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FONEBAK PLC

Preliminary Announcement

Year ended 30th June 2007

Fonebak plc, a leading provider of outsourcing services including the repair, remarketing and recycling of consumer based technology products, is pleased to announce its Preliminary Results for the twelve months to 30 June 2007.

Highlights:

- Recovery plan for Fonebak is progressing well establishing the foundations from which the enlarged group can trade profitably in all of its key markets
- CRC acquisition is performing ahead of management expectations and is reporting an underlying operating profit (before amortisation, exceptional items and FRS20 adjustments) of £1.9m for the five months post acquisition
- Jeff Hewitt is confirmed as new Non-Executive Chairman
- Banking facilities are in place to support recovery programme
- New contract wins in 2007 will add £10m to revenues on an annualised basis
- Group revenues increased by 59% to £96.1m, an underlying increase of 9.4%
- Underlying operating losses of £0.3m (2006; profit £3.7m) before impairment and restructuring costs totalling £8.6m
- Net cash inflow of £8.3m generated from operating activities
- Total net borrowings reduced to £10.9m
- Current year has started well and the benefits of restructuring are starting to come through

Commenting Gary Stokes, Chief Executive of Fonebak, said:

“The Group is now in much better shape. The recovery plan for Fonebak is progressing well and trading at CRC is ahead of our expectations. We now have a platform from which we can start to realise the full benefits of the CRC acquisition and move the combined business forward”

“I would also like to welcome Jeff Hewitt to the Board. He has considerable relevant public company experience, which will prove invaluable to the future development of the Group”.

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Financial Results

I am pleased to be reporting the first set of full year results since the appointment of the new executive team. Along with David Kelham, Chief Financial Officer, I joined the Group earlier this year from CRC where I was Chief Executive from 2006, together putting in place that company's successful recovery plan.

Overall the performance of the Group in the second half of the year has been mixed. As previously announced Fonebak endured a difficult start to 2007, however I can report that the recovery plan outlined in the latest trading statement in June is progressing well. In addition, the CRC business continues to make solid progress with trading to 30th June 2007 ahead of expectations.

For the twelve months ended 30th June 2007 the Group achieved sales of £96.1m against £60.4m in the previous year. This increase in revenues includes £26.1m as a result of the acquisition, completed in January 2007, of CRC Group PLC. A further £4.0m arises from the Stoke based mobile phone repair operation, acquired from DSGi in September 2006. On a like-for-like basis overall sales grew by 9.4% excluding these acquisitions.

Over the year the volume of phones processed by Fonebak increased by 18.8% to over 3.6m handsets. As previously reported the fall in the average price realised per handset has contributed to a marked decline in the margins achieved within the Fonebak operations.

In aggregate the Group achieved a gross profit £0.7m below 2006 at £6.3m. Included in gross profit is a £4.7m contribution from businesses acquired during the year, of which CRC accounts for £4.5m. Therefore, in real terms, the decrease in margin resulted in a fall in gross profit from the Fonebak business of £5.4m year-on-year.

This decline is partially explained by additional provisions taken against the carrying value of inventories, which totalled £2.3m for the year. In March this year Fonebak also advised of the loss of a significant contract, the full year profits have been adversely impacted by a further £2.1m.

Given these issues the Group as a whole is reporting an underlying operating loss (before amortisation, exceptional items and share based payments) of £0.3m for the year (2006: underlying operating profit £3.7m). The reported loss includes a contribution from CRC of £1.9m for the five months post acquisition. For the twelve months ended 31st December 2006 the continuing CRC operations acquired by the Group reported an equivalent operating profit of £2.6m.

In addition exceptional charges totalling £3.1m have been incurred in relation to the implementation costs of the recovery plan. A further £5.5m charge has been made to reflect the impairment of the carrying value of goodwill arising from the losses and restructuring in the Fonebak businesses. Taken together these additional charges increase the loss before tax to £11.0m (2006: profit before tax £1.6m).

Basic losses per share for the year were 47.32p per share compared to a profit of 3.31p per share in 2006. On an adjusted basis the basic loss was 5.90p per share (2006: profit 11.10p per share).

Given the extent of the losses the Board will not be recommending the payment of a dividend.

