



2010

**Interim
Report**

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2010

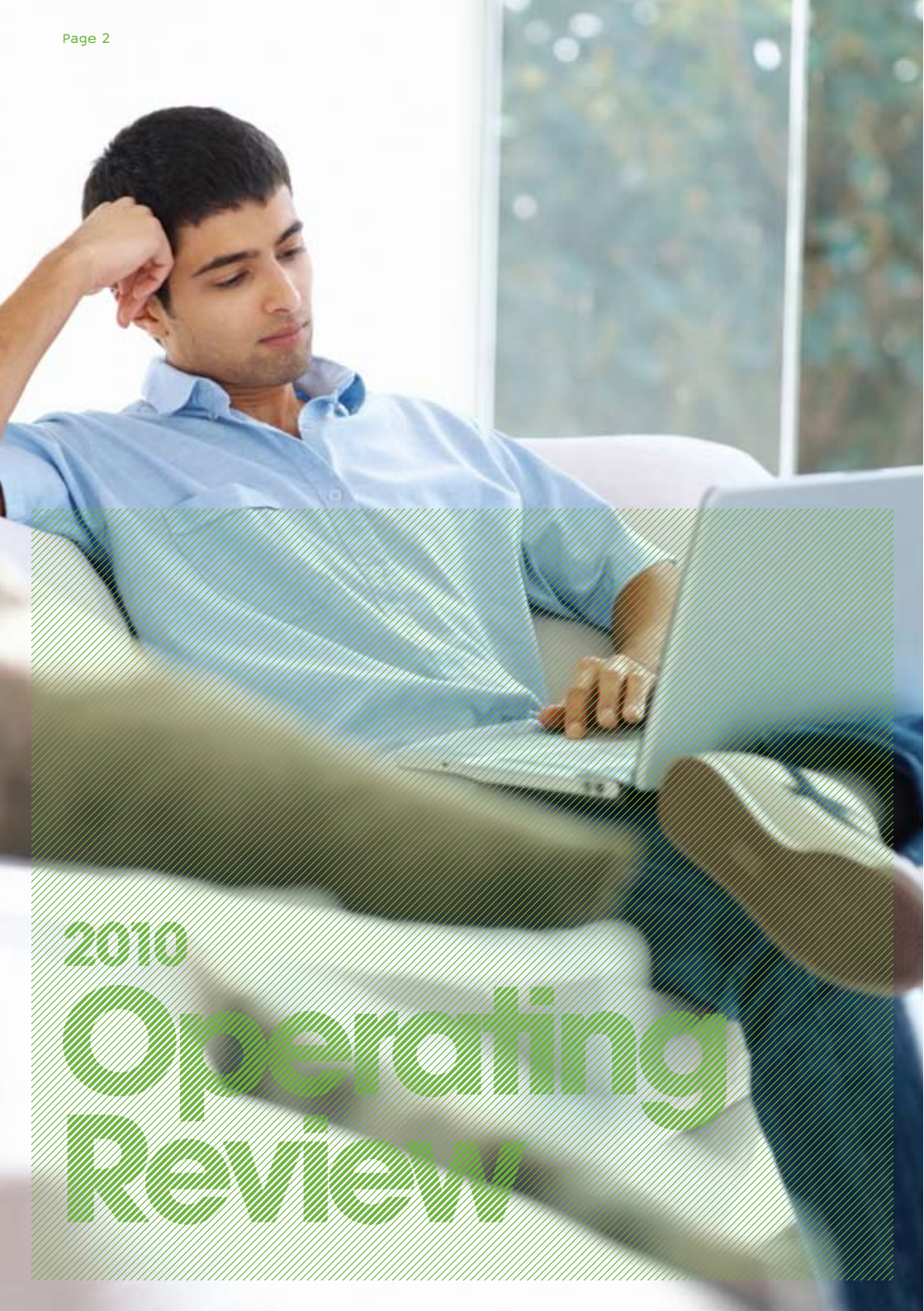
Business Highlights

Regeneris is a leading provider of after-sales product support services to many of the world's premier technology brands.

If a product fails we will fix it, if the product is no longer in use we will find a new market for it and if it is beyond use we will recycle it safely and responsibly.

