

**23 NOVEMBER 2009**

**PURE WAFER PLC (“Pure Wafer” or “the Group”)**

**Preliminary Results for year ended 30 June 2009**

Pure Wafer plc, the provider of high quality silicon wafer reclaim services for many of the world’s leading semiconductor manufacturers as an integral part of their cost control programmes, today reports its financial results for the year to 30 June 2009.

**Financial highlights**

- Turnover £17.2m (2008: £22.3m)
- Operating loss £3.8m (2008: profit of £0.2m)
- Pre-tax loss £5.3m (2008: £0.8m)
- Pre-tax loss before restructuring costs and other gains and losses £4.4m (2008: £0.1m)
- Basic loss per share 19.9p (2008: 23.1p)
- Net cash inflow from operating activities £2.8m (2008: £1.7m)

**Operational highlights**

- Group banking arrangements have been restructured
  - existing debt rescheduled over a six year period, including up to two-year capital moratorium
  - additional facilities of £1.4m agreed
- Successful placing and open offer of shares raised £2.0m before costs for working capital
- UK site in Swansea has been operationally restructured, whilst maintaining operational efficiency
- USA operation in Prescott, Arizona, has qualified to act as a supplier to the majority of US semiconductor manufacturers, with volume production ramping
- Significant and successful cost reduction activities across the group’s operational activities
- The US Dollar strengthened against Sterling during the period
- Business now stabilised and, with significant installed capacity, is ready to take advantage of the upswing in the semiconductor market

**Stephen Boyd, Chairman of Pure Wafer said:**

“Following the refinancing and equity fundraising in August 2009, the group is now on a much firmer financial footing. Our negotiations with the bank and asset funders succeeded in rescheduling the group’s existing debt over a six year period which includes up to two years of capital repayment holiday together with an additional overdraft facility of £1.4 m.

Certain directors and senior management invested £0.3m of cash into the business by way of a placing, alongside an open offer to shareholders, which was well supported. This together with the placing of excess shares raised a total of £2.0m of funds before costs.

The group continues to be cash generative on an operating level, with a net cash inflow from operating activities of £2.8 m.

Although it is too early to be confident about a sustained return to growth, recent trading together with positive news in the press of returning volumes and an industry recovery are encouraging signs from which we draw confidence that the growth in volume recovery that we have seen over the last few months will be maintained.

This, together with our additional funding, gives Pure Wafer a strong foundation on which to move forward.”

**ENQUIRIES**

**Pure Wafer plc (www.purewafer.com)**

Peter Harrington, Chief Executive

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## **CHAIRMAN'S REPORT**

### **Introduction**

The year ended 30 June 2009 proved to be an extremely challenging period for Pure Wafer. With the semiconductor industry struggling to recover from the slowdown experienced during last financial year, the onset of the worldwide economic recession during the first quarter of the financial year pushed the industry into the worst downturn ever experienced. We saw business in volume terms drop dramatically during our third quarter compounded by falling selling prices as competitors sought to maintain volume sales.

During the period the weakening of Sterling against the US Dollar mitigated some of the effect of the falling revenue streams, when converted to Sterling as our presentational currency.

### **Financial results**

- Turnover £17.2m (2008: £22.3m)
- Operating loss £3.8m (2008: profit of £0.2m)
- Pre-tax loss £5.3m (2008: £0.8m)
- Pre-tax loss before restructuring costs and other gains and losses £4.4m (2008: £0.1m)
- Basic loss per share 19.9p (2008: 23.1p)
- Net cash inflow from operating activities £2.8m (2008: £1.7m)

The board are encouraged by the actions of the management team during the period to reduce the impact of the market conditions by reducing costs across all areas of the business as well as focusing on revenue generation during a difficult trading period.

### **Group funding**

Following the refinancing and equity fundraising in August 2009, the group is now on a much firmer financial footing. Our negotiations with the bank and asset funders succeeded in rescheduling the group's existing debt over a six year period which includes up to two years of capital repayment holiday together with an additional overdraft facility of £1.4 m.

