

Regulatory Announcement

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ReEnergy Group PLC
28 September 2007

ReEnergy Group plc
("ReEnergy" or the "Company")

ReEnergy, a renewable energy company at an early stage of development, is pleased to announce its interim results for the six months ended 30 June 2007.

HIGHLIGHTS

- Focus of the Group on waste management and water treatment
- Focus of Estech Europe on the merchant plant market
- Merchant plant proposal submitted to Hereford & Worcester
- Launch of mini autoclaving plants for food and commercial waste markets
- Development of sustainable autoclaving fibre off-take outlets
- Re-focused ReEnergy Desalination Inc. growing project pipeline
- Cost reduction programme delivering results with activity increased
- Acquisition of the remaining shares in Estech Europe Limited not already owned by the Company

Roger Hewitt, Executive Chairman, comments:

"Good progress has been made in developing our leading waste management technology and the business plan for its application. ReEnergy has identified increasing pressure on existing treatment capacity to satisfy the growing demand to treat all waste prior to disposal. The provision of merchant autoclaving plants, along with PFI facilities where appropriate, will play an important part in the Group's future development.

An important milestone for the Company was our submission to Hereford & Worcester of a merchant plant proposal and I am pleased to report that discussions have commenced in respect of that project.

ReEnergy Desalination Inc. has been successfully re-focused and the company is actively pursuing a growing pipeline of seawater desalination projects, several of which are of substantial size.

Despite increasing activity, we have maintained our cost reduction programme and the Board is grateful for the consistent level of shareholder support that the Group has received. Management is committed to moving the Company into a revenue-earning position and delivering shareholder expectations."

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Notes to Editors

ReEnergy offers a number of solutions to meet the rapidly growing demand in these sectors for technologies that are considered sustainable and resource efficient. These include:

- Fibrecycle(R) technology that separates and recycles municipal solid waste (MSW), producing a multi-use fibre product (Europe and UK Scotland)
- Pirelli's advanced environmental technologies to produce a highly calorific refuse derived fuel (RDF) for use as an alternative to coal in thermoelectric power plants and cement kilns (UK only)
- Niche desalination plants (worldwide)

Adoption of International Financial Reporting Standards (IFRS)

The Group's financial statements for the year ended 31 December 2007 will be the first annual financial statements which comply with IFRS. These interim financial statements have been prepared on the basis set out in note 1.

The Group's transition date is 1 January 2006. The Group prepared its opening balance sheet at that date. The reporting date of these interim consolidated financial statements is 30 June 2007.

TRADING UPDATE

Following the strategic review earlier in the year, ReEnergy decided to focus completely on waste management and seawater desalination and to place further development of thermal recovery (TRU) on hold while these objectives are being pursued. I am very pleased to be able to report that we have submitted a merchant plant proposal to Hereford and Worcester Councils and have commenced active discussions with Worcestershire.

Financial performance

The total cash burn for the six months was £2,794.0k; an average of £465.7k per month.

The underlying average cash burn, prior to one-off costs, for the period was £427.1k per month. In the three months to 30 June 2007, however, the underlying average cash burn was £372.3k, indicating the tight control of overhead and costs expenditure being maintained in all Company activities.

Waste Management

Market Developments

ReEnergy has identified enhanced opportunities from regulatory developments in the waste management sector which require the treatment of increasing volumes of waste that have an organic content. The key statutory requirement is for the volume of MSW sent to landfill to be reduced to 75% of 1995 levels by 2010, to 50% by 2013 and to 35% by 2020. It is clear that these targets, specifically those for 2010 and 2013, pose a challenge for Local Authorities, particularly given the slow rate of development of PFI projects.

