

Annual Report & Accounts

Year ended 30 June 2008

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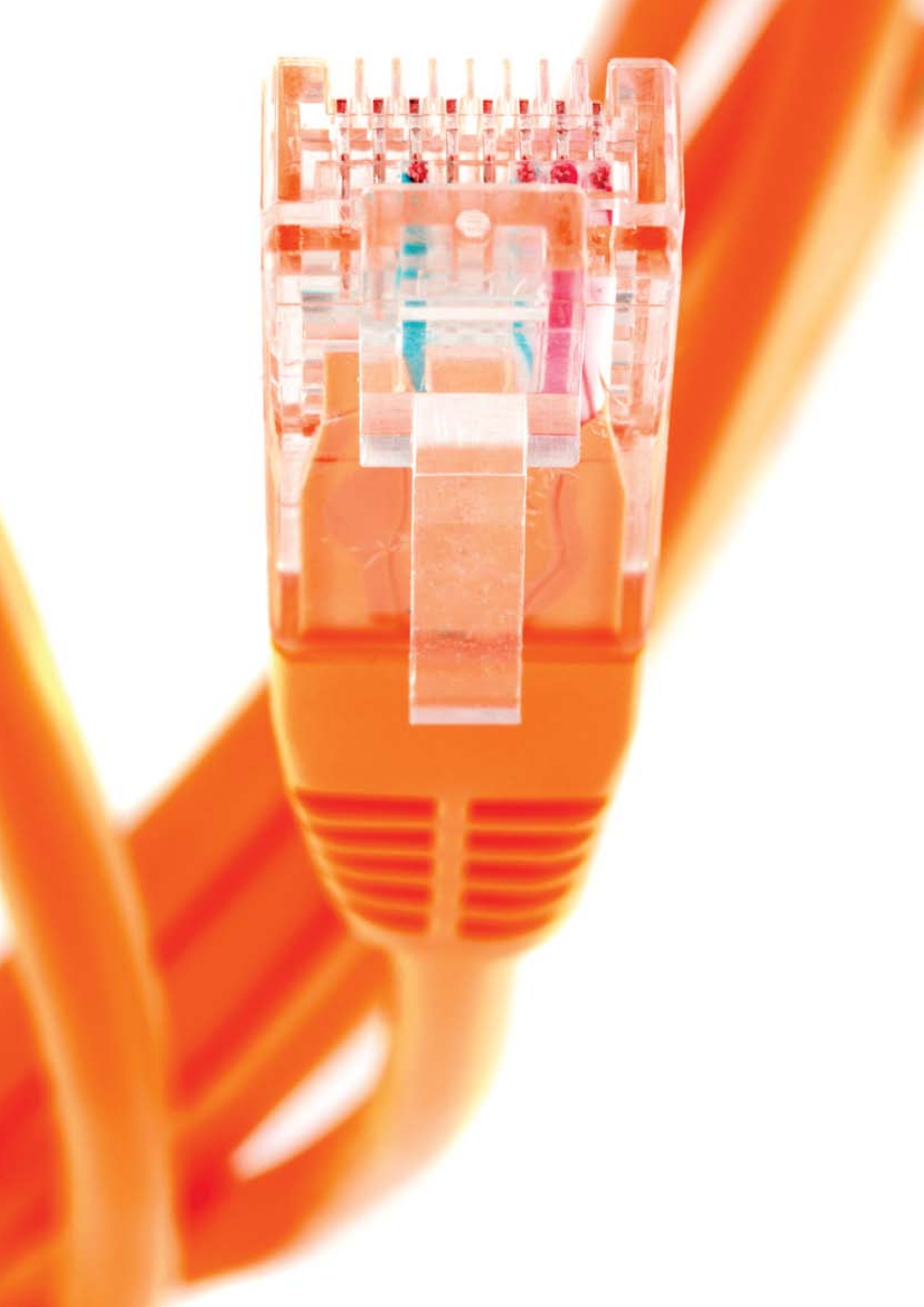
Business Highlights

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

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

Key financial information

	2008 £'m	2007 £'m
Revenue	105.0	96.1
Headline Operating Profit/(Loss)	5.8	(0.3)
Profit/(Loss) Before Tax	3.9	(10.7)
Net Cash/(Debt)	0.7	(10.9)
Net Assets	19.4	15.1
Headline Earnings Per Share (Pence)	15.1	(5.6)



Turning Around Technology

Our clients recognise the importance of managing the total lifecycle of their products. The services we provide extend the products' useful life whilst reducing costs and the environmental impact. As an outsourced service partner we protect our clients brand and ensure that should a product fail or become redundant we have an effective solution.

At Regeneris we work closely with clients in both B2C and B2B markets. The technologies we work with are fast evolving, highly competitive and have demanding service expectations. We are able to provide a Pan-European service and work seamlessly across multiple locations, cultures and languages.

The core consumer technologies we work with include mobile phones, notebooks, printers, satellite navigation devices, home and personal multi-media systems including set-top boxes, screens and MP3 players.

We also support products that operate in commercial applications such as ATMs, EPOS, chip and pin and other transactional services where demanding technical challenges are married to high security sensitivity.

From the very start of a product's life we are involved and the knowledge and experience we gain through a products life is put to good use in developing the products of tomorrow. We have over 20 years experience working with global brands and have grown so that we now operate from facilities spread throughout Europe.



We focus our lifecycle services on our core technical and environmental capabilities.

Our technical expertise is founded in our warranty repair operations, currently based in seven locations in the UK, Germany, Poland and Romania. In addition to the repair of defective products we manage services on our clients' behalf that include claims validation, inventory management, customer contact centres, service point and network management as well as co-ordinating third party logistics.

Environmental Services 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 collection, remarketing and recycling of redundant equipment.

The capability we have developed in our environmental business unit is unique. With the enactment of the WEEE legislation in 2007, Regeneris established with UK Government approval its own Producer Compliance Scheme and enrolled the main network operators as its members.

In addition Regeneris secured licenses to collect and treat waste and today provides a certified compliance programme for responsible organisations that wish to ensure end-of-life equipment is disposed of in a way that protects not only the environment but the individual or corporation that owns it.

At the end of the day, everything we do is about protecting our clients' reputation and ensuring their end customer is on-line, well supported and has a positive outcome in what is often a distressed situation. We never forget that.

Through the excellence of our services we help our clients improve their customer satisfaction and retention whilst dealing with their failed or unwanted products quickly and cost effectively.

Our added-value is that our clients can rest easy in the knowledge that by working with Regeneris, they are also fulfilling their corporate and social responsibilities.



Jeff Hewitt
Non-Executive Chairman

Chairman's Statement

In this, the first full year since the current executive team joined the Group, much has been achieved in a remarkably short time.

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' brands 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.

Given our re-energised and financially sound Group, the Board strongly believes in the longer term benefits of investing in market opportunities now.

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 markets. 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



David Kelham
Chief Financial Officer

Gary Stokes
Chief Executive Officer

Business Review

We believe our sales proposition is unique. We support our clients and their customers through the lifecycle of their product to provide a complete 'cradle to cradle' solution.

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 £105.0 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).

	2008 £'000	2007 £'000
Revenue		
Environmental Services	43,334	61,193
Technical Services	61,628	34,937
	104,962	96,130
Headline Operating Profit		
Environmental Services	2,831	(786)
Technical Services	2,950	462
	5,781	(324)

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.

Our drive to innovate will see us investing in remote test equipment and on-line diagnostics as we strive to take our service closer to the end user.

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 strive 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 (ATMs). 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.

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 O2 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.

The Group continues to focus on building strategic inter-dependence with our key clients, typically those that are market leaders in growth sectors.

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 inter-dependence 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.

	2008 £'000	2007 £'000
Headline operating profit/(loss)	5,781	(324)
Exceptional restructuring costs	(360)	(3,133)
Amortisation of acquired intangible asset	(410)	(171)
Exceptional goodwill impairment	–	(6,581)
Share-based payments	(60)	124
Operating profit/(loss)	4,951	(10,085)
Net finance charge	(1,066)	(646)
Profit/(loss) before tax	3,885	(10,731)

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.

The improvement in both the cash position and the structuring of the finances ensures that the business is both stable and appropriately funded.

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.

Key Performance Indicators

The Group provides a broad range of services to customers across different technologies and geographies. The commercial terms and performance criteria are specific to each customer and service.

Reflecting the diverse and customised nature of the Group's activities, a range of performance indicators and management controls, both financial and non-financial, are used to monitor and manage the business. These measures include key performance indicators (KPIs) that are used continually to improve performance and compare against targets set at the individual customer and business unit level as well as for the Group as a whole.

Commercially the KPIs reflect the Service Level Agreements (SLAs) set within individual contracts. These conditions are too broad to standardise, however they specifically target productivity, yield, turnaround time and quality.

Customer profitability is measured and managed across the Group and hurdle rates are set for the pricing of new customer contracts. The Group has an objective of generating a gross margin in excess of 30% for all new business; approval of tenders below this level requires approval of the Executive Directors.

Each business unit is subject to a formal monthly review with the Executive Directors and the Group in turn has monthly Board meetings where the performance of the Group is formally reviewed. The Group has in place a fully-documented and monitored operating and delegation of authorities process under which all management operates.

Risk Management

The Group continues to improve its overall understanding and execution of risk management processes. The significant risks identified and monitored by the Board include:

- **Commercial contract risks** – Given the potentially onerous terms of customer contracts it is essential that we only contract for business at acceptable rates and with appropriate commercial balance. A contract register has been established that is updated for all new contracts and amendments and summarises the principle terms and respective obligations. No customer contract can be committed on behalf of the Group without the approval of the Executive Directors or the Board as a whole.
- **Compliance risks** – Much of our business relies on the compliance with and enforcement of legislation consistent with the WEEE Directive. We maintain Government approved licenses to manage the collection, treatment and export of electrical waste. In addition we handle equipment holding personal data and are mindful of the implications of the Data Protection Act. We maintain internal processes to ensure we follow and comply with the appropriate guidelines.
- **Customer concentration risks** – The Group has been progressively growing its customer base; however, a number of customers are significant in the context of the Group as a whole. Customer concentration is an issue the Board is conscious of and seeks to minimise through the development of new customers and the creation of a more inter-dependent relationship with existing customers.

- **Operational risks** – The Group provides a number of complex and technical services with often little forward visibility of activity levels. The ability to balance resources particularly labour and inventories is fundamental to the profitability of the business. Retention and development of key management is essential to the continued development of the business.
- **Systems risks** – The Group is in the process of investing in our principal business systems. A full evaluation of the needs of the business is complete and the selection process for a vendor well advanced. As data management is an essential platform of our service offering this project is critical to the ongoing development of the Group.
- **Market and economic risks** – The Group's activities support a broad range of consumer orientated and technology rich products. There is a strong correlation between the volume of consumer sales and the number of service events arising as a result of those sales. Reflecting the tougher economic conditions the Group continues to develop its service offering and to develop new sales channels and customers.
- **Financing risks** – In the light of the recent credit crunch and subsequent tightening of the market the Group has made significant progress in reducing indebtedness and completing the banking syndication. The Group will continue to conserve cash where possible and manage facilities to an appropriate level of headroom.

