

17 September 2008

**Regeneris plc**

(“Regeneris” or “the Group”)

**Preliminary results for the twelve months ended 30 June 2008**

Regeneris plc (LSE: “RGS”), a leading provider of product lifecycle management services to the consumer and commercial technology markets, is pleased to announce preliminary results for the twelve months ended 30 June 2008.

**Operational Highlights**

- **Restructuring complete, Group stabilised and refocused**
  - Quality of Group component businesses significantly improved
  - Enhanced business and service quality now delivering demonstrable results
  - £15.0m of new business and £20.0m of renewed business secured during the year
- **Regeneris brand formed and fully deployed**
  - Operations now focused around two core businesses: Technical and Environmental services
  - Blue Chip client base responding well to our enhanced proposition
- **Investment continues in pursuit of long term growth**
  - Eastern European units continue to benefit from investment in efficiency and capacity

**Financial Highlights**

- Group revenue increased 9.0% to £105.0m (2007: £96.1m)
- Headline operating profit increased substantially to £5.8m (2007: operating loss £0.3m)
- Profit before tax of £3.9m (2007: loss before tax of £10.7m)
- Cash generation from operations further improved to £13.4m (2007: £7.1m)
- Significant strengthening of the balance sheet, with year end net cash balance of £0.7m (2007: net debt of £10.9m)
- Court approved cancellation of losses on distributable reserves; a dividend policy will be outlined in due course

Reflecting on the results, Regeneris’ Non-Executive Chairman, Jeff Hewitt commented:

*“We have successfully completed the restructuring programme outlined a year ago and the emphasis of our financially sound Group has now shifted to investing in facilities and opportunities whilst, at the same time, remaining mindful of tightening consumer markets. Consequently, we expect Group sales in the first half of the current financial year to be similar to those achieved in the second half of financial year 2008. However, we expect the benefits of our investment in new facilities coupled with organic growth in our other businesses to lead to good growth in the second half of financial year 2009 and beyond.”*

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## Chairman's Statement

### A Year of Significant Progress

In this, the first full year since the current executive team joined the Group much has been achieved in a remarkably short time. The quality of the businesses making up the Group is now starting to show through in demonstrable results.

I became Chairman in November 2007 when the improvement programme was already well underway. The rate of progress through the year has been greater than envisaged last November on almost all fronts. The financial base is now much stronger as the turnaround to profit and, in particular, cash generation demonstrates. The balance sheet has been transformed through significant debt reduction and restructuring of reserves. Management teams have been strengthened and processes improved. Customers are being won back through the delivery of high quality service and technical excellence.

The large reorganisation programmes of the past couple of years are now complete. Focus has shifted to growth opportunities which are being sought with the same vigour. The revitalisation of the Group is reflected by the re-launch of the business earlier this year under its new name: Regeneris. The Group is now fully focused on the delivery of integrated after-sales product support services and we do this for many of the world's leading technology brands. As an outsourced service partner we protect our customers' brand and ensure that, should a product fail or become redundant, we have a solution.

Our activities are structured around our technical and environmental services. 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. We deliver cost effective end-to-end solutions that guarantee full traceability and quality assurance. We do this across our Pan-European network handling millions of products for our clients and their customers.

Regeneris has achieved its short term objectives and is now well positioned to promote the full value of its services in what is likely to be a more challenging market for many of its customers and competitors alike. Building on the developments of this past year, much more can and will be done to strengthen our capabilities both organically and possibly through selective acquisitions.

### Results Overview

Given the restructuring of the prior year, these results are the first to report the full year performance of all the ongoing businesses. Reported sales increased 9.0% to £105.0 million and gross margins improved by over 10 percentage points to 22%. Consequently headline operating profit, excluding exceptional items, amortisation and share based payments, was £5.8 million, representing a significant turnaround from the equivalent loss of £0.3 million last year.

With restructuring and impairment costs much reduced, operating profit of £5.0 million marks a £15.1 million turnaround from the loss of £10.1 million last financial year. Headline earnings per share were 15.10 pence (2007: loss of 5.63 pence per share) and basic earnings per share were 11.55 pence per share (2007: loss of 45.70 pence per share).

Importantly, the Group also generated strong cash flows. At the year end the Group had a positive net cash balance of £0.7 million against a net debt of £10.9 million last financial year and a peak net debt of £16.5 million in February 2007. Reflecting this improvement in the balance sheet, the Group has strengthened its banking relationships, which is a significant achievement in the current credit environment.

### Dividend

The Board has previously been unable to consider a dividend, given past losses and the substantial deficit on the distributable reserves of the parent Company. However, the deficit has been eliminated as a consequence of the Court approved transfer on 26 June 2008 of surplus share premium. Under the terms of the Court approval, the Group is unable to pay a dividend for the year to 30 June 2008, but future profits will be distributable. In due course the Board will outline a dividend policy.

## **Board and Employees**

With the restructuring programme now complete and the business returning to a more satisfactory performance, Gordon Shields has indicated his intention to retire from the Board at the forthcoming Annual General Meeting. Gordon was the founder of Fonebak and successfully led that business through first the IPO and then subsequently the acquisition of CRC Group PLC. The Board would like to thank Gordon for his support and contribution and wishes him a long, happy and undoubtedly active retirement. It is the Board's intention to recruit a replacement for Gordon as soon as possible.

The past year has been a difficult one for all the employees in the Group as the restructuring took huge effort and personal cost at all levels. The Board recognises the magnitude of the challenges and the contribution of all employees in delivering the successful realisation of our plans. The satisfaction of being part of a growing and profitable business is now at hand.

## **The Market Place**

With the business financially stable, we are looking at ways to capitalise on the new opportunities we are seeing within the growing technical and environmental market. There is a shortage of good quality capacity across Europe; Central and Eastern Europe are particularly buoyant, and we are investing in these markets. We are also seeing a number of our clients increasing emphasis on improved service as a route to gaining market share, promoting brand loyalty and retention. This bodes well for organisations like ours which are able to invest and provide consistent high quality service across multiple locations.