From October 2007, there will also be a requirement to pre treat all waste prior to disposal, including commercial and industrial waste. This is likely to introduce approximately 30 million tonnes of additional waste into the treatment market, a large element of which will have a similar organic content to MSW and will therefore be suitable for the Group's autoclaving technology. This represents a significant opportunity for the Company. In order to take advantage of these market opportunities, the Group has broadened its process capability to encompass merchant autoclaving facilities as well as PFI projects, where the lead times are much longer

The IPR, process plant and patent developments by Estech Europe have increased the range of autoclaving equipment available to the Group to respond to opportunities in the MSW, commercial and food waste sectors. The development of sustainable autoclaving fibre off-take options will enable the Group to provide a complete solution to waste processing and disposal as well as the ability to access long term profitable outlets.

Estech Europe Ltd ("Estech Europe")

As announced, on 23 July 2007, the Company acquired the majority of the remaining shares in Estech Europe not already owned by the Company pursuant to the recommended offer of 16 July 2007 made to the minority shareholders in Estech Europe.

This acquisition of the majority (98.4% of the outstanding 49%) of Estech Europe demonstrates our confidence in the growing market for the company's technology and also serves to align the former Estech Europe minority shareholders with the ReEnergy shareholders in securing the developing potential of that market.

Local Authorities face challenging MSW diversion targets set by the Landfill Directive particularly those taking effect in 2010 and 2013. The protracted and complex contractual negotiation of PFI projects has resulted in Local Authorities recognising the need for access to alternative processing plants to meet their diversion targets. This has resulted in the emergence of merchant plants established by operators as independent facilities capable of taking a mixture of Local Authority and commercial and industrial waste and which can be established relatively quickly.

Amec plc has divided its business, with its design and project services arm being acquired by Morgan Sindall and its investment arm, APIL, in the process of being acquired by Land Securities Trillium. Estech Europe continues to work with Morgan Sindall as a potential EPC contractor and with APIL as equity partner.

As previously announced, ReEnergy and Estech Europe have formed a relationship with APIL to work together and bid for projects utilising the Estech Europe Fibrecycle process. Earlier this year as part of the collaboration with APIL, we submitted an alternative PFI proposal based on Estech Europe's leading autoclaving technology to the Councils of Herefordshire & Worcestershire. On 7 September 2007, we submitted a further proposal to the Councils for the establishment of a merchant plant at the Hartlebury site, which has planning and

waste management licensing for an Estech Europe autoclaving plant and we now are in discussion with Worcestershire County Council in respect of that facility.

Estech Europe has made progress in developing sustainable fibre off-take outlets that will satisfy the planning condition imposed by any Local Planning Authority. These outlets include the manufacture of paper and cardboard, MDF board, the recovery of energy by gasification and carbon manufacture.

As a result of the detailed design work carried out on the Estech Europe process, we are able to commence work on a contract with a Local Authority or commercial client quickly and effect construction and commissioning to a tight programme. This ability is particularly important where merchant plants are concerned as part of their attraction to any client, whether Local Authority or commercial, is early access for the treatment of their waste.

Estech Europe is pursuing a number of merchant plant opportunities, including facilities at Stoke-on-Trent, Garston Docks and Wolverhampton. The Stoke site already has planning permission for waste management and work is proceeding on the plant design and business plan.

Estech Europe has recently launched a new range of 'mini' autoclaving plants designed for application to facilities such as airports, food manufacturing plants, supermarkets and retail complexes which have generated interest within this market.

As previously reported, Estech Europe is supporting VT Group plc in its bid for a waste management project in Wakefield which involves the Estech Europe autoclaving technology.

The recent judgement in respect of re-processed waste oils being categorised as a product rather than a waste is encouraging for the future of the fibre produced from the Estech Europe process and because it may allow it to be used directly as a fuel or RDF in major combustion plants.

Pirelli

Efforts have continued to promote refuse-derived-fuel ("RDF") as a product which would enable its use on a commercially viable basis as a fuel. As previously reported, the process to secure this re-classification has met with some difficulty and earlier in the year in line with the Group's decision to reduce costs, the Company proposed to Pirelli a moratorium on the Technical Services Agreement fees while efforts to re-classify RDF as a non-waste continue. The Company ceased paying Technical Services fees from July 2007 which represents a material cost saving. The parties are in negotiation for the replacement of the exclusive licence with a non-exclusive licence. The parties will maintain the potential to form a joint venture when a suitable project is secured.