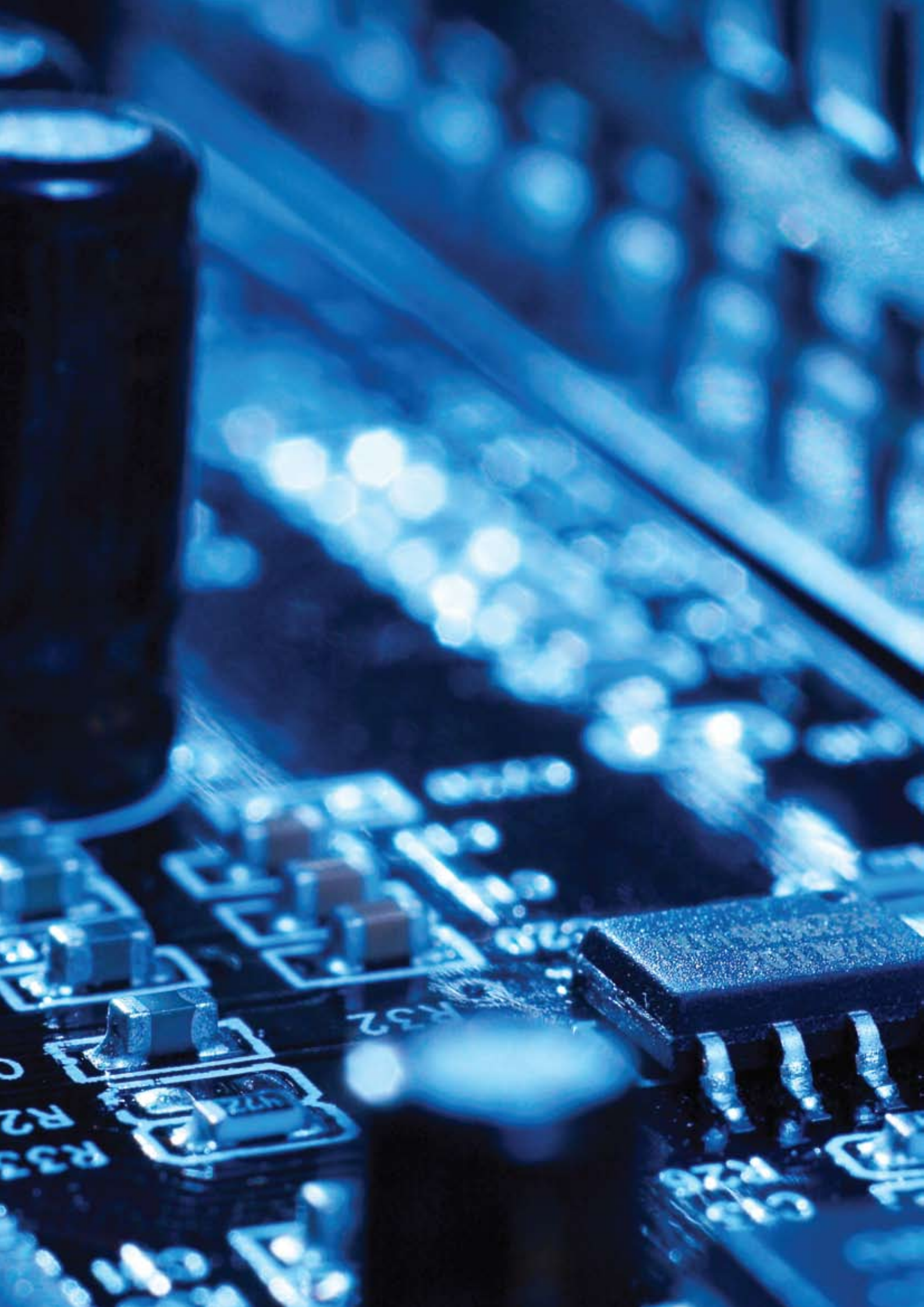
Cautionary Statement

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



Directors

Gary Stokes

Chief Executive Officer

Gary Stokes was appointed Chief Executive Officer of Regeneris in January 2007 following the acquisition of CRC Group plc. Gary had previously served CRC as Chief Executive Officer having joined the business in April 2006.

Prior to CRC, Gary had led the Material Handling Division of LIMPAC since 2001 and was one of the management team that completed the £860 million buyout of the Group in 2003.

As a qualified ACA, Gary was previously Finance Director at both Atkins plc and Tomkinsons plc.

David Kelham

Chief Financial Officer

David Kelham joined Regeneris in March 2007 after the Company acquired CRC Group where he held the position of Chief Financial Officer from June 2006. David has a senior finance career spanning over 25 years mainly in blue chip companies.

David joined the team from Courts International Retailers where he held an interim role as Group Finance Director working for the Administrators of Courts plc. Prior to joining Courts, David spent five years at NTL in senior financial positions seeing the Company grow from 120,000 customers when he joined to 3 million when he left in 2002. During the time David was heavily involved in many acquisitions and the integration of businesses across the UK and Ireland.

Prior to joining NTL, David was Finance Director at P&O European Ferries where he spent 11 years overseeing its growth to deliver pre-tax profits of over £100 million.

Jeff Hewitt

Non-Executive Chairman

Jeff Hewitt joined the Board as Non-Executive Chairman on 1 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.

Jeff Hewitt has Non-Executive Director roles at Cookson Group plc, TDG plc (where he is the Senior Independent Director), Cenkos Securities plc and Zinc-Ox Resources plc (where he is Deputy Chairman). He is also the External Chairman of the Audit Committee of the John Lewis Partnership and is a member of the Advisory Board of Said Business School.

Gordon Shields

Non-Executive Director

Gordon Shields founded Fonebak in 2000 as a business unit in Shields Environmental. He founded Shields Environmental in 1979 and quickly adopted the challenge of making environmental excellence a part of everyday business. Since 1996, Gordon has sat on the Leadership Board of Business in the Community's (BITC) Environmental Division. Gordon served on a steering group that assisted the UK Government in meeting its recycling and landfill diversion targets.

More recently, he was appointed to a UK Government Business Task Force on Sustainability. Gordon is a Fellow of the Royal Society of Arts (RSA) for his contribution to the Environment. He has also contributed to the efforts of the United Nations Environmental Programme.

David Holland

Senior Independent Non-Executive Director

David Holland was appointed a Non-Executive of Regeneris in 2005. He is a Fellow of both the Chartered Institute of Management Accountants and the Institute of Printing. David has over thirty years' experience working at Board level, predominantly in the printing and publishing sectors where he has had profit responsibility for over fifty individual companies.

He is currently Chief Executive of the Goodhead Group plc and its subsidiaries. Prior to this he was a main Board Director of the Polestar Group the largest independent printing company in Europe where he was also Chairman of the Corporate Trustee Company with assets of over £400 million. He is Chairman of Trustees for the Council of Administration, the foremost standard setting body for business and administration in the UK. David is a Freeman of the City of London.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 June 2008.

Change of name

On 4 March 2008 the Company changed its name to Regeneris plc, formerly Fonebak plc.

Principal activities

Regeneris is a leading provider of after sales product support services to many of the World's premier technology brands. If a product fails we will fix it, if the product is no longer in use we will find a new market for it and if it is beyond use we will recycle it safely and responsibly.

Business review and future developments

The Company is required by the Companies Act 1985 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the Chairman's Statement on pages 7 to 9, the Business Review on pages 11 to 19 and the Corporate Governance report on pages 25 to 29, which is incorporated in this report by reference. These reports also include details of expected future developments in the business of the Group and details of key performance indicators that management use.

Results

The audited accounts for the Group for the year ended 30 June 2008 are set out on pages 36 to 71. The Group profit for the year after taxation was £3.3 million (2007: £10.1 million loss).

Dividends

The Directors do not recommend the payment of a dividend.

Post balance sheet event

On the 1 July 2008 the Environmental Services Business previously transacted through Regeneris plc 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.

Share capital and reserves

As at 30 June 2008 the issued share capital of the Company was 28,342,577 shares at a nominal value of 2 pence each, there has been no movement in the year.

On 26 June 2008 the High Court approved the special resolution to reduce the Company's share premium account by £8,551,000 and thereby eliminate the deficit on the Company's profit and loss account. This has been reflected in the Company accounts.

Directors

The Directors who held office during the year were Gary Stokes, David Kelham, Jeff Hewitt, Gordon Shields and David Holland.

Gordon Shields is retiring as a Director following the forthcoming Annual General Meeting, a search has commenced to find a suitably qualified replacement.

Details of the Directors period of office can be found in the report on Corporate Governance which starts on page 25. Full biographical details of the Company's Directors are given on page 21.

In accordance with the Articles of Association of the Company, Gordon Shields retires by rotation at the Annual General Meeting and will be retiring from the Board and does not offer himself for re-election at the Annual General Meeting.

Directors' interests in the Company

Details of Directors' interests in the share capital and share options of the Company are given in the Remuneration Report on page 32.

Substantial shareholdings

As at 17 September 2008, the following shareholders own more than 3% of the issued share capital of the Company:

	Percent of issued share capital	Number of shares
Morley Fund Management	11.13	3,153,719
Gordon Shields	10.85	3,075,000
Impax Asset Management	9.70	2,750,514
Societe Generale Asset Management	8.92	2,527,958
Fidelity Investments	8.43	2,390,376
Regeneris Trustees Limited	7.59	2,150,000
Invesco Asset Management	5.79	1,640,038
Aerion Fund Management	3.03	858,953
AXA Framlington Investment Management	3.02	857,100

Corporate Governance

A report on Corporate Governance is contained on pages 25 to 29.

Charitable donations

The Group made no direct charitable donations during the year. However certain clients direct the Group to pay their entitlement under commercial arrangements to various charities on their behalf. The Group took part in the BBC Children in Need Appeal and made a payment to this appeal of £350,000, for the 2007 campaign (2006 campaign £320,000). BBC Children in Need Appeal is a charity registered in England and Wales (number 802052) and Scotland (number SC039557). No political donations were made during the year.

Employees

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Supplier payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payment to suppliers. Trade payables at 30 June 2008 represented on average 50 days credit based on actual invoices received (2007: 50 days credit).

Going concern

These accounts have been prepared on a going concern basis as the Directors consider the Company and the Group to have adequate resources to continue in operational existence for the foreseeable future.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Re-election of auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Financial Dynamics, 26 Southampton Buildings, London. The Notice setting out details of the business to be considered at the meeting is included on pages 80 to 82.

By order of the Board and signed by

David Kelham
Chief Financial Officer

17 September 2008

Corporate Governance

Principles of good governance

As a Company quoted on AIM, a market operated by the London Stock Exchange, we are not required to comply with the principles set out in Section 1 of the Combined Code on Corporate Governance ("the Combined Code"). However, the Group has complied with the provisions of the Combined Code with the following two exceptions:

Jeff Hewitt, Chairman of the Group, was appointed Chairman of the Audit Committee on 26 February 2008. Under the Combined Code, the Chairman of the Group should not also be Chairman of the Audit Committee.

Under the Combined Code, at least half the Board, excluding the Chairman, should consist of independent Non-Executive Directors. Only one member of the Board, excluding the Chairman, is considered to be an independent Non-Executive Director. Following the retirement of Gordon Shields at the forthcoming Annual General Meeting it is the Board's intention to recruit a further independent Non-Executive Director.

The composition of the Board is considered appropriate given the size and complexity of the Group's operations.

The Board

Currently the Board comprises of a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. David Holland is the Senior Independent Director. The Non-Executive Chairman was appointed to the Board on 1 November 2007, whose appointment provided a further independent Non-Executive Director. The Chairman also chairs the Audit Committee as it is considered that he holds the most recent and relevant experience.

The Directors are given access to independent professional advice, at the Group's expense, when the Directors deem it necessary in order for them to carry out their responsibilities.

The Board holds regular meetings with currently 10 per annum and will meet more often as required.