Key financial information

	2009 £'m	2008 £'m
Revenue	57.0	49.2
Headline operating profit	2.7	2.2
Profit before tax	1.0	1.7
Net (debt)	(4.7)	(3.4)
Net assets	29.2	21.0
Headline earnings per share	4.40p	5.00p



2010

Operating Review

Strong demand and growth in Technical Services

Regeneris has seen an overall increase in demand for its Technical Services in the six months to 31 December 2009 despite continued difficult economic conditions across Europe. This trend increased in the second quarter following the traditionally slow summer period.

Over the course of the past six months, Technical Services accounted for around 80% of Group revenue (2008: 67%) due to a combination of both increased demand and the successful integration of Total Repair Solutions (“TRS”) for four months from September. On a like-for-like basis (excluding TRS) overall repair and return volumes increased by 9%, including a 19% growth in the number of mobile phones serviced and 36% growth in notebooks and related equipment. New business has been won in each of our key markets and the Group’s cost base has been further reduced, mitigating downward price pressure in more mature business. Furthermore, upgrades to facilities in the UK, Germany, Poland and Romania have greatly improved the quality and effectiveness of our Group’s operational capabilities.

TRS has performed in line with expectations. Our integration and restructuring plans are progressing well and we have secured our first business wins as a combined entity with DHL and O2. The Company has been re-branded as ‘Regeneris Glasgow’ and synergies are being delivered. Reaction to the acquisition from stakeholders has been very positive.

The growth in Technical Services has more than compensated for the continued weakness in the demand for Environmental Services from our corporate clients. As predicted, and as a result of reduced promotional activity on the part of our clients, return volumes over the period have been lower. Nevertheless, new retail and web-enabled services developed by the Group are being established as a route to a smaller yet more sustainable business for us in this segment. Early indications here are encouraging. However, the Group’s dependency on Environmental Services is now much reduced over the prior year and, with the integration of TRS, Environmental Services will account for less than 20% of ongoing Group revenue.

Overall, in a market where high street sales have remained depressed across Europe, the significant increase in our return and repair volumes serves as a clear indicator that the Group continues to strengthen its position in key technology markets. The acquisition of TRS was completed for this very reason: to reinforce our position and provide a catalyst for the next stage of our development. The complementary nature of the business is already evident as we now focus our combined energies on the delivery of long term sustainable growth.

Improved results

The combination of increased demand for our technical and repair services, allied to the integration of TRS following completion of the acquisition in September, has delivered a 16% increase in revenue to £57.0 million (2008: £49.2 million). Headline operating profit improved 24% to £2.7 million (2008: £2.2 million).

The contribution from TRS for the four months post acquisition included revenue of £7.8 million (2008: £7.6 million) and headline operating profit of £0.3 million (2008: £0.1 million). As already stated, on a like-for-like basis (excluding TRS) the growth in Technical Services served to offset the expected decline in demand for Environmental Services.

Direct labour costs were managed down despite the increase in repair and return volumes. Excluding TRS, direct labour has reduced by 6% reflecting the ongoing success of wage restraint and the increase in the proportion of business now conducted in 'low cost' locations – a key tenet of our restructuring efforts.

Following the acquisition of TRS, the Group has progressed well with integration plans, starting with the closure of the Nottingham repair facility and the relocation of work previously carried out there to larger service centres in Glasgow and Warsaw. Including redundancy and property costs, an exceptional charge of £0.9 million has been taken in the period. A further £0.3 million of costs associated with the renegotiation of the banking terms are included in finance costs, bringing the total non-recurring charges relating to the acquisition of TRS to £1.2 million.

The combination of increased demand for our technical and repair services, allied to the integration of TRS following completion of the acquisition in September, has delivered a 16% increase in revenue to £57.0 million.

Exchange rate movements over the period reduced headline operating profit by £0.1 million compared to the prior year, primarily due to the weakening of the Polish Zloty.

As the TRS acquisition was funded through the issue of new equity, the increase in the number of shares in issue has had a dilutive effect over the period; as a consequence headline earnings per share were 4.40 pence (2008: 5.00 pence), whilst basic earnings per share reduced to 1.98 pence (2008: 4.18 pence).

Over the six months to 31 December 2009 gearing reduced to 16% (30 June 2009: 20%) whilst net debt increased marginally to £4.7 million (30 June 2009: £4.3 million). The issue of new equity in support of the TRS acquisition contributed to a 36% increase in net assets over the period.