However, the consumer market environment has worsened considerably in recent months. As a business we service high value technology products and in the majority of cases the end user will be a consumer. It would be reasonable to expect that consumer expenditure in our clients' markets will reduce as in many cases such expenditure is deferrable. In normal circumstances lower sales in the high street will result in proportionately fewer service events, either to repair and refurbish products under warranty, or else to collect end-of-life products as they are replaced. We will continue to monitor this situation closely and take action, as appropriate, to ensure that we can profitably meet our clients' demands.

A number of our competitors are highly leveraged financially and are consequently less able to invest in their businesses. We have seen an increase in the number of sales enquiries and a proportion of these reflect nervousness by the customer about the security of their incumbent supplier. We expect to take advantage of such situations and are already starting to do so.

## **Outlook**

We have successfully completed the restructuring programme outlined a year ago and our emphasis has now shifted to the longer term development of the Group. We are investing in facilities and business opportunities across Europe at a time when our clients are looking for greater support and many of our competitors are unable to meet their clients' demands.

The cost of developing new operations and clients is coinciding with the tightening of consumer markets. Consequently, we expect Group sales in the first half of the current financial year to be similar to those achieved in the second half of financial year 2008. However, we expect the benefits of our investment in new facilities coupled with organic growth in our other businesses to lead to good growth in the second half of financial year 2009 and beyond.

Given our re-energised and financially sound Group, the Board strongly believes in the longer term benefits of investing in market opportunities now, whilst continuing to manage soundly the cost and working capital base of our businesses.

**Jeff Hewitt**

Non-Executive Chairman

**17 September 2008**

## **Business and Financial Review**

### **The Group Today**

Following the completion of the restructuring programme the Group is now focused exclusively on the provision of outsourced after-sales product support services. Our clients, in the main, are blue chip consumer brands and our top 20 clients are global household names.

We believe our sales proposition is unique. We provide a menu of services that cover all consumer-facing product support requirements. We support our clients and their customers through the lifecycle of their product to provide a complete 'cradle to cradle' solution. Our service offering polarises around two core competencies: our technical and environmental expertise.

Our Technical Services are derived primarily from our accumulated experience in managing 'In Warranty' repair services for major equipment manufacturers and distributors. We currently operate with seven established facilities and provide a Pan-European service from bases in the UK, Germany, Poland and Romania. Each facility has benefited from significant investment in resources, infrastructure and intellectual property. Collectively we service clients in markets spanning mobile communications and computing, transaction services, multi-media systems and other such fast moving, high volume consumer devices.

In Environmental Services we provide end-of-life solutions to many clients including the major European mobile network operators. These services include the replacement of equipment in the event of damage, loss or theft as well as the remarketing and recycling of redundant equipment. Today the majority of our activity supports the market for mobile phone handsets. However, we are now starting to apply the same principles to other markets that are subject to the same needs and legislative pressures.

Collectively the services we provide ensure that consumers have a positive experience of their product and the brand behind it. In many cases our introduction to the consumer is as a result of a problem, usually a product failure. Through our intervention we ensure our client, the brand, is protected and that we turn a distressed situation into a positive customer experience.

### **Restructuring Completed**

None of our businesses have stood still. The plans we set out in 2007 have been completed and the benefits are being delivered.

During the year the restructuring programme outlined in 2007 was successfully executed and sites in Stoke, Barnet and Berlin were closed. In addition the site in Romania was reduced in capacity pending reinvestment as an accredited repair centre and a new site in Sömmerda was opened. Investment was also made into facilities in Warsaw and Glenrothes to increase capacity and sites in Thurrock and Nottingham were restructured as we changed fundamentally the mix of business. We have completed a lengthy renegotiation of the labour terms and conditions with the whole workforce in Paderborn and fundamentally changed the cost profile of the business. Our environmental business in Continental Europe has been restructured and we have established a second processing centre for our network clients in Lille.

The previous year's build up of working capital, most notably inventories of purchased mobile phones has been reversed and one million phones have been cleared from stock. Simultaneously the environmental services business model has been focused on developing revenue share contracts with key clients and loss-making spot purchasing activities have been much reduced.

Pleasingly, whilst so much change has taken place, we have also enjoyed a largely successful year retaining existing and securing new clients. In total, contracts worth an annualised £20.0 million in revenues were renewed. In addition we won new business which we estimate to be worth £15.0 million over the course of a full financial year.

## **Improved Performance**

In delivering our key business plan objectives, revenues in 2008 increased 9% to £105 million (2007: £96.1m). The combination of higher revenues, an improved mix of business and good cost control means that headline operating profits increased to £5.8 million (2007: loss of £0.3 million) and profit before tax was £3.9 million (2007: loss of £10.7 million).

Sales from Technical Services were £61.6 million for the year as a whole (prior year post acquisition sales of £34.9 million). In 2007, for the equivalent twelve month period, CRC sales were £66.4 million, however, this includes £2.5 million of business discontinued as a consequence of an earlier, pre acquisition restructuring programme in CRC. In addition, the exit from the Vodafone contract originally announced in late 2005 was completed early in 2008 so that the year-on-year comparison includes a further sales decline of £7.3 million. Taking into account these structural changes the like-for-like comparison shows a net sales increase for 2008 of 9%.

For the full year, Technical Services has contributed headline operating profits of £3.0 million compared to post acquisition profits of £0.5 million in 2007.

The Environmental Services business has been substantially realigned over the last eighteen months and consequently there are significant fluctuations in the comparative results. In the year to 30 June 2008 total sales were £43.3 million against £61.2 million prior year. Revenues were substantially reduced by the decision to cease the low margin bulk purchasing from the open market of mobile phones and a refocusing on more favourable revenue share contracts.