Water Treatment

ReEnergy Desalination Inc.

ReEnergy Desalination Inc. ("RDI") is an international project developer providing cost-effective solutions for the delivery of high quality, reliable and sustainable water to industrial and institutional facilities, resort and residential complexes and municipalities by the desalination of seawater.

Following the strategic review of earlier this year, RDI has focused its efforts

in four markets, namely Mexico, the Bahamas and the Caribbean, Peru and Chile and the Mediterranean Rim. Considerable progress has been made and a number of projects, some of a material size, are now in the pipeline in Mexico, the Bahamas and Peru. RDI employs a design, build, own and operate model which offers multiple income streams from sale of desalinated water to customers under long term water sales contracts, project development fees and from operation and maintenance agreements.

RDI has key strategic alliances with Desalination Marketing Services, a wholly owned subsidiary of Water Services Corporation, the public water utility of Malta and with Doosan Hydro Technology Inc, a subsidiary of Doosan Heavy Industries & Construction Co Ltd. These strategic alliances for technology and EPC services are proving to be very helpful in the progression of the project pipeline.

The Group continues to seek financial partners for the RDI activity, which arrangement could be for a majority stake in the business.

OUTLOOK

Re-Energy has spent the last two years developing both its technology and business model for a waste market that is now beginning to expand rapidly. The Company is confident that it is in a position to secure long term contracts with both commercial and public sector customers.

The strategic review of the Group conducted earlier in the year is taking effect in terms of reducing expenditure and cash burn and of focusing on business opportunities in the waste management and water desalination sectors.

The Group believes that the establishment of merchant autoclaving plants will open up access to the growing market for the treatment of MSW and commercial waste and the achievement of a revenue-earning position earlier than previously planned, although we will continue to bid for PFI projects.

In association with their strategic partners, RDI are actively pursuing a growing pipeline of opportunities in their different geographic areas of operation. We foresee considerable potential for this segment of the Group's activities and this may require the development of financing arrangements and other alliances particular to that business.

The Group's strong management team is committed to the securement of deliverable contracts with sustainable revenue streams to underpin the growth and development of the Group.

The Group remains confident of the future potential and benefits available for ReEnergy and its shareholders.

Michael Roger Hewitt
Executive Chairman

28 September 2007

	Unaudited at 30 June 2007	Unaudited at 30 June 2006 (restated)	Unaudited at 31 December 2006 (restated)
	£000	£000	£000

ASSETS

Non-current assets			
Goodwill	22,323	26,172	22,299
Other intangible assets	1,490	2,347	1,781
Property, plant and equipment	59	301	76
Investment	-	3	-
	-----	-----	-----
	23,872	28,823	24,156
	-----	-----	-----
Current assets			
Trade and other receivables	323	311	405
Cash and cash equivalents	3,757	9,805	6,551
	-----	-----	-----
	4,080	10,116	6,956
	-----	-----	-----
Total assets	27,952	38,939	31,112
	=====	=====	=====
EQUITY AND LIABILITIES			
Share capital	4,078	4,058	4,078
Share premium	20,521	20,424	20,521
Share option reserve	235	304	235
Merger reserve	209	209	209
Translation reserve	(26)	(85)	(58)
Minority interest	-	1,249	-
Accumulated losses	(16,705)	(8,363)	(14,416)
	-----	-----	-----
Total equity	8,312	17,796	10,569
	-----	-----	-----
	====		
Current liabilities			
Trade and other payables	5,597	2,478	3,691
	-----	-----	-----
	====		
Non-current liabilities			
	====		
Trade and other payables	14,043	18,665	16,852
	-----	-----	-----
	====		
	====		
Total liabilities	19,640	21,143	20,543
	-----	-----	-----
	====		
Total equity and liabilities	27,952	38,939	31,112
	=====	=====	=====
	Unaudited	Unaudited	Unaudited
	six months to	six months to	12 months to
	30 June 2007	30 June 2006	31 December
			2006
		(restated)	(restated)
	£000	£000	£000