Cash inflow from operating activities improved to £0.3 million (31 December 2008: net cash outflow of £3.2 million) despite continued difficult trading conditions and lower activity levels within Environmental Services leading to a reversal of the negative working capital employed in that business.

The active management of working capital and cash flow remains a key focus of the business and one where we continue to make progress. Accordingly, inventory levels in Technical Services, on a like-for-like basis (excluding TRS), have reduced by 23% compared to the prior year whilst over the same period revenue increased by 13%. Similarly, Group debtor collections have been improved with 88% of balances being paid to terms as at December 2009 compared to 83% a year ago, whilst the Group has maintained its creditor payment terms

The Group has total committed banking facilities of £12.5 million. The terms of these facilities were successfully renegotiated at the time of the TRS acquisition; under the new agreement the scheduled reductions in the facility have been deferred by twelve months to September 2010. The Group continues to be in full compliance with its covenants and has adequate headroom to fund its activities.

Dividend

With the continuing uncertain economic outlook across Europe, the Group remains focused on improving its competitive position and prospects. The conservation of cash to fund its strategic development remains a priority and, as such, the Board has decided to refrain from paying a dividend at this time.

Technical Services

After a slow start to the year, activity in Technical Services improved noticeably from late summer. Improvements have been evident across all markets with demand for our services being strongest in Central and Eastern Europe and in the markets for mobile communications and information technology. Following the acquisition of TRS, Technical Services will exceed 80% of Group revenue.

Prior to the acquisition of TRS our largest operation in the UK was based in Glenrothes, north of Edinburgh. Prime activity has centred on developing business in the cable and satellite markets based on our expertise in the servicing of set top boxes and related equipment. During the last six months we have accelerated the investment in our automation and test development programmes to include an 'in-field' service solution. We currently have prototype technology undergoing field trials with clients and have filed for patent protection in major country markets. These initiatives reinforce our reputation for innovation and further differentiate the Group from its competitors. We have also made good progress transferring our capabilities across the Group, including the recent award of a regional contract to service set top boxes for UPC at our facility in Bucharest.

With the acquisition of TRS steps are now being taken toward a more market-centric structure. The first stage is working to combine the UK mobile phone activities carried out in Glasgow, Huntingdon and Thurrock. The Nottingham facility was closed as part of this plan in December 2009 with minimal disruption and the activities previously carried out there have been relocated within the Group. The management of the Huntingdon and Thurrock operations is currently being realigned under the former TRS team to ensure that the Group can deliver a comprehensive 'one stop' service to all its clients in the mobile market.

Activity in Technical Services improved noticeably from late summer. Improvements have been evident across all markets with demand for our services being strongest in Central and Eastern Europe and in the markets for mobile communications and information technology.

TRS has made positive progress despite the inevitable distraction of a change of ownership and subsequent re-organisation. Revenue for the four months to December was 3% higher than the equivalent period in 2008 on volumes that increased 17% and overall headline operating profit increased by £0.2 million. It is anticipated that operating costs will reduce in the second half as the benefits of restructuring and integration of operations become evident.

In addition to the work carried out in re-organising our mobile activities, the TRS business has been successfully transformed into "Regeneris Glasgow." The acquisition has been well received by our clients and we were recently rewarded by our first contract with O2 to service their Platinum (high value) customers. In addition we have been appointed the preferred service partner by DHL and are marketing our combined capability. Finally, we recently established an online repair service to support Orange retail stores and are exploring options to develop such concepts more broadly.

In Germany our main operations were located at the Wincor Nixdorf headquarters in Paderborn; a legacy of the in-house business the Group acquired from Siemens in 2003. In the last few months all activities were relocated to a new stand-alone site near Bielefeld. The motives for the move were financial and cultural. The Paderborn operation had struggled to establish its own identity and purpose, but is now clearly independent. Reaction from clients has been wholly positive and the business is already establishing itself successfully with new clients. The move has created a lower cost base and this will be critical going forward. As evidence of the progress already made, the site was recently awarded a breakthrough contract to support Siemens in the healthcare equipment market.

Whilst much of our focus in Germany has been on the relocation to Bielefeld, our second operation in Sommerda is now making a far greater contribution. Compared to the equivalent period in 2008, volumes have more than doubled and continue to grow as new clients have been gained. Our investment and expertise in developing the banking and retail markets is bearing fruit as we expand capacity and capabilities to include ATM's, hand held chip and pin terminals and EPOS systems for major manufacturers and service companies. Sommerda has also grown its activities in the notebook sector with market leader ACER being a significant new client.