The Board has agreed a schedule of matters reserved specifically for its decision which include:

- overall strategy and objectives;
- approving interim and financial statements;
- approving annual budget and medium term projections;
- reviewing operational and financial performance;
- acquisitions and disposals;
- major divestments and capital expenditure;
- reviewing the Group's systems of financial control;
- reviewing the environmental and health and safety performance of the Group;
- approving appointments to the Board including the Company Secretary;
- approving policies proposed by the Remuneration Committee relating to Directors' remuneration and the severance of Directors' contracts;
- ensuring that a satisfactory dialogue takes place with shareholders.

Regular reports and papers are circulated to the Directors in a timely manner in preparation for the Board meetings. These papers are supplemented by information specifically requested by the Directors from time to time. The Directors also receive monthly management accounts and regular management reports and information that enables them to review the Group's and management's performance against agreed objectives.

The role of the Chairman and Chief Executive Officer

Since the appointment of Jeff Hewitt as Non-Executive Chairman, the roles of the Chairman and Chief Executive Officer have been clarified.

The Chief Executive Officer is responsible, within the authority limits delegated to him by the Board for:

- **Business strategy and management**
 - Developing Group objectives and strategy having regard to the Group's responsibilities to its shareholders, employees and other stakeholders
 - Achievement of agreed objectives and execution of strategy
 - Recommending to the Board the annual budget and ensuring its achievement following Board approval
 - Optimising the use and adequacy of Group resources
- **Investment and financing**
 - The recommendation to the Board of all investments and capital expenditure which are material in a group context
 - Identifying and executing acquisitions and disposals following Board approval
 - Leading geographic diversification initiatives
 - Identifying and exploring new business opportunities
- **Risk management and controls**
 - Managing the Group's risk profile
 - Ensuring appropriate internal controls are in place
- **Communication**
 - Providing a means for accurate and timely disclosure of information in accordance with applicable legal requirements
 - Ensuring effective communication with shareholders
- **Board and committees**
 - Making recommendations on remuneration policy
 - Making recommendations as necessary to Board committees including Group HR policies, management development, and succession planning for the Executive team and the appointment and termination of employment of members of that team
- **General**
 - Leading the senior executive team in the day-to-day running of the business
 - Ensuring effective implementation of Board decisions
 - Reviewing the operational performance and strategic direction of the Group's business
 - Reviewing the Group's organisational structure and recommending changes where appropriate
 - Keeping the Chairman and the Board informed on all important matters

The responsibilities of the Chairman expressly include:

- **Running the Board and ensuring its effectiveness in all aspects of its role**
 - Chairing the Board and general meetings and relevant Board committees
 - Setting the Board agenda
 - Ensuring there is an appropriate delegation of authority from the Board to executive management
 - Ensuring the Board receives timely and accurate information to enable the Board to take sound decisions and monitor effectively and provide advice to promote the success of the Group
 - Managing the Board to allow time for discussion of complex or contentious issues

- **Ensuring the effective contribution and performance of all members of the Board**
 - Facilitating the effective contribution of Non-Executive Directors
 - Ensuring constructive relations between the Executive and Non-Executive Directors
 - Identifying the development needs of the Board to enhance its overall effectiveness as a team
 - Ensuring the performance of the Board, its Committees and individual Directors is evaluated regularly and acting on the results of such evaluation
- **Maintaining sufficient and effective communication with shareholders**
 - Ensuring effective communications with shareholders including at general meetings
 - Maintaining sufficient contact with major shareholders to understand their issues and concerns
 - Ensuring that the views of shareholders are communicated to the Board
- **Upholding standards of integrity and probity**
 - Setting the tone of Board discussions to promote effective decision making and constructive debate
 - Ensuring the Board is fully informed on all issues of relevance
 - Ensuring effective implementation of Board decisions
 - Building an effective Board
 - Providing coherent leadership of the Group

The Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. The Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association and the matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Relations with shareholders

The Annual General Meeting will be attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

The Group maintains a corporate website (www.regeneris.com), which complies with AIM Rules and contains a range of information of interest to institutional and private investors. The Group has regular discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the interim and the annual results with the Group's largest institutional shareholders on an individual basis. In addition, the Group responds to individual ad hoc requests for discussion from shareholders.

Board and Committees

		Appointed	Audit Committee	Remuneration Committee	Nominations Committee
Gary Stokes	Chief Executive Officer	24 January 2007	–	–	Member
David Kelham	Chief Financial Officer	21 March 2007	–	–	Member
Jeff Hewitt	Non-Executive Chairman	1 November 2007	Chairman (appointed 26 February 2008)	Member	Chairman (appointed 26 February 2008)
Gordon Shields	Non-Executive Chairman	26 August 2004	Member	Member (Chairman up to 26 February 2008)	Member
David Holland	Non-Executive Director (Senior Independent Director)	7 March 2005	Member (Chairman up to 26 February 2008)	Chairman (appointed 26 February 2008)	Member

Attendance at meetings

The number of full Board meetings and Committee meetings attended by each Director during the year was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Gary Stokes	11 (11)	3*	2*	1 (1)
David Kelham	11 (11)	3*	–	1 (1)
Jeff Hewitt	8 (8)	3 (3)	2 (2)	–
Gordon Shields	9 (11)	3 (3)	2 (2)	1 (1)
David Holland	10 (11)	3 (3)	2 (2)	1 (1)

*Attended by invitation

The figures in brackets denote the maximum number of meetings that each Director could have attended in their period of office.

Audit Committee

The Audit Committee comprises the three Non-Executive Directors and is chaired by Jeff Hewitt. The Board considers that Jeff Hewitt has recent and relevant financial experience. During the period under review the Audit Committee met three times and details of attendance are given in the table on page 28. The Executive Directors attended all meetings held during the year by invitation. The Chairman and/or the Committee meets with the external auditors without any Executive Directors present whenever this is considered appropriate.

Role, responsibilities and terms of reference of the Audit Committee

The committee's responsibilities include:

- monitoring the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- considering the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors and agreeing the scope of the audit engagement;
- to approve the internal audit programme and review and monitor the effectiveness of the internal audit function;
- to keep under review the effectiveness of the Group's systems of internal financial control and to report to the Board regarding such system on an annual basis;
- to review the arrangements by which Group employees may in confidence raise concerns about possible improprieties in matters of financial reporting (or other matters).

Auditors' independence and objectivity

The Audit Committee reviews all services being provided by the external auditors so as to review the independence and objectivity of the external auditors, taking into consideration relevant professional and regulatory requirements, so that these are not impaired by the provision of permissible non-audit services.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 9 to the financial statements.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material mis-statement or loss.

Regeneris is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject. Employees are encouraged to raise concerns about fraud and other matters through a whistle-blowing procedure. All such concerns will be reported to the Audit Committee, with a report of whether or note they have been found after investigation to be of substance.

Regeneris operates an internal audit function through a process of peer reviews which are then submitted to and discussed with the Audit Committee and external auditors. Development of the internal audit function will be reviewed as the Group develops.

Remuneration Committee

The Remuneration Committee comprises the three Non-Executive Directors and is chaired by David Holland.

The Remuneration Committee report on pages 30 to 32 includes details of the Remuneration Committee and its work.

Nominations Committee

A Nominations Committee was set up on 31 August 2007 and comprises all Board Directors. Jeff Hewitt has only been a member of the committee since his appointment to the Board on 1 November 2007. The Committee meets as and when required. Details of attendance are given in the table above.

David Kelham
Chief Financial Officer

17 September 2008

Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration Committee are David Holland, Jeff Hewitt, with effect from 1 November 2007 and Gordon Shields. The members are Non-Executive Directors and have met twice during the year with the two meetings chaired by David Holland.

Executive Directors may attend by invitation only when appropriate and are not present at any discussion of his own remuneration.

Details of attendance at the meetings is disclosed in the table in the Corporate Governance report on page 28.

Remuneration policy

The objective of the Remuneration Committee's policy is to attract, retain and motivate high calibre executives who can drive the business forward and increase shareholder value.

To meet this objective total rewards are designed to be competitive and relevant to each Director's role, experience and the external market. The remuneration packages include basic salary, contribution to private pension plans, other benefits and allowances including annual performance bonus and share options.

The Committee takes advice on Executive Directors remuneration from Kepler Consultants.

Base salary

Basic salaries are set by the Remuneration Committee on an annual basis after taking into consideration the performance of the individuals, their levels of responsibility and rate of salary for similar positions in comparator companies.

Pensions

The Group makes defined contributions on behalf of the Executive Directors into the Group's personal pension plan. The amount paid in the financial year is set out in the Directors emoluments table on page 31.

Annual performance related bonuses

Performance related bonuses for the Executive Directors are contractual and linked to the Group's audited headline operating profit. Terms and conditions are agreed annually and based on the recommendations of the Remuneration Committee.

Long term incentive arrangements

The Company operates an Executive Plan which the Executive Directors participate in. The Company has set up an Employee Benefit Trust ("EBT") which has subscribed to shares in the Company, over which the trustees can make awards to Executive Directors and certain employees of the Group.

The performance criteria governing the exercise of options is as follows:

- real annual growth in earnings per share for the Company, measured over a three year period from 1 July 2007 until 30 June 2010 is equal to or in excess of 5%; and
- 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 (55.5p).

The exercise price is set by reference to the market price of the shares on the date of the award.

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

All awards made under the EBT are approved by the Remuneration Committee.

Non-Executive Directors' remuneration

The Non-Executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole. No other incentives, pensions or other benefits are available to the Non-Executive Directors.

Service agreements

None of the Directors have contracts of service with notice periods which exceed 12 months.

The Committee also determines the terms and conditions of employment of the Executive Directors.

Details of the Directors' emoluments and share options is given below and forms part of the audited financial statements.

Directors' emoluments

	Salary, fees, benefits 2008 £'000	Bonus 2008 £'000	Pension contributions 2008 £'000	Total 2008 £'000	Total 2007 £'000
Executives					
Gary Stokes	268	87	38	393	176
David Kelham	175	87	24	286	89
	443	174	62	679	265
Non-Executives					
Jeff Hewitt	33	–	–	33	–
Gordon Shields	37	–	–	37	50
David Holland	30	–	–	30	28
	100	–	–	100	78
Former Executives					
Arthur Crocker	–	–	–	–	188
Stephen Shields	–	–	–	–	180
	–	–	–	–	368
Total	543	174	62	779	711

Executive Directors' share options

	Awards as at 30 June 2008 and 30 June 2007	Exercise price	Grant date
Executives			
Gary Stokes	750,000	55.5p	26 June 2007
David Kelham	500,000	55.5p	26 June 2007

The options vest immediately following the announcement of the Company's results for the period ending 30 June 2010, subject to certain conditions detailed above.

Directors' interests in shares

The interests of the Directors who held office at 30 June 2008 in the ordinary share capital of the Company are as shown in the table below. All interests are beneficial.

	2008 Number	2007 Number
Executives		
Gary Stokes	31,250	25,000
David Kelham	20,000	10,000
Non-Executives		
Jeff Hewitt	12,965	–
Gordon Shields	3,075,000	3,075,000
David Holland	–	–

This report has been approved by the Board and has been signed on its behalf by:

David Holland
Remuneration Committee Chairman

17 September 2008

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent Company.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Environmental Policy Statement

Protection of the environment is central to our business strategy. Accordingly, we have developed Environmental Management Systems for all our facilities, each of which is certificated to ISO 14001. In addition, the Environmental Statement produced by our Environmental Services Division is registered to EMAS, the European Eco-Management and Audit Scheme.

