and analysis of the reportable segments under IFRS 8 are as below.

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Revenue</b>		
Automotive Services	<b>22,389</b>	26,401
Specialist Cleaning Services	<b>1,629</b>	1,568
<b>Total</b>	<b>24,018</b>	27,969
<b>Gross profit</b>		
Automotive Services	<b>5,507</b>	5,715
Specialist Cleaning Services	<b>871</b>	888
	<b>6,378</b>	6,603
<b>Unallocated costs</b>		
Distribution costs	<b>(533)</b>	(544)
Administration expenses	<b>(5,185)</b>	(6,011)
Net finance cost	<b>(180)</b>	(294)
<b>Profit/(loss) before tax</b>	<b>480</b>	(246)
Tax	<b>(61)</b>	(15)
<b>Profit/(loss) after tax</b>	<b>419</b>	(261)

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.

**2 Profit on ordinary activities before taxation**

	<b>2009</b>	2008
	<b>£000</b>	£000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Share based payment	<b>(186)</b>	86
Depreciation of owned property, plant and equipment	<b>521</b>	698
Amortisation of intangible assets	<b>1,070</b>	1,070
Amortisation of finance cost	<b>40</b>	40
Fees payable to the Company's auditors for the audit of the Company accounts	<b>2</b>	2
Fees payable to the Company's auditors for the audit of the Group accounts	<b>12</b>	18
The audit of the Company's subsidiaries pursuant to legislation	<b>22</b>	22
Total Audit Fees	<b>36</b>	42
Corporate Finance Services	<b>-</b>	13
Total non audit fees	<b>-</b>	13
Profit on disposal of property, plant and equipment	<b>(53)</b>	(31)

**3 Tax**

	<b>2009</b>	2008
	<b>£000</b>	£000
The tax charge comprises:		
UK corporation tax at current rates	<b>403</b>	277
Adjustment for prior years	<b>(21)</b>	63
Current tax	<b>382</b>	340
Deferred tax	<b>(321)</b>	(322)
Adjustment in respect of prior period	<b>-</b>	(3)
UK corporation tax at current rates	<b>61</b>	15

The standard rate of tax for the period, based on the UK standard rate is 28% (2008: 28%).  
The actual tax charge for the current and previous period differs from the standard rate for the reasons set out below in the following reconciliation:

	<b>2009</b>	2008
	<b>£000</b>	£000
(Loss)/profit on ordinary activities before taxation	<b>480</b>	(246)
Tax at 28% (2008: 28%)	<b>(134)</b>	69
Expenditure not deductible for tax purposes	<b>(306)</b>	(376)
Income not allowable for tax purposes	<b>52</b>	-
Deferred tax liability on intangibles	<b>300</b>	305
Capital allowances in excess of depreciation	<b>-</b>	-
Short term timing differences	<b>(1)</b>	-
Adjustment in respect of prior period	<b>21</b>	(60)
Marginal relief	<b>7</b>	-
Trading losses utilised	<b>-</b>	49
Effect of changes in tax rate	<b>-</b>	(2)
Current year tax	<b>(61)</b>	(15)

**4 Earnings/(loss) per share**

	2009		2008	
	Basic shares	Diluted shares	Basic shares	Diluted shares
Weighted average number of ordinary shares	10,400,020	10,400,020	10,400,020	10,400,020
Effect of dilutive potential ordinary shares: share options	-	-	-	207,675
Total	10,400,020	10,400,020	10,400,020	10,607,695
Profit/(loss) (£000s)	419	419	(261)	(261)
Profit/(loss) per share (pence)	4.03	4.03	(2.51)	(2.46)
Earnings per share (excl amortisation and share-based payment) (pence)	12.53	12.53	8.61	8.44

**5 Current liabilities**

	2009 £000	2008 £000
<b>Amounts falling due within one year</b>		
Short term loan	600	800
Bank loan	1,260	1,300
Trade creditors	1,045	759
Finance lease	20	10
Corporation tax	163	141
Other taxation and social security	618	679
Other creditors	16	29
Accruals and deferred income	757	493
	<b>4,479</b>	<b>4,211</b>

**2009  
£000**

**Secured borrowings at amortised cost**

Bank loan	1,300
Finance costs incurred obtaining the bank loan	(200)
Finance costs amortised	160
	<b>1,260</b>

The bank loan is secured by a charge on all the assets of the Group. Interest is charged per the table shown in note 23. For 2009 interest was charged at 1.75% over LIBOR (2008: 2.50%).