The benefits of the restructuring are evident. Headline operating profits improved to £2.8 million against an equivalent loss of £0.8 million in 2007 an improvement of £3.6 million. The prior year comparative reflects the additional £2.0 million write down of surplus inventories that were subsequently sold in 2008; however 2007 also included £0.9 million of profit from a contract that was subsequently lost. Adjusting for these items the net improvement year-on-year is £2.5 million.

## **Business Review - Technical Services**

### ***UK***

Operations in the UK are now centred on key facilities in Glenrothes, Nottingham and Huntingdon. Glenrothes is the largest site and works with clients including Apple, Virgin Media and TomTom.

Earlier in 2008 the business won contract tenders with both Virgin Media and UPC to service set top boxes. Our success was founded in thought leadership. We have created automated diagnostic routines that reduce handling and process times whilst improving quality and product reliability. We share the consequent cost and service benefits with our clients. Our drive to innovate will see us investing in remote test equipment and on-line diagnostics as we drive to take our service closer to the end user.

Nottingham is a mobile phone repair facility previously dedicated to Vodafone. As the repair volumes transferred during the year, the Group has taken the decision to retain and support the site preferring to take a longer term view and build new business. Whilst there are cost implications in the short term it is evident that there is demand for a facility of Nottingham's capability. Volumes are now increasing from this much reduced level and business has recently been secured with manufacturers, network operators and retailers that will give us a viable base from which to progress.

Huntingdon is the main hub for client services including claims management, technical and call centre support, network accreditation and parts management. We have long had close associations with manufacturers such as Nokia and we continue to build on this platform. We are integrating the service and expertise at Huntingdon more closely with that at Nottingham to create a complete one-stop service for the mobile industry.

## **Germany**

In the course of the year we successfully completed the closure of our small repair facility in Berlin and transferred the business into our main site in Paderborn. In addition, we established a second site in Sömmerda in Eastern Germany as a co-location with Fujitsu Siemens.

Our German business operates at the cutting edge of technology in both mobile computing and transaction services. The Paderborn site is established as a key partner to Wincor Nixdorf servicing their range of Automated Telling Machines (ATM's). We are increasingly engaged with them in extending our capabilities into a wider product portfolio and across a much more international geography. The combination of a high growth market for transaction processing equipment, including 'chip and pin' technology, allied to very demanding technical and security standards presents an attractive market for us. We are making good progress in extending our capabilities and have attracted further business with market leaders such as Hypercom and Diebold.

One of our major challenges in Germany has been the higher cost base relative to other countries, most notably in Eastern Europe. The new facility in Sömmerda allows us to provide an effective lower cost 'in country' service than has traditionally been the case. Labour rates in Sömmerda are considerably below those in Paderborn and consequently we have been in negotiation with the Paderborn workforce for the last twelve months to redress the balance. This process recently concluded with a new agreement that will reduce our cost base. A proportion of the savings will be shared with clients in order to keep the pricing of our services from Paderborn competitive: however, the agreement will go a long way to securing the future of the site.

## **Eastern Europe**

Historically our presence in Eastern Europe has centred on a single location in Warsaw that provided lower cost repair services to the mobile phone market in Poland. We have subsequently been able to extend our client base to provide these services across the wider Europe with leading manufacturers such as Nokia, Sony Ericsson and Apple.

Our capacity has progressively increased and 2008 was another record year for the Warsaw facility. As our confidence has grown we have extended our service into mobile computing and provide pan European board repairs for fast growing brands such as Acer. With increasing demand we have committed to a second site which will enable us to add both further capacity and allow us to focus resources on the respective technologies. This second facility in Poland will be operational in the second half of the 2009 financial year.

In addition to the successes in Poland we have also been investing in the facility in Romania where we had previously provided low skill and heavily loss making services. The site has now been repositioned to provide manufacturer accredited technical repair services and an aggressive investment and growth programme is in place.

Already business has been secured with Sony Ericsson, TomTom and more recently UPC. In the last six months over 100 people have been recruited and trained and, from a low base, momentum is increasing. There are clearly more contracts to be won in Romania and the business is well situated to exploit the rapidly growing market in this geographical region. Whilst the business is not yet profitable it is expected to be nearer to covering its costs by the end of the current financial year.

## **Business review - Environmental Services**

Environmental services include the end-of-life mobile phone remarketing and recycling services previously undertaken by Fonebak and the insurance fulfilment activities of Intec Distribution. These two businesses are being integrated under a single management team following the recent recruitment of Mark Franklin, previously supply chain director at Orange.

In a year of substantial change the business has been streamlined, surplus inventories have been cleared and non profitable activities stopped. Greater emphasis and resource has been focused on the customer facing activities with the result that credibility and relationships are building again with the major European networks. During the year we renewed contracts with two of our biggest customers in O<sub>2</sub> and T-mobile.

Under new management we are developing new sales and marketing channels. These include web enabled services that we develop and operate on behalf of our clients and enable us to create a direct interface with the end user.

During the year we received considerable publicity from our ongoing support of the BBC Children in Need campaign. This was the third year we have worked with the charity and on this occasion we promoted the scheme with prime time coverage on BBC One's 'The One Show'. We raised a total of £350,000 for charity and have recently signed a new contract for the 2008 campaign.

With the business model well established in the UK market we recently completed the restructuring of our European operations based in Brussels and Lille. These operations have historically been loss making, partly due to the lower unit value we typically see from product returned in Continental Europe but also the lower return volumes. We believe it is right to persevere with this market and have upgraded the capability in Lille to meet the more specific needs of the market there. Local management is also now heavily incentivised based on the incremental value they create.

Through these changes the business continues to promote itself as the partner of choice for environmentally conscious and responsible brands. With the advent of WEEE legislation in 2007 Regeneris established its own Producer Compliance Scheme which includes the major UK mobile network operators as its members. The scheme significantly exceeded collection targets in its first year and was able to pass on those benefits directly to its clients. Regeneris maintains UK Government approved licenses for the collection, treatment and export of waste in full compliance with the WEEE Directive.