Our systems have been incorporated into all Company operations to ensure that we:

- provide a fully auditable and sustainable solution that enables whole life cycle management for telecommunications equipment through repair, refurbishment, re-use and recycling; husbanding the world's resources, reducing our emissions of green house gases, eliminating landfill and protecting the environment;
- manage and minimise environmental risks identified in our operations, and support service activities performed at client sites;
- maintain our 100% regulatory compliance record;
- measure our environmental performance annually;
- assess the environmental performance of key suppliers, and co-operate with suppliers, customers and business partners to achieve higher environmental standards;
- encourage sustainable development through business example and voluntary endeavours, both nationally and within the local community; and
- minimise the impact on the environment of our operations as related to the emission of CO₂ to help combat climate change.

In addition Regeneris is the only company in the UK to have been granted four key roles under the new UK WEEE legislation. In 2007, the Company established a Producer Compliance Scheme and became a Designated Collection Facility, an Approved Authorised Treatment Facility and an Approved Exporter, bringing further innovations to the portfolio of services provided to customers. The Regeneris Producer Compliance Scheme is a unique scheme catering to the mobile phone industry. Customers enjoy the benefits of a one-stop shop approach for full environmental compliance with the UK WEEE Directive.

Finally Regeneris was awarded two prestigious 'Big Ticks' by Business in the Community. The awards were recognised our commitment to Marketplace Innovation and Impact on Society. These well-regarded rewards recognise companies' outstanding contribution to corporate responsibility and responsible business practice.

Independent Auditors' Report

to the members of Regeneris plc

We have audited the Group and parent Company financial statements (the "financial statements") of Regeneris plc for the year ended 30 June 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 33.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

17 September 2008
2 Cornwall Street
Birmingham B3 2DL

Consolidated Income Statement

for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Revenue	5	104,962	96,130
Headline operating profit/(loss)		5,781	(324)
Exceptional restructuring costs	7	(360)	(3,133)
Amortisation of acquired intangible asset	16	(410)	(171)
Exceptional goodwill impairment	15	–	(6,581)
Share-based payments	32	(60)	124
Operating profit/(loss)	6	4,951	(10,085)
Finance income	11	387	175
Finance charge	11	(1,047)	(821)
Exceptional finance charge	11	(406)	–
Total finance charge		(1,453)	(821)
Profit/(loss) before tax		3,885	(10,731)
Taxation	13	(612)	670
Profit/(loss) attributable to equity holders of the parent		3,273	(10,061)
Earnings per share			
Basic	14	11.55p	(45.70p)
Diluted	14	11.55p	(45.70p)

Consolidated Balance Sheet

as at 30 June 2008

	Note	2008 £'000	2007 (restated) £'000
Assets			
Non-current assets			
Goodwill	15	23,978	23,978
Other intangible assets	16	1,683	2,121
Property, plant and equipment	17	2,813	2,425
Deferred tax	30	938	600
		29,412	29,124
Current assets			
Inventory	19	4,705	6,079
Trade and other receivables	20	13,245	16,411
Current tax asset		–	1,287
Derivatives and financial instruments	28	–	281
Cash and cash equivalents		4,163	9,072
		22,113	33,130
Total assets		51,525	62,254
Current liabilities			
Borrowings	24	(423)	(5,536)
Current tax liability		(598)	–
Trade and other payables	22	(28,077)	(27,632)
		(29,098)	(33,168)
Non-current liabilities			
Borrowings	24	(3,000)	(14,000)
Total liabilities		(32,098)	(47,168)
Net assets		19,427	15,086
Equity			
Ordinary share capital	31	566	566
Share premium	31	16,753	25,304
Hedging reserve	31	–	197
Translation reserve	31	1,191	–
Retained earnings		917	(10,981)
Total equity		19,427	15,086

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2008.

They were signed on its behalf by:

David Kelham
Chief Financial Officer

Gary Stokes
Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008

	Attributable to equity shareholders					Total £'000
	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedging reserve £'000	Retained earnings £'000	
Balance as at 1 July 2006	384	15,076	–	23	589	16,072
Changes in equity for the year to 30 June 2007						
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)
Total recognised income and expense for the year	–	–	–	174	(10,061)	(9,887)
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)
Balance as at 30 June 2007	566	25,304	–	197	(10,981)	15,086
Changes in equity for the year to 30 June 2008						
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
Total recognised income and expense for the year	–	–	1,191	(197)	3,273	4,267
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
Balance as at 30 June 2008	566	16,753	1,191	–	917	19,427

Consolidated Cash Flow Statement

for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	27	13,033	8,296
Interest received		387	175
Interest paid		(1,147)	(785)
Tax received/(paid)		1,088	(600)
Net cash inflow from operating activities		13,361	7,086
Cash flows from investing activities			
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)
Net cash used in investing activities		(1,914)	(18,675)
Cash flows from financing activities			
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)
Net cash used (in)/from financing activities		(16,508)	19,090
Net (decrease)/increase in cash and cash equivalents			
Other non-cash movements – exchange rate changes		163	–
Cash and cash equivalents at beginning of year		8,638	1,137
Cash and cash equivalents at end of year	21	3,740	8,638

Notes to the Accounts

1. General information

Regeneris plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The registered office is given on page 81. The nature of the Group's operations and principal activities are set out in the Business Review on pages 11 to 19. These financial statements are presented in thousands pounds sterling, which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of International Financial Reporting Standards

These are the Group's first consolidated financial statements prepared under International Financial Reporting Standards ("IFRS") as adopted by the EU ("Adopted IFRS") and IFRS1 has been applied. The Group previously reported under UK Generally Accepted Accounting Principles ("UK GAAP"). An explanation, required by IFRS1, of how the transition from UK GAAP to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 35.

The financial statements of the parent Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") as presented from page 72.

3. Accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all IFRSs as adopted by the EU ("Adopted IFRS"). This includes the latest endorsed Standards and Interpretations in issue as applicable to accounting periods beginning on or after 1 July 2007 for IFRS 7 'Financial Instruments: Disclosures' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective for periods beginning on or after:
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRS 8	Operating Segments	1 January 2009
Amendments to existing Accounting Standards and Interpretations:		
IFRS 3	Business Combinations (revised)	1 July 2009
IFRS 2	Share-based payment; vesting conditions and cancellations (revised)	1 January 2009
IAS 1	Presentation of financial statements (revised)	1 January 2009
IAS 23	Borrowing Costs (revised)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised)	1 July 2009

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for potentially additional segmental disclosures when IFRS 8, 'Operating Segments', comes into effect for periods commencing on or after 1 January 2009.

The financial statements are prepared under the historical cost convention, except where the measurement of balances at fair value is required as set out below. The accounting policies below have been consistently applied to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2006 for the purpose of transition to IFRS.

3.2 Basis of consolidation

The consolidated financial statements consolidate the results, cash flows and balance sheets of Regeneris plc ("the Company") and its subsidiary undertakings (together the "Group"). A list of the Company's principal subsidiary undertakings is given in note 18. The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition. The financial statements of subsidiaries are prepared in accordance with the Company's accounting policies and to coterminous balance sheet dates, with the exception of Regeneris

3. Accounting policies continued

(Bucharest) SRL which continues to have a statutory year end of 31 December. Profits or losses on intra Group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities existing at the date of acquisition are reflected at their fair values.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.

3.3 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date. The income statements and cash flows of overseas subsidiaries are translated into sterling at the weighted average exchange rates applicable during the year and their assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas subsidiaries, together with differences between profit and loss accounts at average and closing rates, are shown as a movement in reserves. All other exchange differences are dealt with in the income statement.

3.4 Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a business at the date of the acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

3.5 Impairment

Goodwill and other intangible assets are reviewed for impairment annually by comparing the carrying value of the asset, or group of assets, to their recoverable amount. Assets which do not generate cash flows independent of other assets are aggregated into cash generating units (CGUs) and the recoverable amount of the CGU to which the asset belongs is estimated. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The value in use is estimated by calculating the present value of its future cash flows. Impairment charges are recognised in the income statement to the extent that the carrying values exceeds the value in use in the period in which the impairment is identified.

3.6 Intangible assets

Separately identifiable intangible assets arising on business combinations

Other intangible assets, such as customer contracts, are recognised on business combinations if they are separable and arise from a legal or contractual right and their fair value can be measured reliably. Separately identifiable intangible assets are amortised over their expected future lives unless they are regarded as having indefinite useful lives, in which case they are not amortised, but subject to an annual impairment test. Customer contracts are being amortised on a straight line basis over 5 years.

Software licences

Software licenses are initially measured at cost. Cost includes the purchase price of the assets and the directly attributable cost of bringing the asset into its intended use. After initial recognition, the intangible asset is carried at cost less accumulated amortisation less any accumulated impairment losses. Amortisation is charged evenly over the assets' estimated useful lives, which are between 3 and 5 years.

3. Accounting policies continued

3.7 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to the Group and when they can be measured reliably. Depreciation begins when the asset is available for use and is charged to the income statement on a straight-line basis so as to write off the cost less residual value of the asset over its estimated useful life as follows:

Leasehold improvements	–	over the period of the lease or life of the improvements if less
Motor vehicles	–	25% per annum
Plant and machinery	–	20% per annum
Computer hardware	–	33% per annum

Gains and losses arising on the disposal of an asset are determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised in the income statement.

3.8 Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the inventories and work in progress to their present location and condition. Net realisable value represents the estimate selling price less all estimated costs to be incurred in marketing, selling and distribution. The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs.

3.9 Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions in respect of contingent consideration for acquisitions are made at the Directors' best estimate of the likely consideration payable taking account of the performance criteria which affect the level of contingent consideration.

3.10 Revenue recognition and cost of sales

Revenue is measured at the fair value of the consideration received or receivable and is net of value added tax and other duties. Revenue is recognised when the delivery of goods or services has taken place in accordance with the terms of the sales, and there is certainty on the value and recoverability and that risk has transferred to the customer. Revenue generated from revenue sharing agreements relating to the recycling of mobile phones is recognised in full in revenue with the revenue share due to third parties recognised as a cost of sale.

3.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3. Accounting policies continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3.12 Employee benefits

Pensions

The Group offers defined contribution pension arrangements to certain employees. Payments to defined contribution pension schemes are expensed as incurred. The Group does not operate any defined benefit pension arrangements.

Share-based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7th November 2002 and not yet vested as at 1st July 2006, are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Cash settled option scheme

The Group grants options to certain employees which on vesting are settled in cash. An option pricing model is used to ascertain the fair value of the option at each balance sheet date. A charge is recognised and included within share-based payments with a corresponding liability, based on the expected number of options to vest, pro-rated for the vesting period that has expired.

3.13 Own shares held by Employee Benefit Trust ("EBT")

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

3.14 Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

3.15 Leases

Rentals payable under operating leases are recognised in the income statement on a straight line basis over the periods of the leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors.

3. Accounting policies continued

3.16 Government grants

Government grants are included within accruals and deferred income. Capital grants are credited to the income statement over the estimated useful lives of the assets to which they relate. Other grants are credited to the income statement in the same period as the costs to which they relate are incurred.

3.17 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Equity instruments

Equity instruments issued by the Group are initially recorded at the proceeds received, net of direct issue costs.

Non-derivative financial instruments

Non-derivative financial instruments include investments, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

- Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement.
- Trade and other receivables do not carry any interest and are recognised at their nominal value less a provision for doubtful debts.
- Trade and other payables are not interest bearing and are recognised at their nominal cost.
- Bank borrowings: interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including facility fees and redemption premia) where the intention is to hold the debt instrument to maturity. Financing costs are amortised over the term of the loan so as to produce a constant rate of return over the period to the date of expected redemption. In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where the Group has entered into any financial derivative contract it is for hedging purposes to manage the Group's underlying exposures in foreign exchange and interest rates on borrowings.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date.