Recovery plan progress

Following the introduction of the new executive team in early 2007 a full operational review was instigated. The outcome of this review was announced on 6th June 2007. Of necessity much of the recovery plan has been focused on short-term actions and the elimination of loss making activities. Progress is significant and in line with our expectations.

Closure of the Stoke site is due to complete by end September 2007 and the operations at Barnet have already ceased. The exceptional closure provisions totalled £1.9m, of which the future cash cost will be £0.4m. The underlying operating losses incurred by both sites in 2007 totalled £1.5m. The DSGi call centre services managed in Stoke are being transferred to Huntingdon and mobile repair activities from both Stoke and Barnet are being supported through our Nottingham facility.

The activities in Romania have been scaled back whilst discussions continue with a number of OEM's to secure accreditation for warranty repair. Whilst costs have been reduced, the Romanian facility is dependent on Group support until more sustainable business is secured. These costs, previously running at £2m per annum, have been more than halved at the current run rate.

Fonebak offices in Italy, Portugal and Turkey have now been closed. Work is currently underway to explore more profitable options to develop the Continental markets including partnerships other than through direct ownership.

The Fonebak business is today a much smaller but better focused operation. The business primarily services the mobile networks and will, through the development of its core environmental credentials, be increasingly focusing on developing new and value-adding service offerings for its clients. Whilst there is still much to be done, without the burdens of managing multiple sites and diverse operations, Fonebak's management will be able to concentrate exclusively on profitable activities within its target market.

Financing

On 14th December 2006 Fonebak entered into a new loan facility with KBC Bank NV totalling £25m and in January 2007 the Group also raised £10m of new equity. Taken together these two amounts were used to finance the acquisition of CRC and replace existing Fonebak bank facilities.

The bank has been supportive of the new management team in its efforts to address the performance issues within the business. On 18th September 2007 negotiations were completed with the Bank, which will result in a more flexible lending structure whilst retaining the benefits of an interest rate fix for the majority of the borrowings. Total facilities available to the Group remain at £25m; as at 30th June 2007 net borrowings were £10.9m.

CRC

Whilst management's focus has been directed to addressing the performance issues in Fonebak, the CRC businesses acquired earlier in the year have been trading ahead of plan. CRC itself has been completing its own recovery programme following a difficult period through 2005 and early 2006. The benefits of the actions taken are now evident in the trading performance of the continuing business.

Germany

As at 30th June the satellite repair centre in Berlin was closed, costs were in line with expectations having been fully provided for pre-acquisition. Customer contracts have been successfully transferred to the main German site at Paderborn.

Negotiations are progressing with the Paderborn unions on the restructuring of the employment conditions of the workforce. There is recognition that labour rates contracted before CRC acquired the business from Siemens in 2003 are high relative to the market and as such directly impact the competitiveness and viability of the plant. The agreed objective is to complete the negotiations before the end of the current calendar year.

In July this year a new repair centre was opened in Sömmerda, former East Germany. This project has been in negotiation for some time and is a co-location with one of our major clients in Germany, Fujitsu Siemens. The investment is supported with the commitment of a new four-year contract and the start up is progressing well. The new repair centre gives us access to a lower cost facility with which to service the 'in country' market for Germany and additional business has already been won as a result.

Poland

The facility in Warsaw has recently been restructured to improve the short-term capacity of the site. Volumes of mobile phones have been steadily increasing throughout the year; current through put is significantly ahead of a year ago. Strong consumer demand, growing market share of our clients within Poland and increased demand from Western Europe are all contributing to our growth.

In addition, IT volumes have also been increasing, which is particularly pleasing as we only entered this market within the last year. Given the combined demand for phone and IT repair capacity, negotiations are also in progress to open a second site. This additional site will offer increased capacity as well as affording greater operational focus on the respective technologies. We are hoping to have the new site operational by early 2008.

UK

The consolidation of the UK operations was largely completed with the disposal of the Thame site earlier in the year. The three remaining service centres in Glenrothes, Nottingham and Huntingdon have all been trading profitably, albeit the Nottingham site is processing less volume as Vodafone business progressively transfers to Unipart. This programme was announced as far back as 2005 and the lost business will be partly offset by a realignment of repair volumes from Stoke, Barnet and Huntingdon. Once volumes have settled down the future scope and scale of activity for Nottingham will be clearer.