Administration expense	(2,204)	(3,978)	(7,397)
Impairment of goodwill	-	-	(2,597)
Impairment of licences	-	-	(117)
Impairment of tangible assets	-	-	(125)
Impairment of investments	-	-	(3)
	-----	-----	-----
Loss from operations	(2,204)	(3,978)	(10,239)
Investment income	134	101	308
Finance costs	(219)	(52)	(402)
	-----	-----	-----
Loss before tax	(2,289)	(3,929)	(10,333)
Taxation	-	-	168
	-----	-----	-----
Loss after tax	(2,289)	(3,929)	(10,165)
	=====	=====	=====
Attributable to:			
Equity holders of the parent	(2,289)	(3,876)	(9,929)
Minority interest	-	53	236
Loss per ordinary share - basic and diluted	(2.8)p	(7.2)p	(14.7)p

-----Attributable to equity holders of the company-----

Total	Minority	Share Capital Total Interest	Share premium account	Share Option reserve	Merger reserve	Accum- ulated losses	Trans- reserve
£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2005 (219)	-	726 (219)	-	-	209	(1,154)	-
Changes in equity for 2005							
Loss for the year (3,333)	-	(3,333)	-	-	-	(3,333)	-
Issue of share capital 12,671	-	1,141 12,671	11,530	-	-	-	-
Costs of issue of shares (1,479)	-	(1,479)	(1,479)	-	-	-	-
Share based payments	-	-	-	304	-	-	-

304	-	304					
Movement on re-translation of assets held by overseas subsidiaries							
(26)	-	(26)	-	-	-	-	(26)

At 31 December 2005							
(restated)	1,867	10,051	304	209	(4,487)		(26)
7,918	-	7,918					

Changes in equity for 2006

Loss for the six months	-	-	-	-	(3,876)		-
-	(3,876)						

Minority interest	-	-	-	-	-		-
-	1,249	1,249					

Issue of share capital	2,191	11,177	-	-	-		-
13,368	-	13,368					

Costs of issue of shares	-	(804)	-	-	-		-
(804)	-	(804)					

Movement on re-translation of overseas subsidiaries							
(59)	-	(59)	-	-	-		(59)

At 30 June 2006							
(restated)	4,058	20,424	304	209	(8,363)		(85)
16,547	1,249	17,796					

Loss for the six months	-	-	-	-	(6,053)		-
(6,053)	-	(6,053)					

Disposal of minority interest	-	-	-	-	-		-
-	(1,249)	(1,249)					

Issue of share capital	20	97	-	-	-		-
117	-	117					

Share based payments	-	-	(69)	-	-		-
(69)	-	(69)					

Movement on

re-translation of overseas subsidiaries	-	-	-	-	-	27
27	-	27				
		-----	-----	-----	-----	-----

At 31 December 2006 (restated)	4,078	20,521	235	209	(14,416)	(58)
10,569	-	10,569				

Changes in
equity for the
period ended
30 June 2007

Loss for the six months (2,289)	-	-	-	-	(2,289)	-
Movement on re-translation of overseas subsidiaries	-	-	-	-	-	32
32	-	32				
		-----	-----	-----	-----	-----

At 30 June 2007	4,078	20,521	235	209	(16,705)	(26)
8,312	-	8,312				
		=====	=====	=====	=====	=====
		=====				

	Unaudited six months to 30 June 2007	Unaudited six months to 30 June 2006 (restated)	Unaudited 12 months to 31 December 2006 (restated)
	£000	£000	£000

Net cash flow from operating activities

Operating cash (outflow) before movement in working capital	(1,905)	(3,724)	(6,750)
Income taxes (paid) / refunded	-	-	117
Interest paid	-	(52)	(9)
Interest element of finance lease rental payments	(4)	-	(3)
	-----	-----	-----
	(1,909)	(3,776)	(6,645)