- Fair value hedge: a derivative is classified as a fair value hedge when it hedges the exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of a qualifying derivative are recognised immediately in the income statement.
- Cash-flow hedge: a derivative is classified as a cash flow hedge when it hedges exposures to variability in cash flows that are either attributable to a particular risk associated with a recognised asset, liability or a highly probable forecast transaction. The effective portion of changes in the fair value of the derivative are recognised in equity, whilst the ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs.

3. Accounting policies continued

3.18 Headline operating profit

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

3.19 Headline earnings per share

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

4. Critical judgements in applying the Group's accounting policies

4.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated. The value in use calculation includes estimates about future financial performance and long term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the impairment review are disclosed in note 15 to the financial statements.

4.2 Separately identifiable intangible assets – customer contracts

The assessment of the future economic benefits generated from customer contracts, and the determination of the related amortisation profile, involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets. Annual reviews are performed to ensure the recoverability of this intangible asset.

4.3 Deferred tax

The Group has recognised deferred tax assets in respect of unutilised losses and other timing differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or timing difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these timing differences is not probable. If appropriate profits are earned in the future, the timing difference may result in a benefit to the Group in the form of a reduced tax charge in a future period.

5. Segment information

5.1 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 Review.

The segment results, assets and liabilities of these two segments is 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)	–	–	–
Total revenue	43,334	61,628	104,962	61,193	34,937	96,130
Headline segment profit	2,831	2,950	5,781	(786)	462	(324)
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
Segment operating profit/(loss)	2,703	2,248	4,951	(6,889)	(3,196)	(10,085)
Net financing costs			(660)			(646)
Exceptional finance charge			(406)			–
Profit/(loss) from continuing operations before tax			3,885			(10,731)
Taxation			(612)			670
Profit/(loss) from continuing operations			3,273			(10,061)

	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
Balance Sheet						
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

5. Segment information continued

5.2 Geographical segment – secondary basis

The following information is based on the geographical location of the 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	–	–	–	–
	104,962	96,130	51,525	62,254	1,792	2,703

6. Operating profit/(loss)

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

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
As restated	85,276	20,939

7. Exceptional restructuring costs

During the year ended 30 June 2008, the Group incurred net costs of £360,000 arising from the closure and restructuring which commenced in the year to 30 June 2007. These costs were incurred in the UK and mainly relate to a reduction in the workforce at Glenrothes. In the year ended 30 June 2007 the Group incurred one-off exceptional items totalling £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.

8. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2008 £'000	2007 £'000
Depreciation of property, plant and equipment:		
– owned	1,402	1,010
– held under finance leases	–	2
Loss on disposal of property, plant and equipment	12	–
Loss on disposal of intangible assets	26	–
Amortisation of other intangible software licences	120	290
Amortisation of acquired intangible assets	410	171
Impairment of goodwill	–	6,581
Cost of inventories recognised as an expense	54,048	68,755
Staff costs (note 10)	33,322	21,037
Net foreign exchange losses	71	28
Government grants	(207)	(200)

9. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2008 £'000	2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	71	70
The audit of the Company's subsidiaries pursuant to legislation	89	68
Total audit fees	160	138
Non-audit fees		
Tax services	90	40
IFRS conversion	5	–
Restructuring and reorganisation	19	155
Non-audit fees	114	195
Total auditor fees	274	333

10. 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
	1,830	1,156

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
	33,322	21,037

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

Key management personnel have been identified as the Executive Directors of the Board and the Group's Operations Board. Remuneration of key management personnel is as follows:

	2008 £'000	2007 £'000
Short term employee benefits	1,385	1,378
Post employment benefits	85	59
Share-based payments	60	(124)
	1,530	1,313

Disclosure of individual Director's remuneration is included in the Remuneration Report on page 31.

11. Finance costs and finance income

	2008 £'000	2007 £'000
Bank interest receivable and similar income	387	175
Total finance income	387	175
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 12)	406	-
Total finance costs	1,453	821
Total net finance costs	1,066	646

12. 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.

13. Tax

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

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/(loss) 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)	–
Total tax charge/(credit)	612	(670)

14. Earnings per share ("EPS")

EPS Summary			2008	2007
			Pence	Pence
Basic earnings per share			11.55p	(45.70p)
Diluted earnings per share			11.55p	(45.70p)
Headline earnings per share			15.10p	(5.63p)
	2008	2007	2008	2007
	Pence per	Pence per	£'000	£'000
	share	share	£'000	£'000
Profit/(loss) for the year	11.55p	(45.70p)	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	(0.56p)	60	(124)
Headline profit	15.10p	(5.63p)	4,279	(1,240)
			2008	2007
Number of shares			'000	'000
Weighted average number of shares used to calculate earnings per share			28,343	22,015

The 2,150,000 shares issued to the EBT 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.

15. Goodwill

	Total
	£'000
Cost	
At 1 July 2006	19,120
Additions	11,439
Disposals	–
At 30 June 2007 and 30 June 2008	30,559
Accumulated impairment losses	
At 1 July 2006	–
Impairment losses	6,581
At 30 June 2007 and 30 June 2008	6,581
Net book value at 30 June 2008	23,978
Net book value at 30 June 2007	23,978

15. Goodwill continued

In the previous accounting year, following the significant downturn in Fonebak profitability 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.

The value in use of each ongoing CGU is calculated with reference to the net present value of its future cash flows, using cash flow projections based on the latest three year plan approved by the Board. Beyond this, the projections use a long-term growth rate of 2.5%. The discount rate of 10% (2007: 20%) applied to the projections is based on the weighted average cost of capital of the Group and reflects the risk profile of the CGUs.

The carrying value of goodwill is split between the following CGUs:

	2008 £'000	2007 £'000
Environmental Services	12,633	12,633
Technical Services	11,345	11,345
Total goodwill	23,978	23,978

16. Other intangible assets

	Customer contracts £'000	Software licences £'000	Total £'000
Cost			
At 1 July 2006	–	536	536
Additions	2,050	141	2,191
Acquisitions	–	1,451	1,451
Disposals	–	(105)	(105)
At 30 June 2007	2,050	2,023	4,073
Additions	–	192	192
Disposals	–	(82)	(82)
Reclassification from property, plant and equipment	–	(88)	(88)
Exchange movement	–	124	124
At 30 June 2008	2,050	2,169	4,219
Accumulated amortisation			
At 1 July 2006	–	412	412
Charge for the year	171	290	461
Acquisitions	–	1,182	1,182
Disposals	–	(103)	(103)
At 30 June 2007	171	1,781	1,952
Charge for the year	410	120	530
Disposals	–	(56)	(56)
Exchange movement	–	110	110
At 30 June 2008	581	1,955	2,536
Net book value at 30 June 2008	1,469	214	1,683
Net book value at 30 June 2007	1,879	242	2,121

17. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 July 2006	604	740	162	145	–	1,651
Additions	100	223	113	47	30	513
Acquisitions	1,679	8,275	2,406	12	1,640	14,012
Disposals	(134)	(2,524)	(354)	(107)	(63)	(3,182)
Reclassification	–	20	(7)	–	(13)	–
Exchange movement	5	23	–	(1)	–	27
At 30 June 2007	2,254	6,757	2,320	96	1,594	13,021
Additions	412	576	388	–	224	1,600
Disposals	(276)	(354)	(65)	(2)	(16)	(713)
Reclassification to intangible assets	–	–	88	–	–	88
Exchange movement	178	505	255	–	135	1,073
At 30 June 2008	2,568	7,484	2,986	94	1,937	15,069
Accumulated depreciation						
At 1 July 2006	261	510	144	132	–	1,047
Charge for the year	229	508	120	19	136	1,012
Acquisitions	1,088	7,321	2,038	12	1,247	11,706
Disposals	(134)	(2,524)	(351)	(105)	(63)	(3,177)
Reclassification	–	14	(8)	–	(6)	–
Exchange movement	–	8	–	–	–	8
At 30 June 2007	1,444	5,837	1,943	58	1,314	10,596
Charge for the year	261	559	371	12	199	1,402
Disposals	(161)	(283)	(66)	(2)	(15)	(527)
Exchange movement	72	409	212	–	92	785
At 30 June 2008	1,616	6,522	2,460	68	1,590	12,256
Net book value at 30 June 2008	952	962	526	26	347	2,813
Net book value at 30 June 2007	810	920	377	38	280	2,425

The net book value of property, plant and equipment includes £nil (2007: £4,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £nil (2007: £2,000).

18. Investments

The Group's principal subsidiary undertakings are as follows:

Company name	Principal activity of the Company	Ownership percentage by the Group as at 30 June 2008	Country of incorporation
Held directly by the parent Company			
Regeneris Environmental Services Ltd	Resell, remarket and recycle previously owned mobile phones	100%	England and Wales
Regeneris Environmental Services (Europe) Ltd	Resell, remarket and recycle previously owned mobile phones	100%*	England and Wales
Regeneris Environmental Services (France) SARL	Support services for the Regeneris Environmental Services Business	100%	France
Regeneris Environmental Services (Belgium) SA	Support services for the Regeneris Environmental Services Business	100%	Belgium
Regeneris (Bucharest) SRL	Repair and refurbishment of mobile phones	100%	Romania
Regeneris Trustees Ltd	Employee Benefit Trust	100%	England and Wales
Regeneris (Group) Ltd	Intermediate Holding Company	100%	England and Wales
Held directly by the subsidiaries of the parent Company			
Regeneris (Glenrothes) Ltd	Management and provision of service and repair of electronic equipment, computer components and peripherals	100%	England and Wales
Regeneris (Nottingham) Ltd	Service and repair management of telecommunications equipment, including mobile phones	100%	England and Wales
Regeneris (Warsaw) Sp.Z.oo	Service and repair management of telecommunications equipment, including mobile phones	100%	Poland
Regeneris (Paderborn) GmbH	Management and provision of service and repair of electronic equipment, computer components and peripherals	100%	Germany
Regeneris (Sommerda) GmbH	Management and provision of service and repair of electronic equipment, computer components and peripherals	100%	Germany
Regeneris (Huntingdon) Ltd	Service and repair management of telecommunications equipment, including mobile phones	100%	England and Wales
Regeneris Distribution Ltd	Resale and distribution of mobile phones	100%	England and Wales

*With effect from 1 July 2008 the Company's investment was reduced to 75%.

All investments are in the ordinary share capital of the subsidiaries.

19. 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

20. 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)
At 30 June 2008	503

21. Cash and cash equivalents

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

22. 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
	28,077	27,632

23. Government grants

The Group has been awarded government grants in two instances from the Scottish Office. The grants have been awarded to contribute towards expansion costs at the repair centre in Scotland. In the year the Company recognised £207,000 (2007: £200,000) in the income statement to offset costs incurred.

24. Bank borrowings

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

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
Due within one year:		
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
Total borrowings	3,423	19,536

25. 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)
Net debt – before fees and interest rate swap (note 26)	740	(10,870)
Un-amortised loan fees	–	406
Interest rate swap	–	281
Net debt	740	(10,183)

26. Reconciliation of movement in net debt

	Cash at bank and in hand £'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 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
At 30 June 2008	4,163	(423)	3,740	–	(3,000)	(3,000)	740

27. Cash generated from operations

	2008 £'000	2007 £'000
Profit for the year	3,273	(10,061)
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)
Operating cash flows before movement in working capital	6,981	(2,155)
Decrease/(increase) in inventories	1,680	4,759
Decrease/(increase) in receivables	4,031	2,249
(Decrease)/increase in payables	341	3,443
Cash flows from operating activities	13,033	8,296

28. Derivative financial instruments

	2008 £'000	2007 £'000
Non-current asset – derivative financial asset		
Interest rate swap – cash flow hedge	–	281
	–	281

At 30 June 2007 the Group had an interest rate swap used to manage its exposure to interest rate movements on its bank borrowings, and treated as a cash flow hedge with a fair value of £281,000 asset. In the year to 30 June 2008 this was cancelled. There were no other financial instruments outstanding at the balance sheet date.