The main UK hub in Glenrothes is being expanded with the addition of another 8,000m² of space currently coming on stream. This will facilitate the consolidation onto one site of operations at present carried out by two satellite facilities. The expansion is being supported with funding from the Scottish Executive.

At Huntingdon greater emphasis is being placed on the development of client support facilities including the expansion of the call centre capability. The transfer from Stoke of the DSGi support programme is a positive step in this direction.

The Future

The Group provides a wide range of after sales support services to an impressive client list that includes many of the worlds pre-eminent consumer brands. The technologies we work with are fast evolving and our role is to enhance our clients' brand and reputation through the excellence of our service. The scope of the services we currently offer are primarily based around product support either through the initial warranty period, or through subsequent out-of-warranty services including remarketing, recycling and environmental compliance.

Recognising the strength of our client list and the scope of our service capability it is clear that we now have to make a more concerted effort to integrate our businesses and present a more cohesive and value-adding front to these clients.

As part of this process the commercial activities of the Group are being pulled together under one management team. This will enable us to invest in our key account management and to develop sales expertise in each of our core technologies.

In a more public statement of our commitment to 'one business' the Group will be re-branded including the phasing out of the Fonebak, CRC and Intec names. The Group will therefore trade and market itself as one integrated, full-service provider. The timescale for the re-launch is targeted towards the end of 2007 and work is already well progressed.

Despite the considerable demands that the restructuring plan has placed on the Group and its people, there are many positive developments to report. Fonebak, for example, is working hard to take a more direct role in the remarketing of returned mobiles, including within the emerging economies. Fonebak already has strong connections with Africa and is currently establishing a sales office in Hong Kong to service markets in the Far East.

With so much attention focused on the environment the Fonebak business model will continue to promote its ethical and environmental policies. We see sustainability as the key issue and will promote new and differentiated services to our clients; protecting their brand and driving added value for both of us.

As part of this programme Fonebak continues to support the efforts of leading charities. The highest profile of these is Children in Need; in 2006 Fonebak raised £0.3m for the charity and a new contract has recently been signed in support of the 2007 campaign.

Intec Distribution has traded well throughout the year and has also been successfully developing the insurance fulfilment market. We are in the process of finalising a three-year contract with the market leader, Homecare, which should be the springboard for further growth.

In addition the warranty repair businesses under CRC have recently added Navman, Thales, Daimler, Hitachi, Tyco and Pure Digital to the Group's client list. Including new contracts previously reported in 2007 such as Tom Tom, Epson and T Com, business wins are expected to exceed £10m on a full-year basis.

From the work done already it is clear that there is an opportunity to expand the Group in a number of directions. For now though our priority is to consolidate our position with existing clients and drive more business by cross-selling our full service capability and geographical reach. As we do this there will also be opportunities to follow our clients and support them in new markets.

Board

In the trading update communicated earlier in June it was stated that the Board was planning for the succession of Gordon Shields, the original Founder of Fonebak and current Chairman. Since that time a nominations committee has been appointed to identify and recommend a candidate of appropriate standing.

This process has recently completed, with the aid of an external agency. It has been reassuring to see that the Group, despite the short-term challenges the business has been facing, has been able to attract interest of a very high calibre.

I am pleased therefore to confirm that Jeff Hewitt will be joining the Group as Non-Executive Chairman, the appointment to become effective from 1st November 2007. Jeff has considerable experience and enjoyed a very successful career including latterly positions of Deputy Chairman and Finance Director at Electrocomponents plc until his retirement from his executive career in 2005. Previously Jeff had been Finance Director at Unitech plc and Strategy Director at Coats Viyella plc.

Currently Jeff is a Non-Executive Director at Cookson plc and External Chairman of the audit committee of John Lewis Partnership. In addition Jeff has Non-Executive roles at Whatman plc, Plasmon plc and TDG plc. Jeff's experience within the public company sector is considerable and includes recovery situations as well as exposure to the technologies and services managed by the Fonebak Group.

As originally stated Gordon will continue to work with the Group as a Non-Executive Director and will assist the executive team with the recovery and subsequent development plans for the Fonebak business.

Incentives

In recognition of the challenges presented by the recovery programme the Board has agreed, in consultation with our major institutional shareholders, to bring into effect a new share incentive scheme.