Movement in working capital

Decrease in receivables	82	5,615	241
Decrease in payables	(1,066)	(6,285)	(2,601)

Net cash used in operating activities	(2,893)	(4,446)	(9,005)
Investing activities			
Interest received	134	101	290
Acquisition of equipment	-	(5)	(8)
Acquisition of intangibles	-	(124)	(2,000)
Net cash from investing activities	134	(28)	(1,718)
Financing activities			
Repayment of finance leases	(35)	-	(83)
Loans repaid	-	-	(2,394)
Proceeds from issue of share capital	-	12,196	17,668
Net cash (used for) / from financing activities	(35)	12,196	15,191
Net (decrease)/increase in cash in the period	(2,794)	7,722	4,468
Cash and cash equivalents at beginning of the period	6,551	2,083	2,083
Cash and cash equivalents at end of the period	3,757	9,805	6,551

1. Accounting policies

Basis of preparation

This Report was approved by the Directors on 26 September 2007.

From January 1 2007, the Group has adopted International Financial Reporting Standards ('IFRS') and the IFRIC interpretations in the preparation of its consolidated financial statements. The financial statements have been prepared under the historical cost basis. Information on the impact on accounting policies and financial results resulting from the conversion from UK Generally Accepted Accounting Practice ('UK GAAP') to IFRS is provided later in this report.

Prior to 2007, the Group prepared its audited financial statements and unaudited interim financial statements under UK GAAP. From 1 January 2007, the Group is required to prepare annual consolidated financial statements in accordance with IFRS as adopted by the European Union. As the 2007 annual financial statements

will include comparatives for 2006, the Group's date of transition to IFRS is 1 January 2006 with the 2006 comparatives restated to IFRS. Accordingly the financial information for the six months to 30 June 2006 has been restated to present the comparative information in accordance with IFRS based on the transition date of 1 January 2006.

The accounting policies applied in these unaudited half year financial statements are those that the group expects to apply in its annual financial statements for the year ended 31 December 2007, which will be prepared in accordance with IFRS, and those parts of the Companies Act 1985 that remain applicable to companies reporting under IFRS.

This half yearly report does not constitute statutory accounts of the group within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006, which were prepared under UK generally accepted accounting principles (UK GAAP), have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985. The results for the year ended 31 December 2006 disclosed in this report are an abridged version of the company's audited financial statements adjusted for the transition to IFRS. It does not constitute the Financial Statements for that period.

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

IFRS 8 Operating Segments

IFRIC 8 Scope of IFRS 2 Share - based Payment

IFRIC10 Interim Financial Reporting and Impairment

IFRIC 11 Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

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 when the relevant standards come into effect for periods commencing on or after 1 January 2008.

Going Concern

The Directors have reviewed the company's cash flow forecast up to December 2008, taking into account all known risks and uncertainties. The necessary funds to meet the capital costs of a project such as Hereford & Worcester will be raised independently in their entirety at financial close.

Following their review, the Directors believe that cash flow can be managed to enable the Group to continue in operational existence for the foreseeable future. They have introduced a cost reduction programme which has significantly reduced the rate of cash outflow. Accordingly, the Going Concern basis has been adopted for the preparation of these interim financial statements.

Basis of consolidation

Under the share purchase agreement dated 13 December 2004 and 17 March 2005 the Company acquired the entire issued share capital of ReEnergy USA (formerly Renergy Pacific Corp.) by means of a share for share exchange. As this represented a group reconstruction, merger accounting has been used to consolidate these companies and the consolidated financial statements merge the financial statements of these undertakings as if they had always so been owned. Accordingly, in those years when mergers take place, the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date, and corresponding figures for previous years are re-stated.

All other subsidiaries are consolidated using the purchase method and their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separate net assets acquired is capitalised as goodwill.

Accounting policies

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Other intangible fixed assets

Other intangible fixed assets relate to the intellectual property acquired by the Group either through licence agreements or outright purchase. Intangible fixed assets are stated at historical cost.

