

## Regulatory Announcement

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<b>Company</b>	ReEnergy Group PLC
<b>TIDM</b>	RGY
<b>Headline</b>	Preliminary Results
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ReEnergy Group PLC

28 June 2006

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

### Preliminary Results For the year ended 31 December 2005

ReEnergy Group was created in November 2004 to take advantage of significant opportunities identified in the waste management, sustainable energy and water treatment sectors for the provision of renewable and sustainable environmental solutions and resource management.

#### HIGHLIGHTS

- Admission to AIM and Initial Public Offering in December 2005
- Acquisition of Estech Europe Ltd
- Secured, at the time of IPO, a licence to utilise Pirelli Ambiente RDF technology in the UK
- Set up 5 Oases joint ventures
- Hereford and Worcester: contract negotiations to supply Fibrecycle(R) plant continue to progress with Commercial close targeted 31 July
- Pre-qualified for Wakefield contract to provide Fibrecycle(R) plant

#### Secondary funding

- Necessary due to failure of largest shareholder to honour working capital commitment made at time of IPO
- Shortfall financed via £12.75m equity issue
- Resulted in strengthened balance sheet and ability to accelerate development programs

Roger Hewitt, ReEnergy's Executive Chairman said:

"I am pleased to present ReEnergy's first set of results since the Group's admission to AIM on 30 December 2005. Following our successful refinancing we are well equipped to deliver the business plan set out in our admission document. Management will continue to concentrate on increasing the efficiency of Group business processes in order to reduce expenditure and accelerate project development and position the business to win major contracts."

The Annual Report and Accounts will be posted to Shareholders on Thursday 29 June 2006 together with the notice of the re-convened Annual General Meeting which will be held on Thursday 27 July 2006 at Tower 42, 25 Old Broad Street, London EC2N 1HQ.

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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 excluding 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)
- Thermal recovery units (TRUs) that recover low-grade waste heat from industrial processes (worldwide)
- Niche desalination plants (worldwide)

#### Chairman's Statement

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I am pleased to present ReEnergy's first set of results since the Group's creation in November 2004 and its admission to AIM on 30 December 2005.

The principal purpose of our Initial Public Offering ("IPO") was to provide the

necessary funds to complete two major transactions, the acquisition of Estech Europe Ltd and to secure the Pirelli licence. In addition funds raised provided working capital for these businesses, for Oases, our water desalination business acquired in September 2005, and TRU, our thermal recovery business.

The IPO raised £6.5m by way of equity subscription and a further £6.25m to be provided by Boston Equities International ("BEI"), which made an irrevocable commitment to subscribe £1.25m for shares at the IPO price of 75p by 31 March 2006 and also to put in place a working capital facility of £5m.

It became clear in March of this year that BEI was not going to honour either of its commitments. BEI's default made it necessary to go back to our shareholders to bridge the funding shortfall. This successful refinancing took place between 11 April 2006 and 24 April 2006. We suspended trading in our shares during the refinancing. Our refinancing raised £12.75m at 30p per share. I was very pleased and encouraged by the support that we received from our institutional shareholders. Our shares were readmitted to trading on 25 April 2006.

We have given all our shareholders the opportunity to subscribe for shares on the same terms where we are permitted so to do by the relevant security regulations. We will be contacting those who express an interest in acquiring more shares.

Brian Harcourt, who is a significant shareholder in BEI, has resigned as Deputy Chairman and left the Board of Directors.

We are in the process of recruiting a Finance Director to further strengthen our executive management team and we expect an appointment to be made in the near future. Additionally we are in the process of recruiting further non-executive directors.

We have recently appointed Corporate Synergy as our broker and the Cardew Group as our public relations advisers.

## Financial Overview

Notwithstanding the turbulence referred to above, expenditure is consistent with budgets. However the Group has a high level of expenditure as all its activities are in project and business development. However, management will continue to concentrate on increasing the efficiency of Group business processes in order to reduce this expenditure and accelerate project development.

## Waste Management

## Estech

We completed the acquisition of Estech in December 2005. Our immediate objectives are to secure the Hereford and Worcester Project and to reduce expenditure. Achieving these objectives should position the company to win other

major waste management contracts.