A total of 2.15m shares were issued on 26th June 2007 at the mid-market price on the day of 55.5p. These shares are held in trust, for the benefit of designated employees and will vest from 1st July 2010 subject to the achievement of specific targets. These conditions include that the compound growth in earnings per share over the three years ended 30th June 2010 must exceed 5% per annum and that the mid-market value of the shares at that time are at least double the issue price.

The current share option scheme has been progressively wound down as the previous management team have left the business. There are minimal options still in issue today. As such the number of outstanding options taken together with the total number of shares held under trust are within the 10% limit authorised by shareholders.

People

During 2007 the business has seen considerable disruption and change. The Group has had to absorb both the acquisition of the larger, in headcount terms, CRC business and support the recovery programme within the original Fonebak business.

Since Fonebak and CRC came together at the end of January three sites have been closed and another considerably reduced in scale with the loss of nearly 300 jobs to date. In total the Group currently has 1,900 employees representing a reduction in total headcount of approximately 15%.

Such circumstances, married to an aggressive change programme inevitably causes uncertainty, which in itself has a further cost to the business. It is to the great credit then of the current management and the workforce as a whole that the Group has been able to make such rapid progress. It is appropriate to acknowledge the significant contribution made by our employees in the last year and we look forward to a more stable and rewarding future.

Outlook

In the two months completed following the year-end the Group has shown good progress against the objectives set. The continuing activities are, so far, ahead of management's expectation and the Group is trading profitably in all of its key markets.

Our strong client list inevitably presents some challenges as competitive pressures within their own markets forces downward pressure on suppliers. We see some challenges in the UK and German markets and we have to recognise this as we seek to ensure we have an efficient and competitive cost base. To reduce the risk of our services becoming commoditised we also have to accelerate our commitment to developing innovative and value-adding services that leverage our broader capabilities.

To this end our new Sales Director, Martin Gossling commenced work with us in August and is in the process of integrating our sales teams. We recognise the need to strengthen our organisation and have set aside a proportion of the savings realised in reducing costs elsewhere to fund investment in our sales and marketing capabilities. We expect that a greater number of better-focused sales specialists will benefit our sales push as we look to the future.

With our plans to integrate the Groups business activities more effectively and progress being made towards a common brand; the marketing of the combined business is entering a phase where the emphasis must shift to a more coordinated growth focus. Whilst it is too early to pronounce the turnaround complete, progress over recent months has been good and the foundations are being established from which the Group can move profitably forward.

Consolidated profit and loss account
for the year ended 30 June 2007

	Note	Acquisitions	2007 Ongoing activities	Total	2006 Total (as restated) £000
		£000	£000	£000	
Turnover	1	30,081	66,049	96,130	60,361
Cost of sales		(25,342)	(64,517)	(89,859)	(53,389)
Gross profit		4,739	1,532	6,271	6,972
Administrative expenses		(3,640)	(13,014)	(16,654)	(4,753)
Operating profit/(loss) before goodwill, amortisation, exceptional items and share based payments	1	1,786	(2,110)	(324)	3,747
Amortisation of goodwill	3	(304)	(1,277)	(1,581)	(1,274)
Exceptional goodwill impairment	3	-	(5,469)	(5,469)	-
Exceptional costs	3	(383)	(2,750)	(3,133)	(130)
Share based payments	3	-	124	124	(124)
Operating profit/(loss)	1	1,099	(11,482)	(10,383)	2,219
Net interest payable				(646)	(600)
(Loss)/profit on ordinary activities before taxation				(11,029)	1,619
Tax on (loss)/profit on ordinary activities				611	(984)
(Loss)/profit on ordinary activities after taxation and for the financial year				(10,418)	635
(Loss)/earnings per ordinary share					
Basic	4			(47.32)	3.31p
Diluted	4			(46.86)	3.24p
Underlying (loss)/earnings per ordinary share					
Basic	4			(5.84p)	11.10
Diluted	4			(5.86p)	10.87

All activities relate to continuing operations.

Details of exceptional items and acquisitions are set out in notes 3 and 2 respectively.