Amortisation is provided at rates calculated to write down each asset from the date of its acquisition to its estimated residual value evenly over the term of the licence or its expected useful life, as follows:

Licences	term of the licence
Acquired intellectual property	20 years

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Estech demonstration plant	5 years
Motor vehicles	3 years
Other plant, machinery and equipment	2 to 4 years

Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An

impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount.

Impairment Review

Goodwill represents the Group's 51% investment in Estech Europe Limited and its technology and know-how at the date of these financial statements.

In considering the carrying values the Directors reviewed the strengthening of the emerging market and the discounted value of the current pipeline of projects, taking into account both their long term nature and the length of time it will take before they are commissioned. Taking all of these factors into account the Directors are of the opinion that goodwill is not impaired at 30 June 2007.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that 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 company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the year.

The financial statements of foreign enterprises are translated into sterling using the temporal method, whereby monetary assets and liabilities are translated at the closing exchange rate and non-monetary assets are translated at their historic rate. The resulting exchange difference is taken directly to the profit and loss reserve.

Share based payments

The Group has issued equity-settled share-based payments to one employee. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Equity-settled share-based transactions with parties other than employees and those providing similar services are measured at the fair value of goods or

services provided, unless this cannot be reliably measured in which case the transaction is measured at the fair value of the equity instrument granted.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Pension costs

The Group makes payments on behalf of certain employees to personal pension plans. The pension costs charged in the financial statements represent the contributions payable by the Group for the period.

Finance costs

Finance costs of debt are recognised in the income statement over the term of the instrument at a constant rate on the carrying amount.

Research and development

It is the Group's policy to write off research and development expenditure in the period in which it is incurred.

2. Events after the balance sheet date

2.1 On 16 July 2007, ReEnergy Group plc (the "Company") made a recommended offer for the entire issued share capital of Estech Europe Limited ("Estech") (the "Estech Shares") other than the Estech Shares already owned by the Company (such Estech Shares amounting to 51 per cent. of the issued share capital of Estech). In addition to the transfer of the Estech Shares, the terms of the recommended offer included, inter alia, provisions for the transfer of the rights arising from the shareholder loans made by the minority shareholders of Estech to Estech ("Loan Rights"). Further, the terms of the recommended offer required the minority shareholders to enter into a deed of termination and release relating to the acquisition agreement pursuant to which the Company originally acquired its interest in Estech and a lock-in deed prohibiting the minority shareholders who accepted the offer from disposing of any interest in the Company's shares issued to them for a period of 12 months from July 2007. The accepting shareholders were also required to enter into agreements which contain certain restrictions on competing with the Company's business for a certain period of time.

In consideration of the transfer of the Estech Shares and the Loan Rights, along with the entering into of the above mentioned agreements, the Company agreed to issue shares in itself, along with promissory notes, to each of the accepting minority shareholders in proportion to their Estech shareholdings and

shareholder loans (as applicable). The promissory notes offer the minority shareholders a right to participate in the Company's future success. The terms of the promissory note provide for, inter alia, payments to be made to the minority shareholders in relation to certain autoclave projects on the happening of defined events.

On 23 July 2007, the Company had received valid acceptances of the offer from a majority of the minority shareholders. To date, Estech LLC, which holds Estech Shares equating to 1.6% of the issued share capital of Estech, has not validly accepted the offer. Estech LLC have been served a statutory notice advising them that they have until 1 October 2007 to accept the offer. If they do not accept the offer within this period, the Company is able to compulsorily acquire their shares pursuant to the compulsory acquisition procedure prescribed by law.

2.2 On 27 April 2007 and as part of the collaboration with APIL, the Company submitted an alternative PFI proposal to Hereford & Worcester based on Estech Europe's market leading autoclaving technology. On 7 September 2007, together with APIL, the Company submitted a further proposal to the Councils for the establishment of a merchant plant at the Hartlebury site, which is owned by Worcestershire County Council. This site has planning permission and a waste management licence for an Estech Europe autoclaving plant. The Company is now in discussion with Worcestershire County Council in respect of that merchant plant facility.