The Hereford and Worcester Project is a complex matrix of contracts involving a number of parties. We have been progressing this against a clear and achievable programme of events. The Council(s) remain(s) firmly committed to the Project and we have made significant steps in refining the project documentation with the target of financial close by the end of July.

Also we have pre-qualified for a major waste contract with Wakefield District Council. Estech is part of a consortium including Vosper Thorneycroft and is one of three parties moving forward to the next stage of negotiation. The project will involve two Estech Fibrecycle facilities, a 50,000 tonne Anaerobic Digestion Facility and several other process elements on a nine hectare site in South Kirby. The project also involves the operation of three separate Household Recycling Centres in the Wakefield area and a Transfer Loading station.

Since the acquisition of Estech, we have been reviewing the resources available to negotiate, develop and deliver projects. We are introducing greater rigour into the project management process to improve efficiency and reduce costs.

Pirelli Ambiente

The Pirelli Licence agreement was concluded on the completion of the IPO in December 2005. Since that time we have been working with Pirelli to develop an information strategy directed at the EU Waste Framework Directive development programme in the context of Refuse Derived Fuel (RDF). This is being actively promoted in the European Commission by a number of member states and is targeted at RDF being categorised as a product (i.e. a fuel) and not a waste. This categorisation would remove the obligation for any process burning RDF to comply with the Waste Incineration Directive (WID). Pirelli already produce RDF in Italy which is used in combustion processes outside of the WID as Italy has granted exemption by Green Certificate. A similar and parallel initiative is being undertaken by ReEnergy to achieve this in the UK and this involves support from Pirelli. The potential for high grade RDF as a valuable renewable energy source is a matter of discussion between the waste sector and government. ReEnergy is actively involved in that debate with the objective of the early application of the technology to local authority waste management contracts arising from the Landfill Directive diversion targets.

Thermal Recovery Unit (TRU)

The licensor and developer of the TRU process has completed a 150kw test unit which is available for witness testing at the Milpitas landfill site at San Jose in California. This has been accomplished more slowly than we expected. Following testing we will need to expedite the delivery of our machine for Iberdrola's Carballo site in Spain. This machine will use a different specification heat transfer medium but this should not pose any major issues. The TRU market is a serious opportunity for the Group and the developer's delays are unhelpful to our exploitation of this potential. Now that the developer has

produced a unit in client application form ReEnergy has initiated discussions about how we can assume certain of the engineering and supervision of sub contractor manufacturing activities that will accelerate the delivery process and claw back some of the delay.

#### Water Desalination (Oases)

Since our acquisition of Oases in October 2005, the business has made good progress to achieve the targets that have been set in the Purchase agreement. The first performance milestone has been achieved in establishing four fully formed Joint Ventures with developed business plans within 90 days of the ReEnergy IPO.

Five joint ventures have commenced operation since the year end. These are Magh Oases (Morocco), Oaseslat (Mexico and Latin America excluding Peru and Chile), Oaseslat Peru, (Peru and Chile) Oases Florida (Florida) and Oases Australia (Australia). Two further joint ventures have been formed and the business plans for these are being developed for approval.

The focus is now on the joint ventures delivering revenue generating projects. The four leading developments are Marcona, Peru, (16,000cmd), Diamante Del Mar, Mexico, (8,000 to 16,000cmd, Cabo San Lucas, Mexico (10,000cmd.) and Baha Mar, Bahamas, (9,000cmd). (cmd = cubic metres per day). Numerous other project opportunities are also being evaluated.

A new company, Oases Federal Systems (OFS) has been formed as a wholly owned subsidiary of Oases Global Systems to accommodate the receipt of a Cooperative Research and Development Agreement (CRADA) with the U.S. Departments of Energy (DoE) and Defence (DoD). The objective of the CRADA is to commercialise the Oases Plasma Chemical Reactor (PCR) Technology. It is believed that the use of the PCR for the pre-treatment of seawater prior to desalination will give Oases a significant competitive advantage in developing its desalination systems.

#### PowerBuoy Project, Eureka California

This project to develop a 20MW PowerBuoy generating project at Eureka is progressing to programme. A bond of \$60,000 has been lodged as security for the negotiations for a power purchase agreement which should be concluded in July, following which the 12 month permitting process should begin. Installation is programmed for completion in 2009.