Consolidated balance sheet
at 30 June 2007

	Note	2007 £000	2006 £000	£000
Fixed assets				
Intangible assets		25,350		19,120
Tangible assets		2,667		728
		<hr/>		<hr/>
		28,017		19,848
Current assets				
Stock		6,079	7,879	
Debtors	5	18,938	6,570	
Cash at bank and in hand	9	9,072	1,137	
		<hr/>	<hr/>	
		34,089	15,586	
Creditors: Amounts falling due within one year	6	(33,574)	(15,631)	
		<hr/>	<hr/>	
Net current assets/(liabilities)		515		(45)
Total assets less current liabilities		28,532		19,803
Creditors: Amounts falling due after more than one year	9	(14,000)		(3,754)
		<hr/>		<hr/>
Net assets		14,532		16,049
Capital and reserves				
Called up share capital	12	566		384
Share premium account	12	25,304		15,076
Profit and loss account		(11,338)		589
		<hr/>		<hr/>
Equity shareholders' funds		14,532		16,049
		<hr/>		<hr/>

Consolidated cash flow statement
for the year ended 30 June 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	7	8,296	2,900
Returns on investment and servicing of finance			
Interest received		175	18
Interest paid		(785)	(486)
		(610)	(468)
Taxation		(600)	(888)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(5)
Purchase of tangible fixed assets		(654)	(172)
Sale of tangible fixed assets		7	72
		(647)	(105)
Acquisitions			
Purchase of interest in subsidiary undertaking	2	(14,044)	(1,789)
Cash acquired with subsidiary undertakings (net of overdrafts)		(1,302)	(669)
Deferred consideration in respect of previous acquisitions		(2,682)	-
		(18,028)	(2,458)
Equity dividends paid		(192)	-
Net cash (outflow) before financing		(11,781)	(1,019)
Financing			
Increase in share capital		10,004	-
Costs associated with issue of shares		(787)	-
New borrowings		19,500	2,000
Repayment of borrowings		(9,365)	(900)
Repayment of finance lease (capital element)		(70)	(98)
		19,282	1,002
Increase/(decrease) in cash in the year		7,501	(17)

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2007

	2007 £000	2006 (as restated) £000
(Loss)/profit for the financial year	(10,418)	635
Foreign currency translation differences	-	2
Total recognised gains and losses relating to the year	(10,418)	637

Reconciliation of movement in consolidated shareholders' funds
for the year ended 30 June 2007

	2007	2006 (as restated)
	£000	£000
(Loss)/profit for the financial year	(10,418)	635
Foreign currency translation differences	-	2
Dividend paid	(192)	-
FRS 20 share option (debit)/credit	(124)	124
Issue of share capital	9,217	-
	<hr/>	<hr/>
Net (decrease) / increase in equity shareholders' funds	(1,517)	761
Opening equity shareholders' funds	16,049	15,288
	<hr/>	<hr/>
Closing equity shareholders' funds	14,532	16,049

There is no impact on equity shareholders' funds from the adoption of FRS 20.

FONEBAK PLC – NOTES TO THE FINANCIAL STATEMENTS

1 - Segmental Reporting

The Fonebak group has two classes of business; (1) the repair, remarketing and re-cycling of mobile phones, accessories and related products and related services ("Environmental Resale") and (2) the provision of repair and logistics of technology products including mobile communications equipment, computer components and other electronic equipment and peripherals.

Turnover by geographical destination

	Year ended 30th June 2007			Year ended 30th June 2006
	Ongoing Activities £'000's	Acquisitions £'000's	Total £'000's	Total £'000's
United Kingdom	13,238	19,975	33,213	17,056
Continental Europe	1,966	10,106	12,072	2,146
Africa	5,376	0	5,376	6,266
Asia Pacific	45,469	0	45,469	34,893
	<hr/>	<hr/>	<hr/>	<hr/>
Total	66,049	30,081	96,130	60,361
	=====	=====	=====	=====

Turnover by class of business

	Year ended 30th June 2007			Year ended 30th June 2006
	Ongoing Activities £'000's	Acquisitions £'000's	Total £'000's	Total £'000's
Environmental Resale	61,193	0	61,193	55,393
Repair	4,856	30,081	34,937	4,968
	<hr/>	<hr/>	<hr/>	<hr/>
Total	66,049	30,081	96,130	60,361
	=====	=====	=====	=====

All intra segment revenue has been consolidated out.