29. Financial instruments – risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising return for stakeholders through the optimisation of the debt and equity balance.

The Group's capital structure is as follows:

	2008 £'000	2007 £'000
Total borrowings	3,000	19,102
Cash and cash equivalents	(3,740)	(8,638)
Net (cash)/debt	(740)	10,464
Equity	19,427	15,086
Gearing ratio (net debt to equity)	(0.04 : 1)	0.69 : 1

Debt is primarily used for financing acquisitions and working capital. The level of debt is determined through liquidity risk management.

Under the banking facility the Group is subject to certain financial covenants relating to:

- Leverage – the ratio of total net debt to EBITDA
- Interest cover – the ratio of EBITDA to total debt costs
- Debt service cover – the ratio of EBITDA to total funding costs
- Shareholders' funds – not less than 50% of Group profits attributable to equity holders shall be retained

The Group has complied with these covenants and requirements.

Categories of financial instruments

The following assets and liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories:

	2008 £'000	2007 £'000
Loans and receivables		
Trade and other receivables	13,245	16,411
Cash and cash equivalents	3,740	8,638
Derivative instruments in designated hedge accounting relationship		
Interest rate swap	–	281
Financial assets	16,985	25,330

	2008 £'000	2007 £'000
Held at amortised cost		
Trade and other payables	28,077	27,632
Borrowings	3,000	19,102
Financial liabilities	31,077	46,734

29. Financial instruments – risk management continued

Estimation of carrying values

The carrying value and fair value of the financial assets and financial liabilities are considered to be the same with the following assumptions:

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value.

For cash and cash equivalents, the amount reported on the balance sheet approximates to fair value.

The interest rate swap is stated at market value.

Financial risk management

The main risks arising from the Group's financial instruments include market risk (including foreign currency risks and interest rate risk), liquidity risk and credit risk. The Group seeks to minimise the effects of these risks by developing and consistently applying Board approved policies and procedures. Such policies and procedures are regularly reviewed for their appropriateness and effectiveness to deal with changing nature of financial risks.

Market risk – interest rate risk

The majority of the Group's cash is held in the UK in sterling, smaller amounts are held in Euros and Polish Zloty. Surplus funds are kept on overnight deposit at the prevailing rates of interest. The bank facility is denominated in Sterling.

Up until March 2008 the Group had entered into an interest rate swap to manage the interest exposure on the Groups revolving credit facility. The interest rate swap was closed out at this date as the funds drawn down were decreased and the resulting exposure reduced. The interest rate charged on the drawn down portion of the revolving credit facility ("RCF") is 2.25% ("RCF margin") above LIBOR plus a margin of 0.0125%. With effect from 18 September 2008 the RCF margin falls to 1% above LIBOR plus a margin of 0.0125%. The un-drawn facility attracts a charge of 40% of the RCF margin.

A change in the UK base rate of 1% would increase/decrease the annual interest charge on the facility drawn down as at 30 June 2008 of £3,000,000 by £30,000.

The Directors will continue to monitor the exposure to interest rate risk and the requirement to use an interest rate swap agreement or other financial instruments.

29. Financial instruments – risk management continued**Foreign currency risk**

The Group undertakes certain transactions in foreign currencies, primarily in Euros and US Dollars. Hence exposures to exchange rate fluctuations arise. The Group treasury function optimises the use of receivables and payables in foreign currencies around the Group as realised in the ordinary trade of the business.

Currently the Group does not enter into forward foreign exchange contracts to manage this risk. The Board will continue to review the requirement to use forward foreign exchange contracts to hedge future cash flows.

The table below shows the extent to which the Group had monetary assets and liabilities denominated in currencies other than the local currency of the Company in which they are recorded.

	Euro denominated		USD denominated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Monetary assets	250	610	–	41
Monetary liabilities	(1,016)	–	(107)	–
Net exposure	(766)	610	(107)	41

Sensitivity analysis

A 10% appreciation/depreciation of the Euro and the US Dollar against sterling, applied to the net exposures as at 30 June would give rise to the following gain/loss in the retranslation of these balances:

	Euro denominated		USD denominated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Profit before tax – gain/(loss)				
10% appreciation	(85)	68	(12)	5
10% depreciation	70	(55)	10	(4)

The analysis has been performed using the Group exchange rates at the 30 June 2008 reporting date of 1.267 €/£ and 1.998 \$/£.

The Group is exposed to fluctuations in exchange rates on the translation of profits earned by its subsidiaries in Germany, Poland and Romania. These profits are translated at average exchange rates for the year, which is an approximation to the rates at the date of the transaction.

29. Financial instruments – risk management continued

Credit risk

At the balance sheet date, the Group had no significant concentrations of credit risk. The average credit period taken on sales is 43 days (2007: 60 days).

Ageing of trade receivables, net of impaired balances is as follows:

	2008 £'000	2007 £'000
Neither past due nor impaired	7,232	10,708
Past due but not impaired		
Less than 30 days overdue	1,303	2,195
30 to 60 days overdue	830	637
More than 60 days overdue	356	329
	9,721	13,869

The Group has provided for specific trade receivables where the recoverability is uncertain. As at the 30 June 2008 the doubtful debtors balance was £503,000 (2007: £799,000), all of which is one year past due. The Directors believe there is no further provision required in excess of the allowance for doubtful debts.

Liquidity risk

The Group ensures that there are sufficient levels of committed facilities, cash and cash equivalent to sure that the Group is at all times able to meet its financial commitments.

The Group had un-drawn funds from its revolving credit facility available of £13m.

The table below summarises the contractual maturity profile of the Group's financial liabilities:

	Less than one year 2008 £'000	One to five years 2008 £'000	Less than one year 2007 £'000	One to five years 2007 £'000
Trade and other payables	28,077	–	27,632	–
Bank overdraft	423	–	434	–
Bank borrowings	–	3,000	5,500	14,000
Finance lease obligations	–	–	8	–
	28,500	3,000	33,574	14,000

30. 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
	600	82	153	103	938

	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
	32	687	(45)	(74)	600

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.

31. Called up share capital

	2008 Number of shares	2008 £'000	2007 Number of shares	2007 £'000
Authorised:				
Ordinary shares of 2p	40,000,000	800	40,000,000	800
Allotted, called up and fully paid:				
Ordinary shares of 2p	28,342,577	566	28,342,577	566

The Company has one class of ordinary shares, which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

In the year to 30 June 2007 a total of 9,142,582 shares were issued. This comprised 6,756,757 shares issued at £1.48 to help fund the CRC acquisition in January 2007 and to repay existing debt, 2,150,000 shares issued to the EBT and 235,825 shares on subscription of options.

Share premium

This is the reserve in the Company's own shares over and above the nominal value of the shares, less any expenses of issue incurred in issuing equity.

31. Called up share capital continued

On 26 June 2008 the High Court approved the special resolution to reduce the Company's share premium account by £8,551,000 and thereby eliminate the deficit on the Company's profit and loss account. This has been reflected in the Company accounts.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instrument related to the hedged transaction that have not yet occurred.

Employee Benefit Trust

Of the issued share capital At 30 June 2008 and 30 June 2007, 2,150,000 shares had been issued and are held by the Employee Benefit Trust.

Outstanding options

The following outstanding options have been granted to the Directors and employees of the Group under the Fonebak EMI plan and the Executive share option plan over shares in Regeneris plc. Details of share options held by Directors are included in the Remuneration Report.

	Executive share option plan* Number	Fonebak EMI Plan Number	Total Number
Outstanding at 1 July 2007	2,150,000	232,000	2,382,000
Granted	250,000	–	250,000
Lapsed	(350,000)	(232,000)	(582,000)
Outstanding at 30 June 2008	2,050,000	–	2,050,000
Option price	55.5p & 76.0p	–	
Exercisable	June 2010	–	
Weighted average exercise price	58.0p	–	

*The number of shares issued and paid up to the EBT is 2,150,000 shares. As at 30 June 2008 options outstanding over the shares in the EBT were 2,050,000 (2007: 2,150,000).

Performance conditions of the Executive share option plan are disclosed in the Remuneration Report.

32. Share-based payments

The Group operates an Executive share option plan and a cash-based phantom share scheme.

The terms of the scheme Executive share option plan are disclosed in the Remuneration Report.

Share options issued under the cash-based phantom share scheme vest 3 years from the date of the grant and automatically lapse for those employees who leave the Company before the third anniversary. Options are settled in cash, which is calculated as the difference between the closing share price on the day that they vest compared to the grant price. The grant price is set with reference to the average share price over a three day period up to the date of the grant.

32. Share-based payments continued

Details of share options and phantom scheme awards outstanding during the year are as follows:

	2008				2007	
	EBT Scheme		Phantom Scheme		EBT Scheme	
	Number of options	Exercise Price	Number of options	Exercise Price	Number of options	Exercise Price
As at 1 July 2007	2,150,000	55.5p	–	–	–	–
Granted during the year	250,000	76.0p	316,637	78.0p	2,150,000	55.5p
Exercised during the year	–	–	–	–	–	–
Lapsed during the year	(350,000)	55.5p	(16,667)	78.0p	–	–
As at 30 June 2008	2,050,000	58.0p	299,970	78.0p	2,150,000	55.5p
Earliest year in which options exercisable	2010		2010		2010	

The fair values for the above options were calculated using the Black Scholes option pricing model. The inputs into this model were as follows:

	EBT share options	EBT share options	Phantom scheme
Date of grant	26 June 2007	21 April 2008	19 October 2007
Option pricing model used	Black Scholes	Black Scholes	Black Scholes
Fair value of options granted (per share)	8.8p	8.4p	10.9p
Share price at date of grant (per share)	55.5p	75.5p	78.5p
Expected volatility	11%	11%	11%
Risk free interest rate	4.75%	4.25%	4.25%
Exercise price (per share)	55.5p	76.0p	78.0p
Expected dividends	–	–	–
Expected term (years)	3	3	3
Expected departures	–	–	22%
Settlement	Equity	Equity	Cash

Expected volatility was determined by calculating the historical volatility of the Company's share price from March 2007 to June 2008. The period before March 2007 has been excluded from the volatility calculation as this relates to the period prior to the CRC Group plc acquisition and the reshaping of the original Fonebak business.

Total expense recognised in the income statement for each of the schemes and disclosed on the face on the income statement, was as follows:

	2008 £'000	2007 £'000
EBT Scheme	55	–
Phantom Share Scheme	5	–
Fonebak EMI Plan	–	(124)
Total expense	60	(124)

The share-based liability on the phantom share scheme is £5,000 (2007: £nil), the intrinsic value at 30 June 2008 was nil (2007: £nil).

33. Commitments

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	2,614	2,200

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £'000	2007 £'000
Leases expiring in one year	2,188	2,281
Leases expiring in two to five years inclusive	3,880	5,163
Leases expiring after five years	1,678	2,408
	7,746	9,852

The majority of the leases which the Group has entered into relate to land and buildings. Lease terms range from 6 months to 25 years. The more recent lease negotiations are for shorter periods that 25 years with suitable break clauses.

34. Related party transactions

Transactions between Regeneris plc and its subsidiaries, which are related parties have been eliminated on consolidation. The Directors are not aware of any other related party transactions.