#### ITI Gasifier

The Memorandum of Understanding between ReEnergy and ITI in relation to a licence agreement or joint venture agreement lapsed. The two companies are now discussing working together on individual projects where ITI Gasifier technology would be employed with the Estech Fibrecycle(R) process. Successful performance tests have been carried out on this.

## Outlook

Following our successful refinancing we are well equipped to deliver the business plan set out in our admission document.

## Consolidated Profit and Loss Account

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for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Administrative expenses		(2,795)	(705)
		-----	-----
Operating Loss		(2,795)	(705)
		-----	-----
Operating loss attributable to: Continuing operations		(2,468)	(705)
Acquisitions in the year		(327)	-
		-----	-----
Interest income		28	-
Finance charges		(596)	(103)
		-----	-----
Loss on ordinary activities before taxation		(3,363)	(808)
Taxation		-	-
		-----	-----
Loss on ordinary activities after tax		(3,363)	(808)
Minority interest		30	-
		-----	-----
Loss retained on ordinary activities after tax and minority interest		(3,333)	(808)
		-----	-----
Loss per ordinary share	2	(17.9)p	(5.3)p
Loss per ordinary share (diluted)	2	(17.9)p	(5.3)p

The Operating Loss for the year arises from the Group's continuing operations

As explained in the accounting policies (basis of consolidation) the profit and loss account has been prepared using merger accounting principles and is presented as if the Group had been in existence throughout the current and prior periods.

## Group Statement of Total Recognised Gains and Losses

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for the year ended 31 December 2005

	2005	2004
	£000	£000
Loss for the year	(3,333)	(808)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(26)	61
	-----	-----
Total recognised gains and losses relating to the year	(3,359)	(747)
	=====	=====

## Consolidated Balance Sheet

-----  
as at 31 December 2005

	Notes	2005	2004
		£000	£000
Fixed assets			
Intangible assets	3	28,570	123
Tangible assets		359	-
Investments		3	-
		-----	-----
		28,932	123
Current assets			
Debtors due within one year		5,926	6
Cash at bank and in hand		2,083	252
		-----	-----
		8,009	258
Creditors: amounts falling due within one year		(8,766)	(600)
		-----	-----
Net current assets		(757)	(342)
		-----	-----
Total assets less current liabilities		28,175	(219)
Creditors: amounts falling due after more than one year		(1,028)	-
		-----	-----
Net assets		27,147	(219)
		=====	=====
Capital and reserves:			
Called up share capital		1,867	726
Share premium account		10,051	-

Share option reserve		304	
Shares to be issued		17,927	-
Merger reserve		209	209
Profit and loss account		(4,513)	(1,154)
		-----	-----
Shareholders' funds	5	25,845	(219)
Minority interest		1,302	-
		-----	-----
Total capital employed		27,147	(219)
		=====	=====

Company Balance Sheet  
-----  
as at 31 December 2005

			2005 £000
Fixed assets			
Intangible assets			2,321
Tangible assets			6
Investments in subsidiary undertakings			14,535
			-----
			16,862
Current assets			
Debtors due within one year			8,284
Debtors due after more than one year			6,509
Cash at bank and in hand			1,940
			-----
			16,733
Creditors: amounts falling due within one year			(6,373)
			-----
Net current assets			10,360
			-----
Total assets less current liabilities			27,222
			-----
Net assets			27,222
			=====
Capital and reserves:			
Called up share capital			1,867
Share premium account			10,051
Share option reserve			304
Shares to be issued			17,927

Profit and loss account	(2,927)
Shareholders' funds	27,222

## Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Net cash outflow from operating activities		(1,646)	(405)
Returns on investments and servicing of finance			
Interest received		28	-
Finance charges		(437)	(103)
Net cash outflow from returns on investments and servicing of finance		(409)	(103)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(39)	-
Payments to acquire intangible fixed assets		(147)	(130)
Loan made		(1,000)	-
Net cash outflow from capital expenditure and financial investment		(1,186)	(130)
Acquisitions & disposals			
Purchase of subsidiary undertakings		(899)	-
Net cash acquired with subsidiaries		119	-
Net cash outflow from acquisitions		(780)	-
Cash outflow before financing		(4,021)	(638)
Financing			
Net proceeds from issue of shares		2,354	566
Issue of convertible loan notes		3,926	-
Loans received/ (repaid)		(389)	311
Net cash flow from financing		5,891	877
Increase in cash		1,870	239