Operating (loss)/ profit by geographic origin

	Year ended 30th June 2007		Year ended 30th June 2006	
	Operating (loss) before goodwill amortisation, exceptional items and share based payments	Operating (loss) after goodwill amortisation, exceptional items and share based payments	Operating (loss) before goodwill amortisation, exceptional items and share based payments	Operating (loss) after goodwill amortisation, exceptional items and share based payments
	£'000's	£'000's	£'000's	£'000's
United Kingdom	1,227	(8,730)	4,401	2,873
Continental Europe	(1,551)	(1,653)	(654)	(654)
	-----	-----	-----	-----
Total operating profit	(324)	(10,383)	3,747	2,219
	=====	=====	=====	=====

The figures included in the 2006 accounts for Profit by geographic location were previously reported as the profit of the overseas subsidiaries rather than true business generated from the continent. The totals of all origins were correct. A re-statement of the comparatives has also been necessary in accordance with FRS 20.

Operating (loss)/ profit by class of business

	Year ended 30th June 2007		Year ended 30th June 2006	
	Operating (loss) before goodwill amortisation, exceptional items and share based payments	Operating (loss) after goodwill amortisation, exceptional items and share based payments	Operating (loss) before goodwill amortisation, exceptional items and share based payments	Operating (loss) after goodwill amortisation, exceptional items and share based payments
	£'000's	£'000's	£'000's	£'000's
Environmental Resale	(786)	(8,684)	4,216	2,688
Repair	462	(1,699)	(469)	(469)
	-----	-----	-----	-----
Total operating (loss)/profit	(324)	(10,383)	3,747	2,219
	=====	=====	=====	=====

Net assets by geographic origin

	As at 30th June 2007	As at 30th June 2006
	£'000	£'000
United Kingdom	10,080	15,774
Continental Europe	<u>4,452</u>	<u>275</u>
	14,532	16,049
	=====	=====

Net assets by class of business

	As at 30th June 2007	As at 30th June 2006
	£'000	£'000
Environmental Resale	4,118	15,972
Repair	<u>10,414</u>	<u>77</u>
	14,532	16,049
	=====	=====

2 - Impact of acquisitions

On 15 September 2006 Fonebak was awarded a rolling annual contract by DSG Retail ("DSG") for the provision of mobile phone repair and administration services. At the same time, Fonebak acquired the Stoke based mobile phone repair and administration business of DSG. The total consideration, including costs was £0.4m. This business is being closed in September 2007.

In the year Fonebak also paid £2.4m in respect of deferred consideration for the acquisition of Intec Group Limited – comprising the Intec Distribution business and the Intec Cellular business at Barnet. The Barnet business was closed in September 2007. £58,000 of the deferred consideration remained outstanding at 30th June 2007 and was paid at the beginning of September 2007.

On 14th December 2006 the Board announced it had made an agreed bid for CRC Group Plc ("CRC") at 50p per share for its then 24.6million shares. On 24th January the offer was declared unconditional having been accepted by over 90% of CRC shareholders. The remaining shares were then acquired over the next 6 weeks.

The total consideration including fees for the CRC acquisition was £13.6m.

The net assets of CRC at the time of the acquisition comprised Tangible assets of £2.5m, Intangible assets of £7.0m, Current assets of £16.8m, Current liabilities of £13.3m and Bank Loans and overdrafts of £5.6m.

3 – Goodwill amortisation, impairment and exceptional items

The goodwill amortisation charge rose from £1.3m in 2006 to £1.6m in 2007 as a result of the acquisitions of CRC and Stoke.

The significant downturn in the profitability of the Fonebak business has forced the new Board to carry out an impairment review of all investments and carrying values. This review has been based on the groups 3-year plan, which has been prepared following the trading statement made in March. The discounted cash-flows of the various business streams has been calculated using a discount rate of 20%. This rate reflects, in the board's opinion, a fair rate to evaluate the business carrying value and risk profile. An impairment in the original Fonebak business of £3.4m, from the carrying value prior to the impairment of £14.5m, has been charged. The carrying value of Goodwill for Stoke (£0.1m), Barnet (£1.1m) and Romania (£0.9m) have been totally written off following the announcements to close Stoke and Barnet and reduce the capacity in Romania.