35. Restatement of financial information under IFRS

This is the first year that the Group has presented its financial statements under IFRS. The Group reported under UK GAAP in its previously published financial statements for the year end 30 June 2007. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 30 June 2008, the comparative information presented in these financial statement for the year ended 30 June 2007 and in preparing the opening IFRS balance sheet as at 1 July 2006 (the Group's date of transition).

The following reconciliations have been prepared and are set out below together with explanatory notes on the impact of the transition from previous UK GAAP to IFRS:

1. Reconciliation summary of profit and equity under UK GAAP to IFRS
2. Reconciliation of consolidated balance sheet as at 1 July 2006 (date of transition to IFRS)
3. Reconciliation of balance sheet as at 30 June 2007
4. Reconciliation of income statement for the year ended 30 June 2007
5. Explanatory notes on the impact of the transition to IFRS

IFRS 1, First time adoption of IFRS, allows a number of transitional provisions, primary exemptions and exceptions when applying IFRS for the first time. The following transition provisions have been used:

- The Group has elected not to retrospectively apply the principles of IFRS 3, Business Combinations to acquisitions prior to the date of transition, 1 July 2006.
- The Group has elected to set the cumulative translation differences to zero at the date of transition for all subsidiaries.
- Estimates under IFRS at 1 July 2006 are consistent with estimates made at the same date under UK GAAP.
- The Group has elected to apply the share-based payment exemption and has applied IFRS 2 from 1 July 2006 to those options issued after 7 November 2002 but not vested by 1 July 2006.

35. Restatement of financial information under IFRS continued**35.1 Reconciliation summary of profit and equity under UK GAAP to IFRS**

Reconciliation of loss for the year	Note 35.5	2007 £'000	2007 Basic EPS Pence
Loss after tax under UK GAAP		(10,418)	(47.32p)
IFRS adjustments			
Goodwill amortisation	(1)	1,581	7.18p
Goodwill impairment	(2)	(1,112)	(5.05p)
Customer relationship amortisation	(3)	(171)	(0.78p)
Deferred tax reversed on customer relationship amortisation	(5)	51	0.23p
Deferred tax adjustment due to tax rate change	(5)	31	0.14p
Deferred tax on overseas un-remitted earnings	(6)	(23)	(0.10p)
		357	1.62p
Loss after tax under IFRS		(10,061)	(45.70p)

Reconciliation of equity	Note 35.5	2007 £'000	1 July 2006 (date of transition) £'000
Equity under UK GAAP		14,532	16,049
IFRS adjustments			
Goodwill amortisation	(1)	1,581	–
Goodwill impairment	(2)	(1,112)	–
Customer relationship amortisation	(3)	(171)	–
Recognition of interest rate swap at fair value	(4)	281	33
Deferred tax reversed on customer relationship amortisation	(5)	51	–
Deferred tax adjustment due to tax rate change	(5)	31	–
Deferred tax liability on recognition of interest rate swap	(5)	(84)	(10)
Deferred tax on overseas un-remitted earnings	(6)	(23)	–
		554	23
Equity under IFRS		15,086	16,072

See notes 35.5.1 to 35.5.6 below for explanation of adjustments.

35. Restatement of financial information under IFRS continued**35.2 Reconciliation of Consolidated Balance Sheet as at 1 July 2006 (date of transition to IFRS)**

	UK GAAP £'000	IFRS adjustments £'000	IFRS £'000
Assets			
Non-current assets			
Goodwill	19,120	–	19,120
Other intangible assets	–	124	124
Property, plant and equipment	728	(124)	604
Deferred tax	42	(10)	32
	19,890	(10)	19,880
Current assets			
Inventory	7,879	–	7,879
Trade and other receivables	6,528	–	6,528
Derivative and financial instruments	–	33	33
Cash and cash equivalents	1,137	–	1,137
	15,544	33	15,577
Current liabilities			
Borrowings	(1,400)	–	(1,400)
Trade and other payables	(13,704)	–	(13,704)
Current tax liability	(527)	–	(527)
	(15,631)	–	(15,631)
Net current liabilities	(87)	33	(54)
Total assets less current liabilities	19,803	23	19,826
Non-current liabilities			
Borrowings	(3,754)	–	(3,754)
	(3,754)	–	(3,754)
Net assets	16,049	23	16,072
Equity			
Ordinary share capital	384	–	384
Share premium	15,076	–	15,076
Hedging reserve	–	23	23
Retained earnings	589	–	589
Total equity	16,049	23	16,072

The UK GAAP numbers have been reclassified to conform with the IFRS format.

35. Restatement of financial information under IFRS continued**35.3 Reconciliation of Consolidated Balance Sheet as at 30 June 2007**

	UK GAAP £'000	IFRS adjustments £'000	IFRS £'000
Assets			
Non-current assets			
Goodwill	24,944	(966)	23,978
Other intangible assets	–	2,121	2,121
Property, plant and equipment	2,667	(242)	2,425
Deferred tax	1,240	(640)	600
	28,851	273	29,124
Current assets			
Inventory	6,079	–	6,079
Trade and other receivables	16,411	–	16,411
Current tax asset	1,287	–	1,287
Derivative and financial instruments	–	281	281
Cash and cash equivalents	9,072	–	9,072
	32,849	281	33,130
Current liabilities			
Borrowings	(5,536)	–	(5,536)
Trade and other payables	(27,632)	–	(27,632)
	(33,168)	–	(33,168)
Net current (liabilities)/assets	(319)	281	(38)
Total assets less current liabilities	28,532	554	29,086
Non-current liabilities			
Borrowings	(14,000)	–	(14,000)
	(14,000)	–	(14,000)
Net assets	14,532	554	15,086
Equity			
Ordinary share capital	566	–	566
Share premium	25,304	–	25,304
Hedging reserve	–	197	197
Translation reserve	–	–	–
Retained earnings	(11,338)	357	(10,981)
Total equity	14,532	554	15,086

35. Restatement of financial information under IFRS continued**35.4 Reconciliation of Consolidated Income Statement for the year ended 30 June 2007**

	UK GAAP £'000	IFRS adjustments £'000	IFRS £'000
Revenue	96,130	–	96,130
Cost of sales	(85,276)	–	(85,276)
Gross profit	10,854	–	10,854
Administrative expenses	(21,237)	298	(20,939)
Headline operating loss (before goodwill amortisation, exceptional items and share-based payments)	(324)	–	(324)
Amortisation of goodwill	(1,581)	1,581	–
Exceptional goodwill impairment	(5,469)	(1,112)	(6,581)
Intangible asset amortisation	–	(171)	(171)
Exceptional restructuring costs	(3,133)	–	(3,133)
Share-based payments	124	–	124
Operating loss	(10,383)	298	(10,085)
Net financing costs	(646)	–	(646)
Profit before tax	(11,029)	298	(10,731)
Taxation	611	59	670
Retained profit for the year	(10,418)	357	(10,061)
Earnings per share			
Loss per share – basic	(47.32p)		(45.70p)
Loss per share – diluted	(47.32p)		(45.70p)
Headline operating loss per share – basic	(5.90p)		(5.63p)
Headline operating loss per share – diluted	(5.90p)		(5.63p)

The audited UK GAAP figures above were previously presented on a UK GAAP format and are represented above to conform with the IFRS format.

The UK GAAP figures for cost of sales and administrative expenses have been restated to ensure consistent classification across the Group as explained in note 6 to the accounts.

35. Restatement of financial information under IFRS continued

35.5 Explanatory notes on the impact of the transition to IFRS

The principal differences between UK GAAP and IFRS are as follows:

35.5.1 Goodwill amortisation

IFRS 3 “Business Combinations” prohibits the annual amortisation of goodwill and instead goodwill is tested for impairment on transition to IFRS and annually thereafter. The carrying value of goodwill at the date of transition to IFRS was £19,120,000 and the amortisation ceases from that date. The impact on the income statement is to write back goodwill amortisation of £1,581,000 for the year ended 30 June 2007.

35.5.2 Goodwill impairment

Under IAS 36 “Impairment of assets” goodwill must be tested annually for impairment. In the UK GAAP consolidated financial statements for the year ended 30 June 2007, an exceptional goodwill impairment of £5,469,000 was recognised. As a result of the write back of goodwill amortisation (adjustment 1), there is an additional goodwill impairment on the original Fonebak business, Stoke, Barnet and Romania of £1,112,000 to be recognised in the financial statements for the year ended 30 June 2007.

35.5.3 Customer contract and relationship intangible asset

It is mandatory to account for all material acquisitions in accordance with IFRS 3 “Business Combinations” from the date of transition, which includes the acquisition of CRC Group, acquired on 24 January 2007.

Under IFRS goodwill is required to be allocated amongst the separately identifiable assets of the business to the extent that they satisfy the criteria for the recognition of an intangible asset. The value attributed to each intangible asset should be fair value, defined as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.”

The only separately identifiable intangible asset arising on the acquisition of CRC by Fonebak relates to customer contracts and relationships. The fair value of this intangible asset has been calculated by assessing the residual income generated by this intangible asset alone. An intangible asset of £2,050,000 has been recognised out of the total goodwill in the CRC business of £13,200,000 which includes the goodwill arising on consolidation and the goodwill in the business from previous acquisitions.

The customer contracts and relationships intangible asset will be written off over 5 years on a straight line basis which is the estimated useful economic life. An amortisation charge of £171,000 has been recognised for the period from 24 January 2007 (the date of acquisition) to 30 June 2007.

35.5.4 Interest rate swap

IAS 39 “Financial Instruments: Recognition and Measurement” requires all derivative financial instruments to be included on the balance sheet at fair value. Between 1 July 2006 and the current date the Group has only held one interest rate swap, which is used to fix the interest rate on its borrowings. This derivative qualifies as a cash flow hedge and since the date of transition the hedge has been effective and therefore movements are recognised in equity in a “hedging reserve”.

The fair value of the interest rate swap at each of the balance sheet dates was as follows:

As at 30 June 2007	–	£281,000 asset
As at 31 December 2006	–	£33,000 asset
As at 30 June 2006	–	£33,000 asset

35. Restatement of financial information under IFRS continued

35.5.5 Deferred tax on IFRS adjustments

The IFRS adjustments relating to the recognition of customer contracts and relationships (adjustment 3) and the interest rate swap (adjustment 4) give rise to a deferred tax liability. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Customer contracts and relationships intangible asset

The deferred tax movements relating to the recognition of the customer contracts and relationships intangible asset in the year ended 30 June 2007 are as follows:

	Balance sheet deferred tax asset/(liability) £'000	Income statement deferred tax credit £'000
Deferred tax liability recognised at acquisition date	(615)	–
Movement on initial recognition of deferred tax due to tax rate change	31	31
Deferred tax released as intangible asset amortised in year	51	51
Impact on the IFRS financial information	(533)	82

Interest rate swap

A deferred tax liability has been recognised at each of the balance sheet dates based on the fair value on the interest rate swap as follows:

As at 30 June 2007	–	£84,000 liability
As at 31 December 2006	–	£10,000 liability
As at 30 June 2006	–	£10,000 liability

35.5.6 Deferred tax on previous UK GAAP balances

IAS 12 “Income Taxes” requires that deferred tax is provided in full on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements rather than just taxable timing difference under UK GAAP. As a result an additional deferred tax liability of £23,000 has been recognised in relation to un-remitted earnings from overseas CRC subsidiaries.

35.5.7 Purchased software

Certain software, classified as tangible fixed assets under UK GAAP, has been assessed in accordance with IAS 38 and reclassified to intangible assets under IFRS. The net book value of assets reclassified to intangible assets is £124,000 at 30 June 2006, £112,000 at 31 December 2006 and £242,000 at 30 June 2007.

There is no impact to the overall net assets or retained profit of the Group.