Reconciliation of net cash flow to movement in net debt:

Increase in cash in year		1,870	239
Cash inflow from increase in debt financing		(3,537)	(311)
Change in net debt resulting from cash flows		(1,667)	(72)
Loans and finance leases acquired with subsidiaries		(1,130)	-
Loans converted into shares		3,926	-
Translation difference		(39)	-
Movement in funds in year		1,090	(72)
Opening net debt		(137)	(65)
Closing net funds/ (debt)	6	953	(137)

## Notes to the Preliminary Results

### 1. Accounting policies

The principal accounting policies, which have been consistently applied in the Group's financial information throughout the period under review, are as follows:

#### Basis of accounting

The consolidated financial information for the year ended 31 December 2005 has been prepared in accordance with applicable UK accounting standards. The financial information included in this announcement has been extracted from the un-audited financial statements for the year ended 31 December 2005. The contents of this announcement have been agreed with the Company's auditors.

The preliminary announcement does not constitute the Group's financial statements. The Group's 2005 Annual Report and Financial Statements, are to be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The annual report will be posted to shareholders on 30 June 2006 and will be laid before shareholders at the AGM on 27 July 2006. The financial information set out in this preliminary announcement was approved by the Board on 28 June 2006.

#### Basis of consolidation

The Group has been formed through the combination of nine entities:

- ReEnergy Group plc;
- Renergy Pacific Corporation;
- ReEnergy UK Ltd;
- Oases Global Systems, Inc;
- Oases UK Ltd;
- Estech Europe Ltd.
- Estech Operations Ltd;
- Tass Environmental Technology Ltd; and
- The Fibrecycle Company Ltd.

Under a share purchase agreement dated 13 December 2004 and 17 March 2005, ReEnergy acquired the entire issued share capital of Renergy Pacific Corp. by means of a share for share exchange. As this represented a group reconstruction, merger accounting has been used to recognise the consolidated results of these companies, presenting their financial performance and position as if they had always been merged. Therefore the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date. Accordingly, the accounts for the year ended 31 December 2004 reflect the financial position and performance of ReEnergy Pacific Corp. and ReEnergy Group plc. However, ReEnergy Group plc was not incorporated until 9 November 2005 and so the results for this prior year primarily reflect those of ReEnergy Pacific Corp.

On 25 August 2005 the Group acquired Oases Global Systems and on 26 August 2005 it acquired the entire issued share capital of ReEnergy UK Ltd and Oases UK Ltd. On 30 December 2005 the Group acquired Estech Europe Ltd., Estech Operations Ltd., Tass Environmental Technology Ltd., and The Fibrecycle Company Ltd. Acquisition accounting was used in respect of all of these transactions.

Because ReEnergy Group plc was not incorporated until 9 November 2004 the financial information for the Company covers the period 9 November 2004 to 31 December 2005. No comparative prior period results are presented for the Company.

The consolidated results presented for the period reflect those of the Company and Renergy Pacific Corp. for the whole period. The results of Oases Global Systems Inc. have been included from 25 August 2005 with Oases UK Ltd and ReEnergy UK Ltd. being included from 26 August 2005. No results are included for Estech Europe Ltd., Estech Operations Ltd., Tass Environmental Technology Ltd. and The Fibrecycle Company Ltd as these companies were only acquired on 30 December 2005. Balance sheets only have been consolidated as at 31 December 2005 for these three companies.

## 2. Earnings per Ordinary Shares

Basic earnings per share are calculated by dividing the loss for the financial year of £3,333,000 (2004: £808,000) attributable to ordinary shareholders by the

weighted average number of ordinary shares in issue of 18,659,949 (2004: 15,272,378). The potential ordinary shares at 31 December 2005 have no effect when calculating the diluted earning per share due to the loss for the year.