In addition to the assurance we provide for the environmental aspects of end-of-life management of redundant equipment we are putting a greater emphasis on the handling of personal data. Most products returned will contain such data and there are a number of very high profile cases in the public domain where personal data has been 'lost' through the lack of controls around such equipment.

In a new development we are investing in capacity to ensure that all data is removed from the equipment we process and that this data is then certified as destroyed; something which we believe is unique in the industry. In the short term there is a cost associated with this investment. However, it remains our view that as the public becomes increasingly aware of the risks from the mishandling of their personal data our clients will need partners able to deliver the secure process to evidence removal and destruction. Ultimately our view is that there is a significant opportunity to develop a new market and revenue stream.

There is no doubt that the performance of Environmental Services has been adversely impacted by the fact that the majority of product finding its way to market is not subject to environmental or data checks. There is little evidence that legislation is being enforced and as such we are not competing on a level playing field. However, we believe that our target market will need to address these issues as part of their corporate and social responsibilities. We will continue to raise awareness of these issues to the longer term benefit of our clients and consumers.

### **Further developments**

The Group continues to focus on building strategic interdependence with our key clients, typically those that are market leaders in growth sectors. Increasingly we are being invited to provide multi-locational solutions some of which include the opportunity to extend our geographical reach.

Over the last 12 months we have been in negotiation to launch the Regeneris name in the Russian market. Many of our existing clients operate in Russia and most have need of after sales service support. We are concluding a joint venture with a Moscow-based repair organisation which will enable us to develop a credible service presence in Russia with minimal investment.

We are also seeing increasing demand for additional capacity in Central Europe as the market there continues to grow. In part this is due to ongoing competitive pressures that have led to some capacity being taken out of the market, but also a drive from some of our clients to improve the quality and consistency of their service support. Whilst we have benefited to some extent from this trend over the

last year we are looking at ways to increase capacity with a commercial transaction similar to that outlined in Russia.

Finally, given the improved cash position and financial performance we will also keep watch for any appropriate opportunities to create greater scale through other means including acquisitions.

## **Financial Review**

### **Operating Profit**

The Group's headline operating profit improved by £6.1 million to £5.8 million compared to 2007. The definition of headline operating profit excludes exceptional items, amortisation and share based payments.

The improvement in part reflects the full year contribution from the CRC acquisition completed in January 2007. The year-on-year benefit from CRC is £2.5 million; a further £3.6 million derives from the improved performance in Environmental Services post restructuring.

Operating profits for the year to 30 June 2008 were £5.0 million compared to a prior year loss of £10.1 million. The current year includes a charge of £0.4 million (2007: £0.2 million) reflecting the amortisation of acquired intangible assets required as we now report under International Financial Reporting Standards ("IFRS"). In addition charges of £0.4 million have been taken to cover residual restructuring costs and the valuation of share based incentives. The considerable losses in 2007 were substantially impacted by the costs of restructuring (£3.1 million) and goodwill impairment (£6.6 million).

### **Profit before Tax**

In addition to the net financing costs for the year of £0.7 million (2007: £0.6 million) the Group has taken the decision, as reported at the half year, to write off £0.4 million of previously carried forward financing costs originating from the refinancing at the time of the CRC acquisition.

Financing costs were lower in 2007, reflecting the timing of the acquisition of CRC in the second half of the financial year; the Group had been cash positive to that point. The year to 30 June 2008 consequently started with net debt of £10.9 million and whilst this had been eliminated by the year end the benefits of the reduced level of debt will come though mainly in the current financial year.

Net of the combined financing costs profit before tax for the year is £3.9 million compared to an aggregate loss of £10.7 million in 2007.

### **Earnings per Share**

The Group calculates headline earnings per share to recognise the impact of one off events excluding exceptional items, amortisation and share based payments. Adjusting for the related tax effects the headline earnings per share for 2008 have increased to 15.10 pence compared to a comparable loss of 5.63 pence in 2007.

Basic earnings per share for the year of 11.55 pence represent a considerable improvement from an equivalent loss per share of 45.70 pence in 2007. The improvement is explained mainly by the combination of a marked improvement in underlying trading performance allied to the reduction in restructuring and impairment charges.

The calculation of basic earnings per share will have benefited from the low tax charge in 2008; applying the standard UK corporation tax rate would have reduced the calculation by approximately 1.7 pence per share.

The calculations of earnings per share for 2008 are based on a weighted average of 28.3 million shares being in issue during the year to 30 June 2008. This includes the 2.2 million shares issued to the Employee Benefit Trust in June 2007 as a replacement for the previous share option plan. Excluding the dilutive effect of these shares the basic earnings per share for 2008 would be 12.50 pence.

## **Exchange Rates**

During our financial year the Euro strengthened considerably against sterling, consequently the translated value of our Euro denominated assets held in Europe increased. At the same time the Polish Zloty strengthened against both sterling and the Euro. We have been able to manage these movements with only minor impacts on our trading results.

A translation gain of £1.2 million on the conversion of non-sterling denominated subsidiary balance sheets at 30 June 2008 has been recognised and taken to reserves.

## **Financing**

At 30 June 2007 the Group had pledged facilities from KBC Bank ("KBC") totalling £25.0 million. Of the facilities available £19.5 million were drawn in cash and a further £5.0 million was utilised guaranteeing BACS facilities and overdrafts with other lenders. In total £24.5 million of the £25.0 million facilities was utilised.

This facility was first renegotiated in September 2007 and then subsequently syndicated in February 2008. The current total facility is £16.0 million and is shared 60:40 between KBC and Royal Bank of Scotland ("RBS"). The £9.0 million reduction in facility comprises the cancellation of the BACS guarantee (£5.0 million), a £3.5 million repayment as planned in the original banking arrangements and a further £0.5 million voluntary reduction. At 30 June 2008 £3.0 million of the new facility was drawn in cash.

The funding cost of the Group borrowings is linked to LIBOR with ratchets depending on the ratio of EBITDA to net debt. The Group has also entered into the RBS global liquidity scheme enabling it to better manage the funds of the Continental locations within the overall facility. The Group does not currently hedge any of its facility given the low level of debt.