As a condition of the financial restructuring, and to demonstrate their commitment and confidence in the business, certain directors and senior management invested £0.3m of cash into the business by way of a placing, alongside an open offer to shareholders, which was well supported. This together with the placing of excess shares raised a total of £2.0m of funds before costs.

The financial restructuring and take-up of the open offer and placing demonstrates the commitment that the bank, asset funders, shareholders and management have to Pure Wafer and shows a confidence in the recovery of the business and I would like to thank them for their support.

### **Management**

In February 2009, we announced that Eurfyl ap Gwilym would be stepping down from his position of non-executive chairman to non-executive director; I was appointed as non-executive chairman in his place. I have served on the Pure Wafer board since October 2008, and led the complex negotiations with its lenders during the financial restructuring.

We further strengthened our board with the appointment of Tim Lowe as group finance director during August 2009. Tim qualified as a chartered accountant in 1988 with Touche Ross and is an experienced public company finance director, whose previous positions included group finance director of PKL Holdings plc (an AIM listed company). We also appointed Jerry Winters to the Board during November 2009. He has many years' experience of manufacturing in the semiconductor industry and more specifically in the wafer reclaim sector, including as managing director of Pure Wafer Inc. since the acquisition of this company in 2007. We see Jerry's appointment as a reflection of the growing importance of the US market to the Pure Wafer group.

I would like to thank the entire team for their support and effort during what has been a turbulent and challenging year.

**Outlook**

Although it is too early to be confident about a sustained return to growth, recent trading together with positive news in the press of returning volumes and an industry recovery are encouraging signs from which we draw confidence that the growth in volume recovery that we have seen over the last few months will be maintained.

This, together with our additional funding, gives Pure Wafer a strong foundation on which to move forward.

**Stephen Boyd**

19 November 2009

## **CHIEF EXECUTIVE'S REPORT**

### **Operational review**

The financial year ended June 2009 proved to be a difficult period as the semiconductor industry suffered the most severe and sharp decline in its history, following the world economic turmoil during our first quarter.

Volume sales were severely affected during the period with 300mm wafer reclaim down by 22% when compared to the prior year, and 200mm wafer reclaim down 11%. Whilst we saw a promising start to the period for volume sales, the second half of the year was severely affected. We saw a rapid decline in the third quarter, finally stabilising with a small recovery by the financial year end.

During a year of difficult trading conditions the company concentrated on reducing its cost base. The board undertook a further operational restructuring process during the year ended 30 June 2009, which has further reduced the production costs per wafer and thus enhanced the competitiveness of the group's products. Further successful, engineering-led cost reduction activities have enabled us to reduce the consumable costs per wafer and certain fixed costs, all without affecting the quality of the group's product offering.

In conjunction with the operational restructuring and due to low production volume requirements, we implemented short time working during the second half of the period, where all employees took periods of unpaid leave each month. This was to maintain the essential level of skill base within the business required to produce a quality product, whilst giving cost savings proportional to volume trading.

I would like to thank all our employees for supporting the short-time working initiative, enabling Pure Wafer to continue to trade competitively throughout this difficult period.

### **Highlights**

- Group banking arrangements have been restructured
  - existing debt rescheduled over a six year period, including up to two-year capital moratorium
  - additional facilities of £1.4m agreed
- Successful placing and open offer of shares raised £2.0m before costs for working capital
- UK site in Swansea has been operationally restructured, whilst maintaining operational efficiency
- USA operation in Prescott, Arizona, has qualified to act as a supplier to the majority of US semiconductor manufacturers, with volume production ramping
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- The US Dollar strengthened against Sterling during the period
- Business now stabilised and, with significant installed capacity, is ready to take advantage of the upswing in the semiconductor market

### **Market**

Despite the downturn we have made significant progress in increasing our 300mm wafer reclaim market share in the US, from our Prescott, Arizona facility. The Prescott facility is now fully equipped for large scale 300mm production, with the quality of offering equal to the stringent requirements of our blue chip customer base; we envisage further significant market gains.

Whilst there have been some corporate failures within the competitive landscape, there still remains a worldwide over capacity of wafer reclaim services, which in turn is reflected in continued pressure on selling prices. However, as customer specification requirements increase, the capacity of high quality reclaim services is restricted to wafer manufacturers who have both the technical know-how and the relevant measurement equipment to produce an offering to the quality required.