Further east, our operations in Poland have continued to perform strongly with both Warsaw sites running close to capacity. Mobile phones are processed at our main site in Janki and in the last six months Nokia volumes here have increased as activity has been transferred successfully from Nottingham. The team has also attracted other manufacturers, including Samsung, and over the period total mobile phone volumes increased by more than 30%.

The second site in Warsaw (Raszyn) commenced operations in late spring and has been operational for less than twelve months. The site was established to provide capacity to grow our notebook business and to date we have been building our PCB repair business for ACER and volumes have increased month-on-month. Now that this capability has been established we have started our first contract with Samsung for notebook repairs.

Meanwhile, in Bucharest, considerable support and effort have been invested in the local management team and the overall capabilities of that site. The business has progressed quickly under new management and activity has been increasing throughout the last six months as we improve both our quality and capacity. Volumes processed have more than doubled compared to the equivalent period in 2008 and we are now servicing clients across Europe (as well as the home market) in mobile phones, set top boxes and personal navigation devices ("PNDs"). Whilst there remains scope for further efficiency improvement the business is now making an important contribution to the overall performance of the Group.

Environmental Services

Compared to the significant progress and successes the Group has enjoyed in Technical Services, the end-of-life and recycling markets for Environmental Services have remained challenging. As we have previously described, this reflects both the reduction in new handset sales and the withdrawal of many of the incentives traditionally provided by the main network operators that previously drove the number of upgrades and consequently the return of

In November we partnered with Orange in the launch of its 'Recycle and Reward' in-store programme. The programme is operational in over 400 Orange stores within the UK and is now being rolled out into direct sales channels including telesales and online.

old handsets. At the same time the lengthening of the replacement cycle has reflected the increase in the typical airtime contract (the average now nearer to twenty four months than twelve) and growth in the SIM free (Pay As You Go) market. Each of these factors has combined to reduce our addressable market.

The overall decline in the market and the emergence of 'direct to consumer' competitors has continued to impact volumes. In the six months to December 2009 the number of handsets processed reduced by 22% with a corresponding reduction in revenue.

With the traditional corporate market proving difficult, we have shifted our focus toward developing new service models for our clients. These include web enabled and retail formats to support our clients in their drives to improve customer retention, increase store footfall and raise Average Revenue Per User. By way of example, in November we partnered with Orange in the launch of its 'Recycle and Reward' in-store programme. This project leverages our credentials in ethical and compliant end-of-life asset management whilst combining online interactive trading tools and a strong retail, enterprise and call centre proposition. The programme is operational in over 400 Orange stores within the UK and is now being rolled out into direct sales channels including telesales and online.

Operationally we have resized the cost base to reflect a more sustainable level of activity and have consolidated our presence in Thurrock to a more compact, but improved, working environment. The benefits of the cost savings will start to flow through in the second half of the year. In addition and as evidence of our continued commitment to our corporate clients we have renewed our producer compliance scheme membership including Orange, O2, Vodafone and 3.

Finally we have positioned ourselves to be a more active participant in the warranty and insurance markets. The UK mobile phone insurance industry is undergoing change and will provide significant opportunity in an area where we have acknowledged expertise. As proof of our capabilities we recently renewed our long term support of T-Mobile and are positive about our ability to break into new markets.

Having gone through a significant period of adjustment over the last twelve months, the Environmental Services business has been significantly realigned to the market opportunities. The business today is leaner and has a clearer strategy that will include a much more dynamic and integrated mobile phone service proposition for clients. However, it is unlikely that Environmental Services will be as significant to the Group in the future as it has been in the past.

A more focused strategy for the future

It has long been our contention that a period of economic austerity would be to our longer term benefit, as financial pressures served to drive clients to improve the efficiency of their reverse supply chains. The inevitable consolidation this encourages will force a polarisation around sustainable, efficient and value-added businesses able to deliver consistent, innovative and transparent services across multiple territories. We are already seeing some evidence of this and our strategy is very much focused on ensuring that the Group is positioned to deliver this capability and to be a net beneficiary of these trends.