One off Exceptional Items totalling £2.1m have been charged reflecting closure and restructuring provisions for Barnet, Stoke and Romania, the major element of this reflects asset write downs and losses to closure. The post year- end cash costs to be incurred are approximately £0.4m.

Costs associated with the refinancing and turnaround plan of £0.8m and the exceptional write off of previously capitalised IT and building costs of £0.2m have also been charged.

Finally a credit of £0.1m has been processed reflecting the reversal of prior year charges for share-based payments.

4 – Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings/(loss) per share is based on the basic earnings/(loss) per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

Reconciliations of the earnings/(loss) and weighted number of shares used in the calculations are set out below:

	2007			2006 (as restated)		
	Earnings £000	Weighted average no. of shares Number	Earnings per share Pence	Earnings £000	Weighted average no. of shares Number	Earnings per share Pence
Basic (Loss)/earnings per share	(10,418)	22,015,310	(47.32)p	635	19,199,995	3.31p
Effect of dilutive options	-	231,990	0.50p	-	404,006	(0.07p)
Diluted (Loss)/earnings per share	(10,418)	22,247,300	(46.82)p	635	19,604,001	3.24p

An adjusted earnings per share has also been presented, which the directors consider gives a useful additional indication of the group's performance. It is based on adjustments to profit after taxation for the year in respect of exceptional items (net of tax), the amortisation of goodwill and share based payment charges. The effects of the adjustments are as follows:

	2007		Earnings per share	2006 (as restated)		
	Earnings	Weighted average no. of shares		Earnings	Weighted average no. of shares	Earnings per share
	£000	Number	Pence	£000	Number	Pence
Basic (Loss)/earnings per share	(10,418)	22,015,310	(47.32)p	635	19,199,995	3.31p
Post tax effect of excluding amortisation of goodwill and exceptional items	9,119	-	41.42p	1,497	-	7.79p
Adjusted basic earnings per share	(1,299)	22,015,310	(5.90)p	2,132	19,199,995	11.10p
Diluted earnings/(loss) per share	(10,418)	22,247,300	(46.82)p	635	19,604,001	3.24p
Post tax effect of excluding amortisation of goodwill and exceptional items	9,119	-	40.96p	1,497	-	7.63p
Adjusted diluted earnings per Share	(1,299)	22,247,300	(5.86)p	2,132	19,604,001	10.87p

5 - Debtors

Amounts falling due within one year

	30th June 2007	30th June 2006
Trade Debtors	13,869	5,221
Deferred tax asset	1,240	42
Corporation Tax asset	1,287	0
Other debtors	343	305
Prepayments and accrued income	2,199	1,002
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	18,938	6,570
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6 - Creditors – amounts falling due within one year

	30th June 2007	30th June 2006
Bank Loans and other borrowings	5,934	1,400
Trade Creditors	5,272	2,795
Finance Leases	8	24
Corporation Tax	0	527
Other taxes and social security	856	205
Other creditors	3,012	73
Deferred consideration	153	2,463
Accruals and deferred income	18,339	8,144
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	33,574	15,631
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7 - Reconciliation of operating (loss)/ profit to net cash inflow from operating activities

	2007	2006
	£000	(as restated) £000
Operating (loss)/profit	(10,383)	2,219
Depreciation charge	1,282	391
Amortisation of goodwill	7,050	1,274
Share option scheme	(124)	124
Decrease / (increase) in stock	4,759	(2,514)
Decrease / (increase) in debtors	2,249	(1,109)
Increase in creditors	3,463	2,515
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Net cash inflow from operating activities	8,296	2,900
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8 - Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Increase/(decrease) in net cash	7,501	(17)
Cash inflow from increase in debt and lease financing	(10,065)	(337)
Change in net debt resulting from cash flows	(2,564)	(354)
Loans and finance leases acquired with subsidiaries	(4,265)	(841)
Movement in net debt in the year	(6,829)	(1,195)
Net debt at the start of the year	(4,041)	(2,846)
Net debt at end of year	(10,870)	(4,041)

9-Analysis of changes in net debt

	Cash in hand and at bank £000	Overdrafts £000	Total net cash £000	Debt due within one year £000	Debt due after one year £000	Total debt £000	Net debt £000
At beginning of year	1,137	-	1,137	(1,424)	(3,754)	(5,178)	(4,041)
Cash flow	7,935	(434)	7,501	181	(10,246)	(10,065)	(2,564)
Acquisition (excluding cash and overdrafts)	-	-	-	(4,265)	-	(4,265)	(4,265)
At end of year	9,072	(434)	8,638	(5,508)	(14,000)	(19,508)	(10,870)