With the group's current installed capacity for 300mm and smaller diameter wafers at Pure Wafer's high quality facilities in Swansea and Prescott, Arizona, together with the reduced cost per wafer, the board believes that the company is well placed to take advantage of any industry recovery.

**New products**

We continue to explore new opportunities outside our core business of wafer reclaim, to enhance our portfolio of products. We are looking at areas where we have certainty of the end market and where we will not incur significant research and development costs. We are confident that we can deliver new product developments in areas of global growth, compatible with our existing core skills and world-class manufacturing equipment and facilities.

**Peter Harrington**

19 November 2009

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the period was £17.2m, a decrease of 22% on last year (2008: £22.3m)..

### **Volumes**

The volume of 300mm equivalent wafers at 844,000 (2008:1,029,000) was a reduction of 18% in the year..

### **Gross profit**

Gross profit at £4.0m (2008: £6.2m), a reduction of 35%, was impacted both by the reduction in average 300mm selling prices in the marketplace and by the reduction in volumes. The gross profit margin reduced accordingly to 23% (2008: 28%).

### **Operating loss**

The operating loss of £3.8m (2008: profit of £0.2m) was achieved after incurring £0.4m (2008: £0.4m) of restructuring costs.

### **Administrative expenses**

Administrative expenses of £7.5m (2008: £5.7m) for the group show an increase however this is due to the increase in depreciation and amortisation charge included in the operating profit which was £4.4m (2008: £2.9m).

### **Loss before tax**

The loss before tax was £5.3m (2008: £0.8m).

### **Foreign exchange**

As over 95% of group revenue is in US Dollars, revenue and margins are impacted by the movement in the currency. We continue to convert as much of the cost base as possible to US Dollars in order to provide a natural hedge against the US Dollar revenue streams.

The group's two major operating subsidiaries in the UK and the US both use the US Dollar as their functional currency. The strengthening of the US Dollar against Sterling during the year has led to an increase in the valuation of the fixed asset base of the group, which drives a retranslation gain of £3.9m, recorded directly in reserves.

### **Cash flow and capital expenditure**

The group continues to be cash generative on an operating level, with a net cash inflow from operating activities of £2.8 m (2008: £1.7m).

### **Taxation**

There is no current tax charge across the group. Due to the losses incurred during the year, the board has taken the prudent decision not to recognise the deferred tax asset of £6.4m (2008: £5.6m) in the balance sheet, as it is not expected to be utilised within the foreseeable future.

**EPS and dividend**

Basic loss per share for the period was 19.9p (2008: 23.1p),

Due to the current economic climate, the cash constraints faced by the group moving forward and the lack of available distributable reserves the board is not able to recommend the payment of a dividend for this financial year.

**Maturity of Debt**

At the year end the company was in negotiations with its existing lenders to restructure the capital repayment terms of bank loans, hire purchase and finance leases. Although these negotiations were very well advanced at 30 June 2009 they were not completely finalised until shortly after the year end.

At 30 June 2009, the group had ceased making capital repayments in line with the bank loan, hire purchase and finance lease agreements that were in place at that date. Accordingly, the group was in technical breach of those agreements and all debt is presented as repayable immediately as is shown in the statutory column of the balance sheet..

On 20 August 2009, the group reached an agreement with its lenders to restructure the capital repayment terms of bank loans, hire purchase and finance leases as set out in note 6 of the financial statements. Accordingly, at the date of approval of the financial statements, the group is no longer in breach of the revised agreements. The proforma information presented on the balance sheet shows how the balance sheet would have appeared had that agreement been completed before 30 June 2009.