The Group now has a clear focus as a leading outsourced service partner to the technology sector. We work with major consumer technology brands to ensure that their users' ownership experience of their products meets their expectation. Increasingly the technologies we work with are 'convergent' and the bandwidth of connective devices we support is multi-media including voice, data and video. The channels we target include manufacturers (brands), operators (carriers) and distributors (retailers).

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The technologies that are prospering despite the current economic market are those which embrace mobility and connectivity. These include the rapid growth of smartphones where new entrants are challenging the established industry leaders. Similarly, notebooks are serving to replace the declining desk top market. Meanwhile the television and audio markets are being driven by the uptake in digital, HD and emerging 3D technologies.

The Group's client list already includes many of the leaders within these new and growing markets. However, it is clear that there is scope to generate more revenue and a better return from the clients we already have, provided we develop a compelling and value added service proposition supported by much closer engagement with the customer.

A new structure aligned to clients and growing markets

Management completed a comprehensive turnaround and restructuring programme in 2008, following the merger of CRC and Fonebak. The acquisition of TRS provides the impetus and catalyst for the next phase of the Group's development, with the emphasis now shifting away from restructuring and towards the pursuit of sustainable growth.

As we drive towards a much more customer centric model some basic changes to the operational structure of the Group will be necessary. The current regional focus and the segregation of the service offering between different management teams reflect the necessary operational focus critical to the success of the past recovery programme.

The organisation is evolving to position the Group for future growth. The realignment of our commercial and operational activities which started immediately following the acquisition of TRS will now be extended across the Group. The Group will therefore be organised into three core markets focused on our key clients and will develop services to exploit the many opportunities within these markets.

- “Mobile Communications” will incorporate all our current activities servicing mobile phones, PDA’s, smart phones and related technology. We have a vertically integrated service offering that incorporates our return and repair activities, professional services such as call centres, warranty management, insurance and fulfillment services as well as our end-of-life and refurbishment services.
- “Information Technology” will have a focus on the notebook and netbook markets, including peripheral equipment, as well as supporting compatible technologies such as those employed in the banking, retail and healthcare markets.
- “Media and Entertainment” will have a broader remit and will include technologies such as digital television and monitors, set top boxes, gaming systems, MP3 and MP4 players, PNDs and e-books.

“Mobile Communications” represents the largest target market and for the last six months accounted for 67% of Group revenue (including TRS). The revenue from non-mobile related activities is currently split evenly between the “Information Technology” and “Media and Entertainment” sectors.

These changes will reinforce the importance of our operations in Central and Eastern Europe where we are both developing the potential of the local markets as well as delivering a lower cost solution to our key clients in the three core markets in Western Europe.

The market focus created by this new structure will incorporate the full service capability of the Group and will eliminate the distinction between Technical and Environmental Services. The organisational structure to support this initiative will be in place by the end of the current year; it is anticipated that this will be financed within the constraints of the current cost base.

Going forward the Group will be reporting on the basis of the three new business segments.

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Outlook

The Group has made considerable strides forward over the last six months and through the acquisition of TRS has reinforced its position in the growing markets for mobile and convergent technologies. The Group is transitioning to become a more vertically integrated and market focused partner to its selected clients and is in the process of realigning the business to facilitate the next stage of growth.

A solid platform has been established from which to foster this growth and, whilst the Group's core markets are likely to continue to be challenging, we are well placed to deliver medium term sustainable growth particularly as our markets start to consolidate. The benefits of improved operational capability, continued cost control and the securing of new clients all augur well for the future.

G M Stokes

Chief Executive Officer

D W Kelham

Chief Financial Officer

Condensed Consolidated Income Statement

for the six months ended 31 December 2009

	Note	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000
Total revenue		57,174	49,158	98,308
Less: share of revenue of jointly controlled entity		(151)	-	-
Group revenue		57,023	49,158	98,308
Headline operating profit	2	2,702	2,173	5,155
Exceptional restructuring costs	5	(917)	-	(927)
Amortisation of acquired intangible asset	4	(242)	(205)	(410)
Share-based payment		(30)	(27)	(51)
Group operating profit		1,513	1,941	3,767
Share of results of jointly controlled entity		(29)	-	-
Total operating profit		1,484	1,941	3,767
Net finance charge	6	(435)	(253)	(368)
Profit before tax		1,049	1,688	3,399
Taxation	7	(266)	(503)	(919)
Profit for the period		783	1,185	2,480
Attributable to:				
Equity holders of the Company		765	1,185	2,456
Minority interest		18	-	24
Profit for the period		783	1,185	2,480
Earnings per share				
Basic	8	1.98p	4.18p	8.75p
Diluted	8	1.98p	4.18p	8.75p
Headline	8	4.40p	5.00p	12.79p