## **Cash Flow**

The Group has benefited from significant cash inflows during the year. In total the Group generated £13.4 million of cash from operating activities (2007: £7.1 million). Improved operating profitability was bolstered by a £6.1 million improvement in working capital.

The Group also benefited from the prompt finalisation of tax returns and received payments totalling £1.1 million in respect of refunds from prior years.

At 30 June 2008 the Group had borrowings of £3.0 million and cash equivalents of £3.7 million; the net balance being cash of £0.7 million. At 30 June 2007 the equivalent net balance showed an indebtedness of £10.9 million. In effect, with the exception of the investment in capital expenditure of £1.6 million, the cash generated by the business has been applied to eliminating the borrowings.

## **Balance Sheet**

The Balance sheet has been strengthened considerably during the course of the year. The improvement in both the cash position and the structuring of the finances ensures that the business is both stable and appropriately funded.

The working capital position is much improved and the quality and quantity of our inventories is at a more sustainable level. The focus now is to maintain the improvements of the last year.

In addition the balance sheet reserves have been restructured with Court approval such that the deficit on the Company's distributable reserves (£8.6 million) has been eliminated. This is significant in that future profits will no longer be utilised to eliminate the deficit but will be eligible for distribution. In effect this action brings much closer the day when the Board is able to consider restoring the dividend.

In aggregate net assets have increased £4.3 million to £19.4 million; an effective gain of 29% from prior year.

## **Cautionary Statement**

This review has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential of that strategy to succeed and should not be relied upon by any

other party or for any other purpose. It contains certain forward-looking statements with respect to 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 upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

**Gary Stokes**  
Chief Executive Officer

**David Kelham**  
Chief Financial Officer

**17 September 2008**

## Consolidated Income Statement

For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Revenue	2	104,962	96,130
<b>Headline operating profit /(loss)</b>		<b>5,781</b>	<b>(324)</b>
Exceptional restructuring costs	4	(360)	(3,133)
Amortisation of acquired intangible asset	4	(410)	(171)
Exceptional goodwill impairment	4	-	(6,581)
Share based payment		(60)	124
<b>Operating profit/(loss)</b>	<b>3</b>	<b>4,951</b>	<b>(10,085)</b>
Finance income	6	387	175
Finance charge	6	(1,047)	(821)
Exceptional finance charge	6	(406)	-
Total finance charge		(1,453)	(821)
<b>Profit/(loss) before tax</b>		<b>3,885</b>	<b>(10,731)</b>
Taxation	8	(612)	670
<b>Profit/(loss) attributable to equity holders of the parent</b>		<b>3,273</b>	<b>(10,061)</b>
<b>Earnings per share</b>			
Basic	9	11.55p	(45.70)p
Diluted	9	11.55p	(45.70)p

**Consolidated Balance Sheet**  
As at 30 June 2008

	Note	2008 £'000	2007 (restated) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		23,978	23,978
Other intangible assets		1,683	2,121
Property, plant and equipment		2,813	2,425
Deferred tax	18	938	600
		<b>29,412</b>	<b>29,124</b>
<b>Current assets</b>			
Inventory	10	4,705	6,079
Trade and other receivables	11	13,245	16,411
Current tax asset		-	1,287
Derivatives and financial instruments		-	281
Cash and cash equivalents		4,163	9,072
		<b>22,113</b>	<b>33,130</b>
<b>Total assets</b>		<b>51,525</b>	<b>62,254</b>
<b>Current liabilities</b>			
Borrowings	14	(423)	(5,536)
Current tax liability		(598)	-
Trade and other payables	13	(28,077)	(27,632)
		<b>(29,098)</b>	<b>(33,168)</b>
<b>Non-current liabilities</b>			
Borrowings	14	(3,000)	(14,000)
<b>Total liabilities</b>		<b>(32,098)</b>	<b>(47,168)</b>
<b>Net assets</b>		<b>19,427</b>	<b>15,086</b>
<b>Equity</b>			
Ordinary share capital		566	566
Share premium		16,753	25,304
Hedging reserve		-	197
Translation reserve		1,191	-
Retained earnings		917	(10,981)
<b>Total equity</b>		<b>19,427</b>	<b>15,086</b>

## Consolidated statement of changes in equity

For the year ended 30 June 2008

	Attributable to equity share holders					Total £'000
	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedging reserve £'000	Retained earnings £'000	
<b>Balance as at 1 July 2006</b>	384	15,076	-	23	589	16,072
<b>Changes in equity for the year to 30 June 2007</b>						
Cash flow hedge taken to equity – before tax	-	-	-	248	-	248
Deferred tax related to cash flow hedge taken to equity	-	-	-	(74)	-	(74)
Loss for the year	-	-	-	-	(10,061)	(10,061)
<b>Total recognised income and expense for the year</b>	-	-	-	<b>174</b>	<b>(10,061)</b>	<b>(9,887)</b>
Issue of share capital	182	-	-	-	-	182
Premium on share issues	-	11,015	-	-	-	11,015
Expense of issue of shares	-	(787)	-	-	-	(787)
Own shares held by EBT	-	-	-	-	(1,193)	(1,193)
Dividend paid	-	-	-	-	(192)	(192)
Recognition of share based payments – pre tax	-	-	-	-	(124)	(124)
<b>Balance as at 30 June 2007</b>	<b>566</b>	<b>25,304</b>	<b>-</b>	<b>197</b>	<b>(10,981)</b>	<b>15,086</b>
<b>Changes in equity for the year to 30 June 2008</b>						
Cash flow hedge taken to equity – before tax	-	-	-	(281)	-	(281)
Deferred tax related to cash flow hedge taken to equity	-	-	-	84	-	84
Exchange differences arising on translation of foreign entities	-	-	1,191	-	-	1,191
Profit for the year	-	-	-	-	3,273	3,273
<b>Total recognised income and expense for the year</b>	-	-	<b>1,191</b>	<b>(197)</b>	<b>3,273</b>	<b>4,267</b>
Cancellation of share premium	-	(8,551)	-	-	8,551	-
Recognition of share based payments – pre tax	-	-	-	-	55	55
Deferred tax related to share based payments	-	-	-	-	19	19
<b>Balance at 30 June 2008</b>	<b>566</b>	<b>16,753</b>	<b>1,191</b>	<b>-</b>	<b>917</b>	<b>19,427</b>