**Tim Lowe**

19 November 2009

**CONSOLIDATED INCOME STATEMENT**  
**Year ended 30 June 2009**

	<b>Note</b>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>Revenue</b>		17,230	22,268
Cost of sales		(13,200)	(16,088)
		<u>4,030</u>	<u>6,180</u>
<b>Gross profit</b>		4,030	6,180
Depreciation and amortisation		(4,369)	(2,932)
Share based payment credit		-	426
Other administrative expenses		(3,109)	(3,157)
		<u>(7,478)</u>	<u>(5,663)</u>
Total administrative expenses		(7,478)	(5,663)
Restructuring costs		(369)	(355)
		<u>(3,817)</u>	<u>162</u>
<b>OPERATING (LOSS)/PROFIT</b>		(3,817)	162
Investment revenue		40	182
Finance costs		(989)	(777)
Other gains and losses		(526)	(366)
		<u>(5,292)</u>	<u>(799)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(5,292)	(799)
Tax on loss on ordinary activities		-	(5,331)
		<u>(5,292)</u>	<u>(6,130)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(5,292)</u>	<u>(6,130)</u>
Loss per share			
Basic	2	<u>(19.9)p</u>	<u>(23.1)p</u>
Diluted	2	<u>(19.9)p</u>	<u>(23.1)p</u>
All activities derive from continuing operations			



**CONSOLIDATED BALANCE SHEET**  
**30 June 2009**

	Note	2009 Statutory £'000	2009 Proforma £'000	2008 £'000
<b>NON-CURRENT ASSETS</b>				
Goodwill		4,043	4,043	3,348
Other intangible assets		117	117	146
Property, plant and equipment		27,872	27,872	24,254
		<u>32,032</u>	<u>32,032</u>	<u>27,748</u>
<b>CURRENT ASSETS</b>				
Inventories		1,903	1,903	3,311
Trade and other receivables		3,110	3,110	5,177
Derivative financial instruments		-	-	50
Assets held for sale		-	-	735
Cash and cash equivalents		1,622	1,622	962
		<u>6,635</u>	<u>6,635</u>	<u>10,235</u>
<b>TOTAL ASSETS</b>		<u><u>38,667</u></u>	<u><u>38,667</u></u>	<u><u>37,983</u></u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(3,646)	(3,646)	(3,541)
Interest-bearing loans and borrowings	3,4	(13,474)	(2,181)	(3,894)
Deferred consideration		-	-	(943)
Derivative financial instruments		(324)	(324)	(150)
		<u>(17,444)</u>	<u>(6,151)</u>	<u>(8,528)</u>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings	3,4	-	(11,293)	(6,912)
Deferred income		(1,982)	(1,982)	(1,940)
		<u>(1,982)</u>	<u>(13,275)</u>	<u>(8,852)</u>
<b>TOTAL LIABILITIES</b>		<u><u>(19,426)</u></u>	<u><u>(19,426)</u></u>	<u><u>(17,380)</u></u>
<b>NET ASSETS</b>		<u><u>19,241</u></u>	<u><u>19,241</u></u>	<u><u>20,603</u></u>
<b>EQUITY</b>				
Share capital		532	532	532
Share premium account		12,783	12,783	12,783
Merger reserve		30,425	30,425	30,425
Retained earnings		(26,795)	(26,795)	(21,503)
Exchange translation reserve		2,296	2,296	(1,634)
<b>TOTAL EQUITY</b>		<u><u>19,241</u></u>	<u><u>19,241</u></u>	<u><u>20,603</u></u>

On 20 August 2009, the group reached an agreement with its existing lenders to restructure the capital repayment terms of bank loans, hire purchase and finance leases as set out in note 6. The proforma information presented in this note shows how the balance sheet would have appeared had that agreement been completed before 30 June 2009. Proforma information is unaudited.

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2009**

	<b>Note</b>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	5	<u>2,770</u>	<u>1,733</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		40	182
Purchase of property, plant and equipment		(2,003)	(4,964)
Proceeds from disposal of property, plant and equipment		735	-
Acquisition of subsidiaries - deferred consideration payments		<u>(943)</u>	<u>(857)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(2,171)</u>	<u>(5,639)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(829)	(777)
Repayment of bank loans		(1,682)	(1,002)
Repayments of obligations under finance leases		-	(1,645)
Increase in borrowings		<u>943</u>	<u>5,547</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(1,568)</u>	<u>2,123</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(969)	(1,782)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		962	2,976
<b>EXCHANGE LOSSES ON TRANSLATION</b>		<u>(552)</u>	<u>(231)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>(559)</u></u>	<u><u>962</u></u>

## NOTES TO THE PRELIMINARY RESULTS

Year ended 30 June 2009

### 1. GENERAL INFORMATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Company published full financial statements that comply with IFRS in November 2009.

#### Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the chairman's statement. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the finance review. The key business risks faced are described in the directors' report in the full financial statements. In addition note 25 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors have assessed the balance sheet and likely future cash flows of the company and group at the date of signing the audit report. This review considered detailed forecasts for the period to 30 June 2012. On this basis the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

As described in the chairman's statement, the current environment is challenging. The group has recorded a pre-tax loss, however as noted in the chairman's statement the group successfully negotiated a financial restructuring package in August 2009. The financial agreements comprise of rescheduling all of the group's existing debt over a six year period which includes up to two years of capital repayment holidays together with an additional overdraft facility of £1.4 m. The impact of this post year end transaction is demonstrated with the inclusion of a proforma balance sheet, which indicates how the balance sheet would have looked had it been signed on 30 June 2009.

As a condition of the agreement the group undertook a share placing that resulted in a total of £2.0 m of funds before costs being raised in September 2009. This gives the group significant headroom above its forecast cash requirement, which will allow it to manage its business risks successfully despite the current uncertain outlook.

The key sensitivity in the forecasts includes the achievement of increased sales volumes and the forward US Dollar rate. The business is beginning to see an upturn in demand and the directors believe that this will be sustained. Sales prices are assumed to remain largely unchanged.

After making enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## 2. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	<b>2009</b>	<b>2008</b>
<i>Earnings</i>		
Loss for the year (£'000)	(5,292)	(6,130)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	26,591	26,591
Effect of dilutive potential ordinary shares:		
Share options	-	-
	<u>26,591</u>	<u>26,591</u>
Dilutive weighted average number of shares	26,591	26,591
	<u>(19.9)p</u>	<u>(23.1)p</u>
Loss per ordinary share – basic	(19.9)p	(23.1)p
	<u>(19.9)p</u>	<u>(23.1)p</u>
Loss per ordinary share – diluted	(19.9)p	(23.1)p

Diluted loss per share is the same as basic for both years because the exercise of remaining options would have been anti-dilutive. On 14 September 2009 the company issued 99,711,511 ordinary shares, as outlined in note 6. Had these shares been in issue at 30 June 2009 the loss per share would have been 4.2p.

## 3. INTEREST-BEARING LOANS AND BORROWINGS

	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>Statutory</b>	<b>Proforma</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current liabilities</b>			
Overdrafts	2,181	2,181	-
Bank loans	4,697	-	2,077
Hire purchase and finance lease agreements	6,596	-	1,817
	<u>13,474</u>	<u>2,181</u>	<u>3,894</u>
<b>Non-current liabilities</b>			
Bank loans	-	4,697	4,709
Hire purchase and finance lease agreements	-	6,596	2,203
	<u>-</u>	<u>11,293</u>	<u>6,912</u>

Overdrafts are repayable on demand. Bank loans, hire purchase and finance lease obligations are repayable as follows:

	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>Statutory</b>	<b>Proforma</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Bank loans</b>			
Within one year	4,697	-	2,077
Between one and two years	-	1,174	2,052
Between two and five years	-	3,523	2,657
	<u>4,697</u>	<u>4,697</u>	<u>6,786</u>

#### Hire purchase contracts and finance leases

Within one year	6,596	-	1,817
Between one and two years	-	-	1,425
Between two and five years	-	4,947	778
After five years	-	1,649	-
	<u>6,596</u>	<u>6,596</u>	<u>4,020</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets. See note 4 for further detail on finance lease contracts. The bank loans are secured on the assets and undertakings of the group.

At 30 June 2009, the group had ceased making capital repayments in line with the bank loan, hire purchase and finance lease agreements that were in place at that date. Accordingly, the group was in technical breach of those agreements and all debt is presented as repayable immediately. The breaches were not enforced by the related counterparties.