Condensed Consolidated Balance Sheet

as at 31 December 2009

	Note	31 December 2009 (unaudited) £'000	31 December 2008 (unaudited) £'000	30 June 2009 £'000
Assets				
Non-current assets				
Goodwill		26,890	23,978	23,978
Other intangible assets		1,993	1,523	1,272
Investments in jointly controlled entities		-	-	1
Property, plant and equipment		3,742	3,167	2,978
Deferred tax		1,742	994	1,098
		34,367	29,662	29,327
Current assets				
Inventory		5,097	5,427	4,091
Trade and other receivables		16,619	14,762	14,747
Cash and cash equivalents	10	2,915	3,534	3,375
		24,631	23,723	22,213
Total assets		58,998	53,385	51,540
Current liabilities				
Borrowings	10	(80)	(386)	(178)
Current tax liability		(146)	(545)	(76)
Trade and other payables		(22,037)	(24,908)	(22,288)
		(22,263)	(25,839)	(22,542)
Non-current liabilities				
Borrowings	10	(7,500)	(6,500)	(7,500)
Total liabilities		(29,763)	(32,339)	(30,042)
Net assets		29,235	21,046	21,498
Equity				
Ordinary share capital	11	896	566	566
Share premium	11	19,702	16,753	16,753
Merger reserve	11	3,088	-	-
Translation reserve		1,302	1,594	745
Retained earnings		4,205	2,133	3,410
Total equity attributable to equity holders of the parent		29,193	21,046	21,474
Minority interest		42	-	24
Total equity		29,235	21,046	21,498

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2009

	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000
Profit for the period	783	1,185	2,480
Other comprehensive income:			
Exchange differences arising on translation of foreign entities	557	403	(446)
Total comprehensive income for the period	1,340	1,588	2,034

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2009

	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000
Balance at the start of the period	21,498	19,427	19,427
Total comprehensive income for the period	1,340	1,588	2,034
Net proceeds from equity raised	6,367	-	-
Equity settled share based payments	30	31	37
Balance at the end of the period	29,235	21,046	21,498

Consolidated Cash Flow Statement

for the six months ended 31 December 2009

Note	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000
Profit for the period	783	1,185	2,480
Adjustments for:			
Net finance charges	435	253	368
Tax expense	266	503	919
Depreciation on property, plant and equipment	730	457	1,236
Amortisation of intangible assets	141	55	138
Amortisation of acquired intangible assets	242	205	410
Loss on disposal of property, plant and equipment	15	68	36
Loss on disposal of intangible assets	-	8	-
Share-based payment expense	30	27	51
Operating cash flows before movement in working capital	2,642	2,761	5,638
(Increase)/decrease in inventories	(38)	(425)	578
Decrease/(increase) in receivables	1,287	(1,075)	(1,967)
(Decrease)/increase in payables	(2,966)	(3,632)	(5,124)
Cash flows from operating activities	925	(2,371)	(875)
Interest received	-	-	36
Interest paid	(392)	(253)	(457)
Tax paid	(251)	(622)	(1,630)
Net cash inflow/(outflow) from operating activities	282	(3,246)	(2,926)
Cash flows from investing activities			
Purchase of property, plant and equipment	(793)	(720)	(1,585)
Purchase of intangible assets	(99)	(49)	(138)
Proceeds from disposal of property, plant and equipment	20	-	20
Acquisition of subsidiary	12	(3,000)	-
Investment in jointly controlled entity	-	-	(1)
Net cash used in investing activities	(3,872)	(769)	(1,704)
Cash flows from financing activities			
Net proceeds on issue of shares	3,117	-	-
Drawdown of borrowings	-	3,500	4,500
Net cash from financing activities	3,117	3,500	4,500
Net decrease in cash and cash equivalents	(473)	(515)	(130)
Other non cash movements – exchange rate changes	111	(77)	(413)
Cash and cash equivalents at the beginning of period	3,197	3,740	3,740
Cash and cash equivalents at end of period	2,835	3,148	3,197
Cash at bank	2,835	3,148	3,197
Bank borrowings	(7,500)	(6,500)	(7,500)
Net debt	10	(3,352)	(4,303)

Notes to the Interim Report

for the six months ended 31 December 2009

1. Basis of preparation

This interim report has been prepared on the basis of the accounting policies expected to be adopted for the year ended 30 June 2010. These are anticipated to be in accordance with the Group's accounting policies as set out in the latest annual financial statements for the year ended 30 June 2009. The Group's accounting policies can also be found on the Group's website.