2.3 Earlier in the year, in line with the Group's decision to reduce costs, the Company proposed to Pirelli a moratorium on the Technical Services Agreement fees while efforts to re-classify RDF as a non-waste continue. The Company ceased paying Technical Services fees from July 2007 which represents a material cost saving. The parties are in negotiation for the replacement of the exclusive licence with a non-exclusive licence. The parties will maintain the potential to form a joint venture when a suitable project is secured.

3. Loss per share

Loss per share is based on a loss after taxation of £2,289,000 (2006: 3,876,000) and on 81,553,460 (2006: 53,778,700) ordinary shares, being the calculated weighted average number in issue during the six months ended 30 June 2007.

	Unaudited 6 months to 30 June 2007	Unaudited 6 months to 30 June 2006	Audited Year ended 31 December 2006
	No.	No.	No.
Basic weighted average number of shares	81,553,460 =====	53,778,700 =====	67,502,136 =====

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share is identical for all periods to those used for the basic earnings per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard No.

22.

4. Impact of the first time adoption of IFRS

The Group's financial statements for the year ended 31 December 2007 will be the first annual financial statements which comply with IFRS. These interim financial statements have been prepared on the basis set out in note 1.

The Group's transition date is 1 January 2006. The Group prepared its opening balance sheet at that date.

The reporting date of these interim consolidated financial statements is 30 June 2007.

The reconciliations on pages 15 to 19 provide an explanation of the effect of the transition to IFRS.

Impact of the first time adoption of IFRS (continued)

Balance sheet reconciliation at 1 January 2006

	UK GAAP	Effect of transition to IFRS	IFRS
	£000	£000	£000
ASSETS			
Non-current assets			
Goodwill	26,048	-	26,048
Other intangible assets	2,522	-	2,522
Property, plant and equipment	359	-	359
Investment	3	-	3
	-----	-----	-----
	28,932	-	28,932
	-----	-----	-----
Current assets			
Trade and other receivables	5,926	-	5,926
Cash and cash equivalents	2,083	-	2,083
	-----	-----	-----
	8,009	-	8,009
	-----	-----	-----
Total assets	36,941	-	36,941
	=====	=====	=====
EQUITY AND LIABILITIES			
Share capital	1,867	-	1,867
Share premium	10,051	-	10,051
Share option reserve	304	-	304
Merger reserve	209	-	209
Accumulated losses	(4,513)	-	(4,513)
	-----	-----	-----
	7,918	-	7,918
Minority interest	1,302	-	1,302
Total equity	9,220	-	9,220
	-----	-----	-----

Current liabilities

Trade and other payables	9,134	-	9,134
	-----	-----	-----

Non-current liabilities

Trade and other payables	18,587	-	18,587
	-----	-----	-----

Total liabilities	27,721	-	27,721
	-----	-----	-----

Total equity and liabilities	36,941	-	36,941
	=====	=====	=====

Impact of the first time adoption of IFRS continued

Balance sheet reconciliation at 30 June 2006

	UK GAAP	Effect of transition to IFRS	IFRS
	£000	£000	£000
ASSETS			
Non-current assets			
Goodwill	25,513	659	26,172
Other intangible assets	2,347	-	2,347
Property, plant and equipment	301	-	301
Investment	3	-	3
	-----	-----	-----
	28,164	659	28,823
	-----	-----	-----
Current assets			
Trade and other receivables	311	-	311
Cash and cash equivalents	9,805	-	9,805
	-----	-----	-----
	10,116	-	10,116
	-----	-----	-----
Total assets	38,280	659	38,939
	=====	=====	=====
EQUITY AND LIABILITIES			
Share capital	4,058	-	4,058
Share premium	20,424	-	20,424
Share option reserve	304	-	304
Merger reserve	209	-	209
Translation reserve	(85)	-	(85)
Minority interest	1,249	-	1,249