### 3. Intangible Fixed Assets - Group

	Licences £000	Goodwill £000	Total £000
Cost			
Brought forward at 1 January 2005	130	-	130
Additions	2,357	26,094	28,451
Acquisition of subsidiaries	47	-	47
Movement arising from retranslation of assets in overseas companies	16	-	16
	-----	-----	-----
At 31 December 2005	2,550	26,094	28,644
	-----	-----	-----
Amortisation			
Brought forward at 1 January 2005	7	-	7
Charge in year	20	46	66
Movement arising from retranslation of assets in overseas companies	1	-	1
	-----	-----	-----
At 31 December 2005	28	46	74
	-----	-----	-----
Net book value at 31 December 2005	2,522	26,048	28,570
	=====	=====	=====
Net book value at 31 December 2004	123	-	123
	=====	=====	=====

### 4. Acquisitions

#### Estech Europe Ltd

On 30 December 2005 ReEnergy Group plc acquired an initial 51% of Estech Europe Ltd ("Estech") with the actual consideration payable to be determined with reference to the net present value of projects secured by Estech over a 36 month period.

The acquired assets and liabilities of Estech Europe Ltd. and its subsidiaries were:

	Book & Fair Value £000
Tangible fixed assets	151
Intangible fixed assets	47
Debtors	186

Cash at bank and in hand	119
Creditors	(1,377)
Finance leases due after more than one year	(177)
Amounts payable to the Company	(7,516)
	-----
Net liabilities acquired	(8,567)
Goodwill	22,386
	-----
Consideration	13,819
	-----
Satisfied by:	
Shares to be issued	13,400
Acquisition costs	419
	-----
Consideration	13,819
	-----

The amounts payable to the company include loans from former shareholders that have been assumed by the company at acquisition.

#### Oases UK Ltd

On 30 September 2005 the group completed the acquisition of Oases UK Ltd.

Under the terms of The Asset Purchase Agreement Oases UK Ltd, a subsidiary of ReEnergy UK Ltd which is in turn a subsidiary of ReEnergy Group plc acquired all of the assets of the seller, Oases BVI. The significant assets were intellectual property rights, employment agreements and the interests in the joint ventures. In consideration for the purchase of the assets Oases UK issued 4,400,000 Ordinary 'C' class shares of 1p nominal value equal to 44% of its Equity shares to Oases BVI and its designees.

The board reviewed the fair value of the assets acquired and restated the tangible fixed assets to reflect the fair value of the vapour compression unit. Following this revaluation the price paid for the assets exceeded the fair value of the net assets by £3,708,000. This represents the value of the joint ventures that were under negotiation and the value attributed to the management team. Goodwill may become impaired if the joint ventures are not concluded or do not perform to current expectations.

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	-	182	182
Debtors	46	-	46
Investment in Joint Venture	3	-	3
Creditors	(1,276)	-	(1,276)
Long term loan	(851)	-	(851)

Net liabilities acquired	(2,078)	182	(1,896)
Goodwill			3,708
Consideration			1,812
Satisfied by:			
4,400,000 1p shares in Oases UK Ltd.			1,332
Acquisition costs			480
Consideration			1,812

#### Reenergy Pacific Corp

On 13 December 2004 and 17 March 2005 ReEnergy Group plc acquired the entire issued share capital of Reenergy Pacific Corp. in a share for share exchange. This has been accounted for by the merger method of accounting.

The nominal value of the shares issued in respect of this amounted to £713,619. Upon acquisition Reenergy Pacific Corp. had net liabilities of approximately £ (43,000).

#### 5. Reconciliation of Shareholders Funds Group

Reconciliation of movements in shareholders' funds:	2005	2004
	£000	£000
Loss for the financial year	(3,333)	(808)
New share capital subscribed (net of expenses)	11,192	176
Increase in shares to be issued	17,927	-
Share options reserve	304	
Currency translation differences	(26)	61
Issue of shares by Reenergy Pacific Corp.	-	390
Net addition to shareholders' funds	26,064	(181)
Opening shareholders' funds	(219)	(38)
Closing shareholders' funds	25,845	(219)

#### 6. Analysis of change of net debt in year:

At 1 January	Cashflow	Acquisition	Other non cash	Exchange movement	At 31 December
-----------------	----------	-------------	-------------------	----------------------	-------------------

	2005			charges		2005
	£000	£000	£000	£000	£000	£000
Cash in hand and at bank	252	1,870	-	-	(39)	2,083
Debt due within one year	(389)	(3,537)	-	3,926	-	-
Debt due after one year	-	-	(851)	-	-	(851)
Finance leases	-	-	(279)	-	-	(279)
	-----	-----	-----	-----	-----	-----
	(137)	(1,667)	(1,130)	3,926	(39)	953
	=====	=====	=====	=====	=====	=====

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