All International Financial Reporting Standards ('IFRS'), International Accounting Standards ('IAS') and interpretations currently endorsed by the International Accounting Standards Board ('IASB') and its committees as adopted by the EU and as required to be adopted by AIM listed companies have been applied. AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

The financial information in this interim report does not constitute statutory accounts for the six months ended 31 December 2009 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2009. Financial information for the year ended 30 June 2009 has been derived from the consolidated audited accounts for that period which were unqualified.

The condensed consolidated interim financial statements for the six months to 31 December 2009 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

This unaudited interim report was approved by the Board of Directors on 10 March 2010.

2. Headline operating profit

'Headline operating profit' is the key profit measure used by the Board to assess the underlying financial performance of the operating divisions and the Group as a whole. 'Headline operating profit' is stated before amortisation of acquired intangible assets, exceptional restructuring costs and share-based payments.

3. Headline earnings per share

An adjusted measure of headline profit per share has also been presented, which the Directors consider gives a useful additional indication of the Group's performance.

4. Amortisation of acquired intangible assets

The amortisation charge on the acquired intangible assets arises following the acquisition of CRC Group in January 2007 and TRS in September 2009. Separately identifiable intangible assets have been recognised relating to customer contracts which are being amortised over 5 years. An amortisation charge of £242,000 has been recognised in the 6 months to 31 December 2009, (6 months to 31 December 2008: £205,000).

5. Exceptional restructuring costs

	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000
Acquisition costs of TRS	60	-	60
Provision for closure of Nottingham site	674	-	-
Redundancies and restructuring	183	-	176
Strategic review	-	-	164
German relocation	-	-	527
	917	-	927

Following the acquisition of TRS, the Board carried out a strategic review of all sites and concluded that on-going synergies could be achieved by closing the business carried out in Nottingham and transferring its business, where possible, to other Group companies. The property at Nottingham is leasehold with four years remaining. The Board has taken a full provision to account for all costs of the building through to the end of the lease amounting to £674,000. In these difficult economic times we have not assumed that we will be able to mitigate these costs by either assigning the lease or sub-letting the property through to the end of the lease.

6. Finance charge

The finance charge for the period includes £296,000 of costs associated with the renegotiation of the banking facility terms carried out at the time for the TRS acquisition and the banking due diligence to approve the acquisition of TRS.

7. Taxation

The tax charge for the six months to 31 December 2009 is based on the estimated tax rate for the full year in each jurisdiction.

8. Earnings per share

	Six months ended 31 December 2009 (unaudited) Pence	Six months ended 31 December 2008 (unaudited) Pence	Year ended 30 June 2009 Pence
Basic earnings per share	1.98p	4.18p	8.75p
Diluted earnings per share	1.98p	4.18p	8.75p
Headline earnings per share	4.40p	5.00p	12.79p

	Six months ended 31 December 2009 (unaudited) £'000	Six months ended 31 December 2008 (unaudited) £'000	Year ended 30 June 2009 £'000	Six months ended 31 December 2009 (unaudited) Pence	Six months ended 31 December 2008 (unaudited) Pence	Year ended 30 June 2009 Pence
Profit for the period	783	1,185	2,480	1.98p	4.18p	8.75p
Reconciliation to adjusted profit:						
Intangible asset amortisation	242	205	410	0.61p	0.72p	1.45p
Exceptional restructuring costs (net of tax)	683	-	684	1.73p	-	2.41p
Share based payments	30	27	51	0.08p	0.10p	0.18p
Adjusted profit	1,738	1,417	3,625	4.40p	5.00p	12.79p

The weighted average number of shares used to calculate basic, diluted and headline earnings per share as at 31 December 2009 is 39,536,650 (as at 31 December 2008 and as at 30 June 2009: 28,342,577 shares).