## Consolidated Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	<b>13,033</b>	<b>8,296</b>
Interest received		387	175
Interest paid		(1,147)	(785)
Tax received/(paid)		1,088	(600)
<b>Net cash inflow from operating activities</b>		<b>13,361</b>	<b>7,086</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,574)	(496)
Purchase of intangible assets		(187)	(158)
Proceeds from disposal of property, plant & equipment		-	7
Acquisition of subsidiary net of cash acquired		-	(15,346)
Deferred consideration in respect of previous acquisition		(153)	(2,682)
<b>Net cash used in investing activities</b>		<b>(1,914)</b>	<b>(18,675)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(192)
Proceeds from issue of share capital		-	10,004
Costs associated with issue of shares		-	(787)
New borrowings		-	19,500
Repayment of borrowings		(16,500)	(9,365)
Repayment of finance leases		(8)	(70)
<b>Net cash used (in)/from financing activities</b>		<b>(16,508)</b>	<b>19,090</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(5,061)</b>	<b>7,501</b>
Other non cash movements – exchange rate changes		163	-
Cash and cash equivalents at the beginning of year		8,638	1,137
<b>Cash and cash equivalents at end of year</b>	12	<b>3,740</b>	<b>8,638</b>

## **Notes to the Preliminary Results**

### **1.0 Basis of preparation**

These preliminary results have been prepared in accordance with all International Financial Reporting Standards, as adopted by the EU ("adopted IFRSs"), as required to be adopted by AIM listed companies.

These are the Group's first annual results to be reported under IFRS as adopted by the EU and IFRS1 has been applied. The Group previously reported under UK Generally Accepted Accounting Principles ("UK GAAP"). An explanation of how the transition from UK GAAP to IFRS has affected the results of the Group was released on 5 February 2008 and can be found on our website.

In preparing these preliminary results, consistent accounting policies in accordance with IFRS have been applied.

The financial information in this announcement does not constitute statutory accounts for the year ended 30 June 2008 but is derived from these accounts. The auditors have reported on the consolidated Group accounts and their report was unqualified.

The preliminary announcement for the year ended 30 June 2008 was approved by the Board for release on 17 September 2008.

## 2.0 Segment information

### 2.1 Business segments – primary basis

For management reporting purposes the Group is organised into two segments, Environmental and Technical Services. The principal activities of these two segments are described in the Business and Financial Review.

The segment results, assets and liabilities of these two segments are disclosed in the tables below:

	Environmental Services 2008 £'000	Technical Services 2008 £'000	Total 2008 £'000	Environmental Services 2007 £'000	Technical Services 2007 £'000	Total 2007 £'000
Revenue	44,052	61,628	105,680	61,193	34,937	96,130
Inter segment revenue	(718)	-	(718)	-	-	-
<b>Total revenue</b>	<b>43,334</b>	<b>61,628</b>	<b>104,962</b>	<b>61,193</b>	<b>34,937</b>	<b>96,130</b>
<b>Headline segment operating profit</b>	<b>2,831</b>	<b>2,950</b>	<b>5,781</b>	<b>(786)</b>	<b>462</b>	<b>(324)</b>
Exceptional goodwill impairment	-	-	-	(5,255)	(1,326)	(6,581)
Amortisation of acquired intangible assets	-	(410)	(410)	-	(171)	(171)
Exceptional restructuring costs	(98)	(262)	(360)	(972)	(2,161)	(3,133)
Share based payments	(30)	(30)	(60)	124	-	124
<b>Segment operating profit/(loss)</b>	<b>2,703</b>	<b>2,248</b>	<b>4,951</b>	<b>(6,889)</b>	<b>(3,196)</b>	<b>(10,085)</b>
Net financing costs			(660)			(646)
Exceptional finance charge			(406)			-
<b>Profit/(loss) from continuing operations before tax</b>			<b>3,885</b>			<b>(10,731)</b>
Taxation			(612)			670
<b>Profit/(loss) from continuing operations</b>			<b>3,273</b>			<b>(10,061)</b>

	Environmental Services 2008 £'000	Technical Services 2008 £'000	Total 2008 £'000	Environmental Services 2007 £'000	Technical Services 2007 £'000	Total 2007 £'000
Capital expenditure	93	1,699	1,792	254	2,449	2,703
Depreciation and intangible amortisation	87	1,845	1,932	304	1,169	1,473
Goodwill impairment	-	-	-	5,255	1,326	6,581
<b>Balance Sheet</b>						
Segment assets	17,299	34,226	51,525	24,568	37,686	62,254
Segment liabilities	17,084	15,014	32,098	30,981	16,187	47,168

## 2.2 Geographical segment - secondary basis

The following information is based on the geographical location of customers, irrespective of the origin of the goods or services. The corresponding segment assets are based on the geographical locations of the assets.

