

Directors Report Year Ending Feb 2009

The business has had another excellent year with continued growth. Changes made in previous years are having a positive impact on the results, ensuring the company is well placed to accommodate further growth and change.

Sales revenues have grown across the customer base, with additional work being picked up from existing customers. Work was gained at the end of last year from J Sainsbury which has had a positive impact on the results. The £27.9m revenue represents a 36% growth, which follows the trend line of recent years, and subject to maintaining our customers' high expectations, represents continuous revenue streams, with opportunities for future growth in the forthcoming year.

Operationally, the year has proved to be varied with the expected pricing pressure from our customers and commodity pricing for items such as copper and fuel albeit they have varied throughout the year, increasing the need for good control. Following the blue print set the previous year with tightly controlled cost management and improved internal control, the business has successfully ended the year at a gross margin of 23.9%, compared to 19.8% in the previous year.

We have introduced to our supply chain those suppliers that will assist with the carbon initiatives drive, in line with our customers objectives of reducing carbon footprint. The company has engaged a European specialist to develop this knowledge to bring commercial, low energy and carbon friendly systems to the market. The company is keen to further promote this initiative working with our customers as the demand for such solutions grow.

Despite the macro-economic environment, the company ended the year with a sound order book. Although the timing of the work could still produce peaks and troughs in the trading cycle, the work timings and funds flow is expected to continue in the future given the consistency of work and customer base.

The operating profit excluding exceptional items of £1,542,281 (2008: £604,148) represents an operating profit margin of 5.5% compared to 3.0% in 2008. This is the result of the increased growth at improved margins and a more efficient overhead base. The directors believe that the overhead base is well positioned to deliver additional controlled growth in what will again be another exciting year in the company's development.