The 2,150,000 shares issued to the Employee Benefit Trust on 26 June 2007 are included in the basic earnings per share calculation. Excluding these shares from the calculation, the basic EPS for the six months to 31 December 2009 would be 2.09 pence (six months to 31 December 2008: 4.52 pence, 12 months to 30 June 2009: 9.47 pence).

9. Dividends

No interim dividend is proposed in respect of the six months to 31 December 2009.

10. Net (debt)/cash

	31 December 2009 (unaudited) £'000	31 December 2008 (unaudited) £'000	30 June 2009 £'000
Cash and cash equivalents	2,915	3,534	3,375
Overdrafts	(80)	(386)	(178)
Bank borrowings – non-current	(7,500)	(6,500)	(7,500)
Net debt	(4,665)	(3,352)	(4,303)

As at 31 December 2009 the Group's main bank facility totalled £12.5 million (30 June 2009: £12.5 million). The Group has renegotiated the terms of the facility, which will remain at £12.5 million until 30 September 2010, after which it reduces every 6 months until fully repaid by 31 March 2013.

11. Share capital and share premium

	31 December 2009 (unaudited) Number	31 December 2008 (unaudited) Number	30 June 2009 Number	31 December 2009 (unaudited) £'000	31 December 2008 (unaudited) £'000	30 June 2009 £'000
Authorised:						
Ordinary shares at 2p each	59,760,350	40,000,000	40,000,000	1,195	800	800
Issued and fully paid:						
Ordinary shares at 2p each	44,820,252	28,342,577	28,342,577	896	566	566
				Share capital £'000	Share premium £'000	Merger reserve £'000
At 31 December 2008 and 30 June 2009				566	16,753	-
Issue of 16,477,675 at 40 pence per share				330	3,174	3,088
Expenses of issue of equity shares				-	(225)	-
At 31 December 2009				896	19,702	3,088

12. Acquisition of business

On 1 September 2009 the Group completed its transaction to buy the entire share capital of Total Repair Solutions Limited (“TRS”) for a total enterprise value of £6.25 million. This was satisfied through the issue of £3.25 million of consideration shares to the vendor and the payment of a further £3.0 million in cash which was utilised by the vendor to settle the bank borrowings of TRS, effectively rendering the acquisition debt-free on completion.

8,125,000 shares were issued to the vendor at 40p per share, representing a 14.9% discount to the closing share price immediately prior to the announcement. The cash consideration was funded by issuing 8,352,675 new shares to existing share holders at a price of 40p per share. Raising total funds of £3,341,000 from existing shareholders, the balance being used to settle acquisition fees.

The book value and fair value of the assets acquired and liabilities assumed were as follows:

	Book value £'000	Fair value £'000
Intangible assets	438	438
Intangible assets – customer contracts	-	555
Property, plant and equipment	530	530
Deferred tax asset	-	538
Inventory	1,708	806
Trade and other receivables	2,973	2,697
Trade and other payables	(2,161)	(2,226)
Net assets acquired	3,488	3,338
Goodwill		2,912
Total consideration		6,250
Satisfied by:		
Cash		3,000
Shares		3,250
Consideration		6,250
Net cash outflow arising on acquisition		
Cash consideration		3,000

The write down of the stock valuation was fully expected as part of our due diligence process on the acquisition of TRS. This write down has no impact on future group profitability or cash flow as we used the lower figures in all of our projections; similarly certain accrued income balances have been considered doubtful and have been provided against.

A deferred tax asset has been recognised on the tax losses available at the date of the acquisition given the expectation that taxable profits will arise in the future.

Under IFRS 3, "Business Combinations", the only separately identifiable intangible asset arising from the acquisition relates to customer contracts and relationships valued at £555,000. The remaining goodwill of £2,912,000 can be attributed to the anticipated profitability through the growth of the enlarged group and synergistic benefits.

Since the date of acquisition TRS has contributed headline operating profit of £250,000.

If the acquisition had been completed on the first day of the financial year the Group revenues for the period would have been £61,028,000 and Group headline operating profit attributable to the equity holders of the parent would have been £2,783,000.

13. Copies of the interim report

Further copies of the interim report are available from the registered office, 4 Elm Place, Old Witney Road, Eynsham, Oxford, OX29 4BD or on the Company's website – www.regeneris.com.

14. Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and businesses of Regeneris plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause the actual result or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

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