Accumulated losses	(9,022)	659	(8,363)
	-----	-----	-----
Total equity	17,137	659	17,796
	-----	-----	-----
Current liabilities			
Trade and other payables	2,478	-	2,478
	-----	-----	-----
Non-current liabilities			
Trade and other payables	18,665	-	18,665
	-----	-----	-----
Total liabilities	21,143	-	21,143
	-----	-----	-----
Total equity and liabilities	38,280	659	38,939
	=====	=====	=====

Impact of the first time adoption of IFRS continued
Reconciliation of income statement six months to 30 June 2006

	UK GAAP	Effect of transition to IFRS	IFRS
	£000	£000	£000
Revenue	-	-	-
Administration expenses	(4,637)	659	(3,978)
Impairment of goodwill	-	-	-
Impairment of licences	-	-	-
Impairment of tangible assets	-	-	-
Impairment of investments	-	-	-
	-----	-----	-----
Loss from operations	(4,637)	659	(3,978)
Investment income	101	-	101
Finance costs	(52)	-	(52)
	-----	-----	-----
Loss before tax	(4,588)	659	(3,929)
Taxation	-	-	-
	-----	-----	-----
Loss after tax	(4,588)	659	(3,929)
Minority interest	53	-	53
	-----	-----	-----
Loss retained for the period	(4,535)	659	(3,876)
	=====	=====	=====

Loss per ordinary share - basic and diluted	(8.4)p	1.2p	(7.2)p
---	--------	------	--------

Impact of the first time adoption of IFRS continued

Balance sheet reconciliation at 31 December 2006

	UK GAAP	Effect of transition to IFRS	IFRS
	£000	£000	£000
ASSETS			
Non-current assets			
Goodwill	21,184	1,115	22,229
Other intangible assets	1,781	-	1,781
Property, plant and equipment	76	-	76
Investment	-	-	-
	-----	-----	-----
	23,041	1,115	24,156
	-----	-----	-----
Current assets			
Trade and other receivables	405	-	405
Cash and cash equivalents	6,551	-	6,551
	-----	-----	-----
	6,956	-	6,956
	-----	-----	-----
Total assets	29,997	1,115	31,112
	=====	=====	=====
EQUITY AND LIABILITIES			
Share capital	4,078	-	4,078
Share premium	20,521	-	20,521
Share option reserve	235	-	235
Merger reserve	209	-	209
Translation reserve	(27)	(31)	(58)
Accumulated losses	(15,562)	1,146	(14,416)
	-----	-----	-----
Total equity	9,454	1,115	10,569
	-----	-----	-----
Current liabilities			
Trade and other payables	3,691	-	3,691
	-----	-----	-----
Non-current liabilities			
Trade and other payables	16,852	-	16,852
	-----	-----	-----

Total liabilities	20,543	-	20,543
	-----	-----	-----
Total equity and liabilities	29,997	1,115	31,112
	=====	=====	=====

Impact of the first time adoption of IFRS continued

Reconciliation of income statement year ended 31 December 2006

	UK GAAP	Effect of transition to IFRS	IFRS
	£000	£000	£000
Revenue	-	-	-
Administration expenses	(8,643)	1,246	(7,397)
Impairment of goodwill	(2,466)	(131)	(2,597)
Impairment of licences	(117)	-	(117)
Impairment of tangible assets	(125)	-	(125)
Impairment of investments	(3)	-	(3)
	-----	-----	-----
Loss from operations	(11,354)	1,115	(10,239)
Investment income	308	-	308
Finance costs	(402)	-	(402)
	-----	-----	-----
Loss before tax	(11,448)	1,115	(10,333)
Taxation	168	-	168
	-----	-----	-----
Loss after tax	(11,280)	1,115	(10,165)
Minority interest	236	-	236
	-----	-----	-----
Loss retained for the period	(11,044)	1,115	(9,929)
	=====	=====	=====
Loss per ordinary share - basic and diluted	(16.4)p	1.7p	(14.7)p

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