On 20 August 2009, the group reached an agreement with its lenders to restructure the capital repayment terms of bank loans, hire purchase and finance leases as set out in note 6. Accordingly, at the date of approval of the financial statements, the group is no longer in breach of the revised agreements. The proforma information presented in this note shows how the balance sheet would have appeared had that agreement been completed before 30 June 2009. Proforma information is unaudited.

The fair value of the group's loan, finance leases and hire purchase obligations approximates their carrying amount.

Notwithstanding the restructuring of facilities noted above the principal features of the group's bank loans, which were used to finance the acquisition and development of the US business at 30 June 2009 were as follows:

- A loan for US\$7.5m (£3.7m) was taken out in May 2007 with a variable interest rate based on US LIBOR. It was repayable in quarterly instalments commencing three months after the first draw down and was due to be fully repaid in February 2011.
- A loan for US\$1.75m (£0.9m) was taken out in May 2008 with a variable interest rate based on US LIBOR. It was repayable in quarterly instalments commencing three months after the first draw down and was due to be fully repaid in February 2012.
- A loan for US\$7.0m (£3.5m) was drawn down during 2008 with an effective fixed interest rate of 5.4%. It was repayable in quarterly instalments commencing in 2008 and was due to be fully repaid in May 2012.
- A loan for US\$1.95m (£1.3m) was drawn down during 2009 with a variable interest rate based on UK LIBOR. It was repayable in quarterly instalments commencing three months after the first draw down and was due to be fully repaid in May 2013.

#### 4. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		
	2009	2009	2008
	Statutory	Proforma	2008
	£'000	£'000	£'000
Amounts payable under finance leases:			
Within one year	6,596	-	1,908
In the second to fifth years inclusive	-	5,548	2,435
After five years	-	1,850	-
Total value of lease obligations	<u>6,596</u>	<u>7,398</u>	<u>4,343</u>
Less: future finance charges	-	(802)	(323)
Present value of lease obligations	<u>6,596</u>	<u>6,596</u>	<u>4,020</u>

It is the group's policy to lease certain plant and machinery under finance leases.

The contractual payments in respect of finance leases based on the undiscounted cash flows and the earliest date on which the group and company can be required to pay are shown above.

At 30 June 2009, the group had ceased making capital repayments in line with the hire purchase and finance lease agreements that were in place at that date. Accordingly, the group was in technical breach of those agreements and all debt is presented as repayable immediately. The breaches were not enforced by the related counterparties.

On 20 August 2009, the group reached an agreement with its lenders to restructure the capital repayment terms of hire purchase and finance leases as set out in note 6. Accordingly, at the date of approval of the financial statements, the group is no longer in breach with the revised agreements. The proforma information presented in this note shows how the balance sheet would have appeared had that agreement been completed before 30 June 2009. Proforma information is unaudited.

For the year ended 30 June 2009, the average effective borrowing rate was 7.4% (2008 – 7.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The carrying amount of the borrowings approximates their fair value.

All lease obligations are denominated in US Dollars. The fair value of the group's lease obligations approximates their carrying amount. The group's obligations under finance leases are secured by the lessors' rights over the leased assets.

## 5. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the period</b>	(5,292)	(6,130)
Adjustment for:		
taxation	-	5,331
finance expense	989	777
finance income	(40)	(182)
other non-cash gains and losses	206	(386)
depreciation and amortisation	4,369	2,932
non monetary foreign exchange translation on assets/liabilities	(103)	(322)
	<hr/>	<hr/>
Operating cash flows before movement in working capital	129	2,020
decrease in receivables	1,365	2,261
increase/(decrease) in payables	970	(2,049)
decrease/(increase) in inventory	306	(499)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>2,770</u>	<u>1,733</u>

## 6. POST BALANCE SHEET EVENTS

On 20 August 2009, the group reached an agreement with its lenders to restructure the capital repayment terms of bank loans, hire purchase and finance leases. Under the terms of the agreement the debts fall due as follows:

Loans due to RBS will be repayable commencing 1 July 2011 in quarterly instalments and are due to be fully repaid in June 2015.

All finance leases will be repayable commencing 1 July 2012 in quarterly instalments and are due to be fully repaid in June 2016.

On 14 September 2009, the company issued 99.7m new ordinary shares for cash consideration of £2.0m before costs, via a placing and open offer.