	Revenue		Carrying amount of segment assets		Additions to property plant and equipment and intangible assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
United Kingdom	39,987	33,213	43,344	54,395	832	2,484
Continental Europe	31,361	12,072	8,181	7,859	960	219
Asia Pacific	32,234	45,469	-	-	-	-
Rest of the world	1,380	5,376	-	-	-	-
	<b>104,962</b>	<b>96,130</b>	<b>51,525</b>	<b>62,254</b>	<b>1,792</b>	<b>2,703</b>

## 3.0 Operating profit/(loss)

	2008 £'000	2007 (restated) £'000
Revenue	104,962	96,130
Cost of sales	(82,174)	(85,276)
<b>Gross profit</b>	<b>22,788</b>	<b>10,854</b>
Administrative expenses	(17,837)	(20,939)
<b>Operating profit/(loss)</b>	<b>4,951</b>	<b>(10,085)</b>

### Prior year adjustment

Following the acquisition of CRC in 2007, the Group has reviewed the classification of costs between cost of sales and administration costs across the Group. A consistent treatment has been applied to the current year and prior year which has resulted in a restatement of the 2007 numbers as follows:

	Cost of sales £'000	Administration costs £'000
As previously stated	89,859	16,356
Reclassification	(4,583)	4,583
<b>As restated</b>	<b>85,276</b>	<b>20,939</b>

## 4.0 Exceptional restructuring costs

During the year ended 30 June 2008, the Group incurred further net costs of £360,000 arising from the closure and restructuring programme which commenced in the year to 30 June 2007. In the year ended 30 June 2007 the Group charged exceptional items totaling £3,133,000. Of this, £2,100,000 related to the closure and restructuring provisions for Barnet, Stoke and Romania; £833,000 arose in relation to the turnaround plan; and £200,000 arose on the write-off of previously capitalised IT and building costs following the termination of lease arrangements.

In the previous financial year, following the significant downturn in the profitability of the Environmental Services Division and the issue of a trading statement in March 2007, the Board carried out an impairment review of all investments and goodwill which resulted in an exceptional impairment charge of £6,581,000 (restated under IFRS). The impairment charge was recognised against the two cash-generating units ("CGUs") and comprised £5.3m against Environmental Services and £1.3m against Technical Services. No impairment arose against the goodwill of the CRC acquisition.

Following the CRC acquisition in January 2007, a separately identifiable intangible asset has been recognised relating to customer contracts which is being amortised over 5 years. An amortisation charge of £410,000 (2007: £171,000) has been recognised for the year.

## 5.0 Staff costs

The average monthly number of employees (including executive directors) is set out below.

	2008 Number	2007 Number
Production	1,518	1,005
Sales and business development	14	18
Administration	298	133
	<b>1,830</b>	<b>1,156</b>

The aggregate remuneration comprised:

	2008 £'000	2007 £'000
Wages and salaries	29,231	18,561
Social security costs	3,509	2,127
Share based payments	60	(124)
Other pension costs	522	473
	<b>33,322</b>	<b>21,037</b>

The prior year comparative includes the employee numbers and the related costs of CRC only from the date of acquisition (24 January 2007).

## 6.0 Finance costs and finance income

	2008 £'000	2007 £'000
Bank interest receivable and similar income	387	175
Total finance income	<b>387</b>	<b>175</b>
Interest payable on borrowings:		
Bank loans and overdrafts	1,046	781
Other finance costs	-	36
Obligations under finance leases	1	4
Exceptional finance charge (note 7)	406	-
Total finance costs	<b>1,453</b>	<b>821</b>
<b>Total net finance costs</b>	<b>1,066</b>	<b>646</b>

## 7.0 Exceptional finance charge

The exceptional finance charge of £406,000 arises in respect of loan fees connected with the acquisition of CRC Group plc in January 2007. On completion of the Group's new banking facilities in September 2007 the costs previously carried forward have been written off in full.

The goodwill balance and bank borrowings less than one year as at 30 June 2007 have been restated since the previous published accounts to adjust for the £406,000 finance charge. The Goodwill balance has been reduced by £406,000 and the corresponding adjustment was to reduce the bank borrowing less than one year.

## 8.0 Tax

	2008 £'000	2007 £'000
<b>Current tax</b>		
UK Corporation tax	683	(838)
Overseas tax	103	123
Adjustments in respect of prior years	(21)	-
<b>Total current tax charge/(credit)</b>	<b>765</b>	<b>(715)</b>
<b>Deferred tax:</b>		
UK	696	41
Overseas	(441)	-
Adjustments in respect of prior years	(408)	4
<b>Total deferred tax (note 30)</b>	<b>(153)</b>	<b>45</b>
<b>Total tax charge/(credit)</b>	<b>612</b>	<b>(670)</b>

UK Corporation tax is calculated at 29.5% (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's total income tax charge (2007: credit) for the year can be reconciled to the profit per the income statement as follows:

	2008 £'000	2007 £'000
Profit/(loss) before tax	3,885	(10,731)
Tax at standard UK corporation tax rate of 29.5% (2007: 30%)	1,146	(3,219)
Effects of:		
Non deductible goodwill impairment	-	1,975
Expenses not deductible for tax purposes	433	601
Rate differences	(40)	(31)
Adjustment in respect of previous periods	(429)	4
Recognition of tax losses not previously recognised	(436)	-
Double tax relief	(62)	-
<b>Total tax charge/(credit)</b>	<b>612</b>	<b>(670)</b>

## 9.0 Earnings per share

EPS Summary			2008 Pence	2007 Pence
Basic earnings per share			11.55	(45.70)
Diluted earnings per share			11.55	(45.70)
Headline earnings per share			15.10	(5.63)
	2008 Pence per share	2007 Pence per share	2008 £'000	2007 £'000
Profit/(loss) for the year	11.55p	(45.70)p	3,273	(10,061)
Reconciliation to adjusted profit:				
Exceptional goodwill impairment	-	29.89p	-	6,581
Intangible asset amortisation	1.45p	0.78p	410	171
Exceptional finance charge (net of tax)	1.00p	-	284	-
Exceptional restructuring costs (net of tax)	0.89p	9.96p	252	2,193
Share based payments	0.21p	(0.56)p	60	(124)
Headline profit	15.10p	(5.63)p	4,279	(1,240)
Number of shares ('000)			2008 '000	2007 '000
Weighted average number of shares used to calculate earnings per share			28,343	22,015

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 our basic EPS would be 12.50 pence and a headline EPS of 16.05 pence.