10 – New bank facilities and equity

On 14th December 2006 Fonebak entered into a new loan facility with KBC Bank NV totaling £25m. This comprises two tranches as follows:

- a) a) £17.5m sterling term loan, drawn in February 2007, repayable over 5 years on a straight-line basis commencing at the end of September 2007. This term loan was supported by an interest rate swap arrangement to effectively fix the interest rate.
- b) b) A multicurrency revolving credit facility (RCF) of £7.5m. In February 2007 £2m of the RCF was drawn in cash, £5m was set aside as security for Letters of Credit in favour of the groups clearing banks and £0.5m remained un-drawn.

In January 2007 the group also raised £10m of new equity by the issuing, at £1.48 per share, of 6,756,757 new shares.

The combination of the cash drawings on this bank debt of £19.5m and the new equity of £10m financed the acquisition of CRC for £13.6m, including fees, and the repayment of the existing CRC and Fonebak bank loans of £9.4m.

Following the trading statement issued in March the Group has been in discussions with KBC Bank NV. On 18th September 2007 the Group concluded a re-shaping of the overall facility. The Group has not drawn, and does not need to draw, any further funds. It will be making all repayments as originally scheduled - the first £1.75m being on 28th September 2007. The Group has also agreed a more flexible structure, which will allow it to effectively offset the positive cash balances it holds with its clearers.

The Group's new facility of £25m is now fully structured on an RCF basis, giving the Group the ability to retain all or part of the existing interest rate swap arrangements. Repayment terms remain as set out above. The facility is secured on all of the Group's assets.

11 – Employee Benefit Trust

On 21st June 2007 the Company set up an Employee Benefit Trust ("EBT") and formed a subsidiary company, Fonebak Trustees Limited, to administer the EBT ("the Trustee"). The Company agreed to make a loan of £1,193,250 to the Trustee to enable the Trustee to subscribe for 2,150,000 ordinary shares of 2p each in the issued share capital of the Company at a price of 55.5 pence per share ("the Subscription Shares") in order that the Trustee could make awards over interests in the Subscription shares to certain directors and employees of the Company under a new Executive Share Plan ("the Executive Plan") approved by the Board on 26th June 2007. The following directors were invited to participate in the Executive Plan ("the Awards") on 26th June 2007:

Name	Number of Shares over which interests to be held	Base Award Value
G.Stokes	750,000	60.5 pence
D.W.Kelham	500,000	60.5 pence

The Board agreed to make these awards subject to the following performance criteria:

Immediately following the announcement of the Company's results for the period ending 30 June 2010

1. • Real annual growth in earnings per share for the Company, measured over a three year period from 1st July 2007 until 30 June 2010 is equal to or in excess of 5%; and
2. • The market value of an ordinary share in the Company (as derived from AIM) is no less than twice the market value of an ordinary share on 30 June 2007

The Executive Plan also contains certain earlier vesting provisions where the participant leaves the Company for reasons of ill health or early retirement or a change of control.

12 - Share Capital

The shares in issue in the group have increased from 19,199,995 at 30th June 2006 to 28,342,577 at 30th June 2007. This increase has arisen as a result of the 6,756,757 shares issued in January at £1.48 to help fund the CRC acquisition and repay existing Fonebak debt, the taking up, prior to his leaving, of 235,825 options granted to the former Finance Director at 2p and the issue of the 2,150,000 shares to the EBT.

13 - Basis of Preparation

The financial information set out above does not constitute the company's statutory accounts for the year ended 30th June 2007 or 2006 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the registrar of companies and those for 2007 will be delivered in due course. The auditors have reported on these accounts; their reports were unqualified and did not contain a statement under section 237(2) or (3) of the companies act 1985.

14 – Copies

Copies of this announcement will be available from the Group's administrative centre of 7200 The Quorum, Oxford Business Park North, Oxford, OX4 2JZ or from its nominated advisor and broker KBC Peel Hunt Ltd, 111 Old Broad Street, London, EC2N 1PH.

END

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