**6 Borrowings**

	2009 £000	2008 £000
Bank loan	-	1,220
Finance lease	44	32
	<b>44</b>	<b>1,252</b>
More than one year but not more than two years	28	1,310
More than two years but not more than five years	16	22
Finance costs incurred obtaining the bank loan	-	(200)
Finance costs amortised	-	120
	<b>44</b>	<b>1,252</b>

<b>7</b>	<b>Cash flow</b>		
	<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
		<b>2009</b>	2008
		<b>£000</b>	£000
	Profit/(loss) for the year	<b>419</b>	(261)
	Adjustments for:		
	Finance income	<b>(3)</b>	(29)
	Finance costs	<b>183</b>	323
	Income tax expense	<b>61</b>	15
	Depreciation of property, plant and equipment	<b>521</b>	698
	Amortisation of intangible assets	<b>1,070</b>	1,070
	Amortisation of finance costs	<b>40</b>	40
	Share based payment expense	<b>(186)</b>	86
	Gain on disposal of property, plant and equipment	<b>(53)</b>	(31)
	Operating cash flows before movements in working capital	<b>2,052</b>	1,911
	Decrease/(increase) in inventories	<b>7</b>	(6)
	(Increase)/decrease in receivables	<b>(432)</b>	1,520
	Increase/(decrease) in payables	<b>498</b>	(795)
	Cash generated by operations	<b>2,125</b>	2,630
	Income taxes paid	<b>(359)</b>	(361)
	<b>Net cash from operating activities</b>	<b>1,766</b>	2,269
<b>8</b>	<b>Reconciliation of movement in shareholders' funds</b>		
		<b>2009</b>	2008
		<b>£000</b>	£000
	Profit/(loss) for the year	<b>419</b>	(261)
	Net increase/(reduction) in shareholders' funds	<b>419</b>	(261)
	Opening shareholders' funds	<b>12,369</b>	12,544
	Share Option Reserve	<b>(186)</b>	86
	Closing shareholders' funds	<b>12,602</b>	12,369
<b>9</b>	<b>Reconciliation of net cash flow to movement in net debt</b>		
		<b>2009</b>	2008
		<b>£000</b>	£000
	(Decrease)/increase in cash in the period	<b>(296)</b>	126
	Cash inflow from movements in debt	<b>1,478</b>	1,008
	Change in net debt resulting from cash flows	<b>1,182</b>	1,134
	Net debt at beginning of period	<b>(2,658)</b>	(3,792)
	Net debt at end of period	<b>(1,476)</b>	(2,658)
<b>10</b>	<b>Analysis of changes in net debt</b>		
		At 1 January 2009	Cash flow
		£000	£000
		At 31 December 2009	£000
	Cash at bank	784	(296)
	Debt due within one year	(2,110)	190
	Debt due after one year	(1,332)	1,288
	Net debt	<b>(2,658)</b>	<b>1,182</b>
		<b>(2,658)</b>	<b>(1,476)</b>

**11** The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

**12** The Annual Report is to be published and sent to shareholders shortly. Copies will be also available on request from The Company Secretary, Autoclenz Holdings Plc, Stanhope Road, Swadlincote, Derbyshire, DE11 9BE and will also be available on the Company web-site: [www.autoclenz.co.uk](http://www.autoclenz.co.uk).

**13** The Annual General Meeting will be held at the Company's registered office: Stanhope Road, Swadlincote, Derbyshire, DE11 9BE at 11.30am on Wednesday, 19 May 2010.