## 10.0 Inventories

	2008 £'000	2007 £'000
Raw materials	3,479	3,134
Work in progress	273	212
Finished goods	953	2,733
	4,705	6,079

## 11.0 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	10,224	14,668
Less: provision for doubtful trade receivables	(503)	(799)
Trade receivables net of provision	9,721	13,869
Prepayments and accrued income	3,133	2,199
Other receivables	391	343
	13,245	16,411

A reconciliation of the movement in the provision for doubtful trade receivables is as follows:

	£'000
At 1 July 2007	799
Provision created	45
Utilised for bad debt write off	(341)
<b>At 30 June 2008</b>	<b>503</b>

## 12.0 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	4,163	9,072
Bank overdrafts	(423)	(434)
<b>Cash and cash equivalents</b>	<b>3,740</b>	<b>8,638</b>

## 13.0 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	7,934	5,272
Other taxes and social security	1,345	856
Other payables	2,668	3,012
Deferred consideration	-	153
Accruals and deferred income	16,130	18,339
	<b>28,077</b>	<b>27,632</b>

## 14.0 Bank borrowings

	2008 £'000	2007 £'000
<b>Due within one year:</b>		
Unsecured bank overdrafts	423	434
Secured bank loan	-	5,094
Finance leases	-	8
	<b>423</b>	<b>5,536</b>
<b>Due after more than one year:</b>		
Secured bank loan	3,000	14,000
<b>Total borrowings</b>	<b>3,423</b>	<b>19,536</b>

The bank borrowing is secured on all the Group's assets.

As at 30 June 2008 the facility available to the Group was £16.0 million, of this £3.0 million was drawn down in cash resulting in an unutilised facility of £13.0 million. The facility reduces by £1.75m on the 30 September and 31 March each year.

The borrowings are repayable as follows:

	2008 £'000	2007 £'000
<b>Due within one year:</b>		
On demand or within one year	423	5,536
In the second year	-	3,500
In the third to fifth years inclusive	3,000	10,500
<b>Total borrowings</b>	<b>3,423</b>	<b>19,536</b>

## 15.0 Net cash/(debt)

	2008 £'000	2007 £'000
Cash and cash equivalents	4,163	9,072
Overdrafts	(423)	(434)
Bank borrowings – current	-	(5,500)
Bank borrowings – non-current	(3,000)	(14,000)
Finance leases	-	(8)
<b>Net debt - before fees and interest rate swap (note 16)</b>	<b>740</b>	<b>(10,870)</b>
Un-amortised loan fees	-	406
Interest rate swap	-	281
<b>Net debt</b>	<b>740</b>	<b>(10,183)</b>

## 16.0 Reconciliation of movement in net debt

	Cash at bank and in hand	Overdrafts	Total net cash	Debt due within one year	Debt due after one year	Total debt	Net debt
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2007	9,072	(434)	8,638	(5,508)	(14,000)	(19,508)	(10,870)
Cash flow	(4,909)	11	(4,898)	5,508	11,000	16,508	11,610
<b>At 30 June 2008</b>	<b>4,163</b>	<b>(423)</b>	<b>3,740</b>	<b>-</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>740</b>

## 17.0 Cash generated from operations

	2008 £'000	2007 £'000
<b>Profit for the period</b>	<b>3,273</b>	<b>(10,061)</b>
Adjustments for:		
Net finance charges	660	646
Exceptional finance charge	406	-
Tax expense	612	(670)
Depreciation on property, plant and equipment	1,402	1,012
Amortisation of intangible assets	120	290
Amortisation of acquired intangible assets	410	171
Impairment of goodwill	-	6,581
Loss on disposal of property, plant and equipment	12	-
Loss on disposal of intangible assets	26	-
Share-based payment expense	60	(124)
<b>Operating cash flows before movement in working capital</b>	<b>6,981</b>	<b>(2,155)</b>
Decrease/(increase) in inventories	1,680	4,759
Decrease/(increase) in receivables	4,031	2,249
(Decrease)/increase in payables	341	3,443
<b>Cash flows from operating activities</b>	<b>13,033</b>	<b>8,296</b>

## 18.0 Deferred tax assets/(liabilities)

	At 1 July 2007 £'000	Acquisitions £'000	Recognised in the income statement £'000	Recognised in equity £'000	At 30 June 2008 £'000
Property plant and equipment	621	-	(33)	-	588
Intangible assets	(533)	-	122	-	(411)
Share-based payments	-	-	15	19	34
Other items	(107)	-	13	84	(10)
Short term timing differences	301	82	(204)	-	179
Tax losses	318	-	240	-	558
	<b>600</b>	<b>82</b>	<b>153</b>	<b>103</b>	<b>938</b>

	At 1 July 2006 £'000	Acquisitions £'000	Recognised in the income statement £'000	Recognised in equity £'000	At 30 June 2007 £'000
Property plant and equipment	42	683	(104)	-	621
Intangible assets	-	(615)	82	-	(533)
Other items	(10)	-	(23)	(74)	(107)
Short term timing differences	-	301	-	-	301
Tax losses	-	318	-	-	318
	<b>32</b>	<b>687</b>	<b>(45)</b>	<b>(74)</b>	<b>600</b>

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the company. No deferred tax asset has been recognised in relation to taxation on UK losses amounting to £238,000.

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance as at 30 June 2008 is made up of a UK deferred tax asset balance of £415,000 and an overseas balance of £523,000.

## 19.0 Post balance sheet event

On the 1 July 2008 the Environmental Services Business previously transacted through Regeneris Plc which has been hived down to two new subsidiaries, Regeneris Environmental Service Limited (100% Group owned) and Regeneris Environmental Services (Europe) Limited (75% Group owned, 25% owned by local management). There is no deemed profit or loss arising from this partial disposal.

## 20.0 Copies of Annual Report and Accounts

Copies of the Annual Report and Accounts will be sent to shareholders shortly and will be available to members of the public from the Company's registered office located at 4 Elm Place, Old Witney Road, Eynsham, Oxfordshire, OX29 4BD and on the Company's website – [www.regenerisplc.com](http://www.regenerisplc.com)