35.5.8 Exceptional items (IAS 1)

IAS 1 “Presentation of financial statements” does not recognise the term non-operating exceptional items and there are no prescribed exceptional items recognised below operating profit. The Group will continue to disclose on the face of the income statement additional headings and subtotals for exceptional items which are significant by virtue of their size or incidence. This is to allow a full understanding of the underlying performance of the Group.

Company Balance Sheet

as at 30 June 2008

	Note	2008 £'000	2007 £'000
Assets			
Fixed assets			
Goodwill	4	10,289	11,132
Tangible assets	5	97	158
Investments in subsidiaries	6	16,408	16,407
		26,794	27,697
Current assets			
Stock	7	73	1,292
Debtors	8	5,502	11,800
Cash at bank and in hand		630	5,323
		6,205	18,415
Creditors:			
Amounts falling due within one year	10	(12,675)	(15,735)
Net current (liabilities)/assets		(6,470)	2,680
Total assets less current liabilities		20,324	30,377
Creditors:			
Amounts falling due after more than one year	11	(3,000)	(14,000)
Net assets		17,324	16,377
Equity			
Ordinary share capital	31	566	566
Share premium	16	16,753	25,304
Profit and loss account	16	5	(9,493)
Equity shareholders' funds		17,324	16,377

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2008.

They were signed on its behalf by:

David Kelham
Chief Financial Officer

Gary Stokes
Chief Executive Officer

Notes to the Company Accounts

1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom, which have been applied on a consistent basis, and on a going concern basis.

Under Section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

The significant accounting policies applied in the preparation of the Company financial statements are as follows:

2. Accounting policies

The significant accounting policies applied in the preparation of the Company financial statements are as follows:

2.1 Intangible assets and goodwill

Goodwill is calculated as the excess of the fair value of the purchase consideration over the fair value attributable to the separately identifiable assets and liabilities of the acquired business. Goodwill is capitalised on acquisition and amortised on a straight line basis over its estimated useful economic life. The life is determined after taking account of the nature of the business acquired and the nature of the markets in which it operates, and is typically between 5 and 20 years.

2.2 Impairment

Goodwill and other intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and, together with tangible fixed assets, in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The impairment review is performed by comparing the carrying value of the asset or Group of assets, with the recoverable amount. The recoverable amount is higher of net realisable value and the assets' value in use, which is estimated by calculating the present value of its future cash flows. Impairment charges are recognised in the profit and loss account to the extent that the carrying value exceeds the recoverable amount in the periods in which the impairment is identified.

2.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset on a straight line basis over the asset's estimated useful life as follows:

Leasehold improvements	–	over the period of the lease or life of the improvements if less
Motor vehicles	–	25% per annum
Plant and machinery	–	20% per annum
Computer hardware	–	33% per annum

2.4 Investments

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less amounts written off. Amounts denominated in foreign currency are translated into sterling at historical exchange rates. Other investments are stated in the Company and Group balance sheets at cost less amounts written off.

2.5 Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the stock and work in progress to their present location and condition. Net realisable value represents the estimate selling price less all estimated costs to be incurred in marketing, selling and distribution. The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs.

2. Accounting policies continued

2.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in these consolidated financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted or where there are deferred tax liabilities against which the assets can be recovered.

2.7 Leases

Rentals payable under operating leases are recognised in the profit and loss account on a straight line basis over the periods of the leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors.

2.8 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with in the profit and loss account.

2.9 Pensions

The Company offers defined contribution pension arrangements to certain employees. Payments to defined contribution pension schemes are expensed as incurred. The Company does not operate any defined benefit pension arrangements.

2.10 Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions in respect of deferred taxation are dealt with in the accounting policy above. Provisions in respect of deferred contingent consideration for acquisitions are made at the Directors' best estimate of the likely consideration payable taking account of the performance criteria which affect the level of deferred consideration.

2.11 Bank borrowings and financing costs

Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including facility fees and redemption premia) where the intention is to hold the debt instrument to maturity. Financing costs are amortised over the term of the loan so as to produce a constant rate of return over the period to the date of expected redemption. In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

2. Accounting policies continued

2.12 Derivative financial instruments

Interest differentials, under interest rate swap agreements used to vary the amounts and periods for which interest on borrowings are fixed, are recognised by adjustment to interest payable. Premia or discounts arising are amortised over the life of the agreement. Interest rate swap agreements are not re-valued to fair value or included in the balance sheet at period ends.

2.13 Share-based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7th November 2002 and those not yet vested as at 1st July 2006, the effective date of FRS 20, are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

2.14 Own shares held by EBT

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

2.15 Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

3. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2008 Number	2007 Number
Production	76	81
Sales and business development	7	6
Administration	10	9
	93	96

The aggregate remuneration comprised:

	2008 £'000	2007 £'000
Wages and salaries	2,096	2,694
Social security costs	129	178
Share-based payments	60	(124)
Other pension costs	22	47
	2,307	2,795

Disclosure of individual Director's remuneration is included in the Remuneration Report on page 31.

4. Goodwill

	2008 £'000	2007 £'000
Cost		
1st July 2007	16,854	16,854
Acquisitions	–	–
30 June 2008	16,854	16,854
Amortisation		
1st July 2007	5,722	1,507
Amortisation charge for the year	843	842
Impairment	–	3,373
30 June 2008	6,565	5,722
Net book value at 30 June 2008	10,289	11,132
Net book value at 30 June 2007	11,132	15,347

5. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 July 2007	232	512	743	66	1,553
Additions	–	2	13	–	15
30 June 2008	232	514	756	66	1,568
Accumulated depreciation					
1 July 2007	232	439	695	29	1,395
Charge for the year	–	40	25	11	76
30 June 2008	232	479	720	40	1,471
Net book value at 30 June 2008	–	35	36	26	97
Net book value at 30 June 2007	–	73	48	37	158

6. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
1 July 2007	18,409
Acquisitions	1
30 June 2008	18,410
Impairment	
30 June 2007 and at 30 June 2008	2,002
Net book value at 30 June 2008	16,408
Net book value at 30 June 2007	16,407

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.

7. Stock

	2008 £'000	2007 £'000
Raw materials and consumables	33	48
Work in progress	–	–
Goods held for re-sale	40	1,244
	73	1,292

8. Debtors amounts falling due within one year

	2008 £'000	2007 £'000
Trade Debtors	7	813
Amounts due from subsidiaries	5,030	9,589
Deferred tax asset (note 9)	103	78
Corporation tax asset	–	886
Other debtors	191	140
Prepayment and accrued income	171	294
	5,502	11,800

9. Deferred tax assets

	Depreciation in excess of/ (less than) capital allowances £'000	Other timing differences £'000	Total £'000
At 1 July 2007	78	–	78
Credit/(charge) for the year	(10)	16	6
Credit/(charge) to equity for the year	–	19	19
At 30 June 2008	68	35	103

The Company is expected to be able to recover the deferred tax asset against future profits. The Company has no un-provided deferred tax.

10. Creditors amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans and other borrowings	–	5,102
Trade creditors	3,387	889
Other taxes and social security	6	65
Deferred consideration	–	58
Accruals and deferred income	9,282	9,621
	12,675	15,735

11. Creditors amounts falling due after more than one year

	2008 £'000	2007 £'000
Bank loans and other borrowings	3,000	14,000

12. Bank and other borrowings

	2008 £'000	2007 £'000
Due within one year:		
Secured bank loan	–	5,094
Finance leases	–	8
	–	5,102
Due after more than one year:		
Secured bank loan	3,000	14,000
Total borrowings	3,000	19,102

The terms of the loan are disclosed in the Group accounts in note 24.

12. Bank and other borrowings continued

Bank borrowings are repayable as follows:

	2008 £'000	2007 £'000
Due within one year:		
On demand or within one year	–	5,094
In the second year	–	3,500
In the third to fifth years inclusive	3,000	10,500
Total borrowings	3,000	19,094

13. Operating lease commitments

	Land and buildings 2008 £'000	Land and buildings 2007 £'000
Lease expiry:		
Within one year	112	112

14. Share-based payments

The Company operates a share option plan and phantom share scheme. The terms of these are disclosed on pages 30 and 43 of the consolidated financial statements. The share options outstanding are the same for the Company as for the consolidated financial statements and details of the share options outstanding are disclosed in note 32 to the financial statements.

15. Share capital

The movements on share capital are disclosed in note 31 to the financial statements.

On 26 June 2008 the High Court approved the special resolution to reduce the Company's share premium account by £8,551,000 and thereby eliminate the deficit on the Company's profit and loss account. This has been reflected in the Company accounts.

16. Reserves

	Share premium account £'000	Retained earnings £'000	Total £'000
1 July 2007	25,304	(9,493)	15,811
Cancellation of share premium account	(8,551)	8,551	–
Retained profit for the year	–	947	947
30 June 2008	16,753	5	16,758

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Regeneris plc ("the Company") will be held at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on 17th November 2008 at noon for the following purposes:

Ordinary business

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the directors' report, the directors' remuneration report and the Company's annual accounts for the year ended 30 June 2008, together with the auditors' report on those accounts.
2. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid.
3. To authorise the directors to agree the remuneration of KPMG Audit Plc.

Special business

To consider and, if thought fit, to pass the following resolution 4 as an ordinary resolution and as to resolutions 5 and 6 as special resolutions:

4. That, pursuant to Section 80 of the Companies Act 1985 ("the Act") and in substitution for all existing authorities under that section, the directors be and are hereby unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £188,950 (being 9,447,500 ordinary shares) provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after passing of this resolution, save that the Company may make an offer or agreement before expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if such authority conferred had not expired.
5. That, subject to the passing of resolution 4, pursuant to section 95 of the Act and in substitution of all existing authorities under that section, the directors be and are hereby unconditionally empowered to allot equity securities (within the meaning of Sections 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 4 as if Section 89(1) of the Act did not apply to such allotment, provided that such power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to such fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £28,342,

and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "subject to the passing of resolution 4" were omitted.

6. That pursuant to section 166 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 2 pence each in the capital of the Company ("Shares"), provided that:
 - (a) the maximum number of Shares which may be purchased is 2,834,257

(b) the minimum price (exclusive of expenses) that may be paid for a share is 2 pence

(c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for the Shares as derived from the Daily Official List for the five business days immediately preceding the day on which the purchase is made

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company, save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

By Order of the Board

J. N. Temple

Company Secretary

Company Number: 5113820

Registered Office:
4 Elm Place
Old Witney Road
Eynsham
Oxford
OX29 4BD

Notes

1. In accordance with Regulation 41 of the Un-certificated Securities Regulations 2001, only those members registered in the register of members of the Company as at noon on 15 November 2008 or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after noon on 15 November 2008 or, in the event of the meeting being adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
3. A form of proxy is enclosed. To be valid, it must be returned by one of the following methods:
 - (a) in hard copy form (together with any power of attorney or other written authority under which it is signed or a copy of such authority notarially certified or certified in some other way by the directors) by post, courier or by hand to the offices of the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; or
 - (b) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In each case, instructions must be received by noon on 15 November 2008 or, in the event the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting.

4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the

appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited (“EUI”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Un-certificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5. In the case of joint holdings, only one holder may sign and the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, seniority for this purpose being determined by the order in which the names stand on the register of members in respect of joint holdings.
6. Copies of the executive directors’ service contracts and non-executive directors’ letters of appointment will be available for inspection during normal business hours at the registered office of the Company (excluding weekends and public holidays). They will also be available for inspection at the place of the annual general meeting from 11.45am on the day of the meeting until the conclusion of the meeting.
7. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
8. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the chairman’s letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Locations

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