



3 August 2009

Proventec Plc

("Proventec" or the "Group")

Unaudited Preliminary Results

Proventec Plc (AIM:PROV, Alternext:ALTPC), a provider of specialist steam cleaning and coatings technologies, today announces its unaudited preliminary results for the year ended 31 March 2009.

Highlights

- Turnover £15.4 million (2008: £14 million)
- Gross profit maintained at over 43%
- EBITDA (before IFRS impairment) £19,000 (2008: £2.51 million)
- Operating loss £27.13 million (2008: profit £2.34 million)
- Acquisition of 60% stakes in CryoJet BV and Frank GmbH
- Exclusive distribution agreement for Magma Firestop with Dr Wolman GmbH
- Successful launch of Proventec Healthcare

Post year end highlights

- Successful fundraising of £1.5 million through Placing of shares

David Chestnutt, Chief Executive of Proventec, commented: "This has been a challenging year for Proventec. The Group has made significant changes to improve its capital position and restructure the balance sheet. In addition, a number of cost saving measures have been put in place to protect the Group from the effects of currency fluctuations and the drop in demand it has seen. However, the Group continues to invest in new

technologies and research and development to ensure it is ready to meet demand when this begins to increase again, as it is expected to do in the coming months.”

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Copies of this announcement are available for collection from the Group's head office at 49 Rodney Street, Liverpool, L1 9EW and electronic copies can be obtained from the Group's website www.proventecplc.com.

Chairman's Statement

2008 has proved to be a difficult year for Proventec, along with many other businesses.

Fundraising

At the beginning of July 2009, the Group successfully raised £1.5 million before expenses, subject to ratification at a General Meeting. At the General Meeting held on 31 July 2009, the appropriate resolutions were passed to allow the placing of the 3,000,000 shares at 50 pence per share.

These funds will strengthen the Company's balance sheet and support the Group's working capital position. It will also provide capital to complete the development of a new industrial dry steam machine that will retail at less than half the price of existing technologies and which we aim to bring to the market by the end of the year.

Operations

The Board had anticipated the continued expansion of Osprey's steam based technology, specialist cleaning accessories and cleaning protocols. These products had achieved considerable commercial success in the healthcare sector at the end of 2007 and the first quarter of 2008.

During the second half of the financial year, uncertainty in the market and the cash constraints placed on many businesses, including those in the public and private healthcare sector, caused a number of companies to cancel, postpone or delay their capital expenditure plans. This, combined with the declining value of sterling against the Group's two major trading currencies – the euro and US dollar – at the beginning of the year, has presented many challenges.

As a result of the downturn, Proventec's operations in Europe have likewise seen a decline in activity.

Despite these difficulties, Proventec completed two strategic acquisitions, which complement the Group's current offering and diversifies the services it provides. The Group acquired a 60% stake in Frank GmbH in August 2008. Frank is a German manufacturer of small high pressure hot water washers and steam equipment. Proventec also acquired a 60% stake in CryoJet Industrial Services BV, a Dutch specialist dry ice cleaning company in October. These businesses are seen as long term strategic

acquisitions and provide the Group with a high quality engineering resource and a compatible specialist industrial cleaning service provider. Both companies will be fundamental to the Group's future development.

AIM and Alternext

The stock markets have been affected by the economic downturn and liquidity has been poor for most small cap companies.

Proventec has continued to try and re-base its balance sheet and part of this process was to complete the listing of the Group's Convertible Loan Stock on the Alternext market which was a wish of the Group's bond holders and their advisers.

Following discussions with Proventec's advisers and mindful of the requirements of the International Financial Reporting Statements ("IFRS") concerning the potential impairment of our Goodwill, the Group sought to mitigate the effect of this on its financial statements by cancelling the Share Premium account and crediting this to distributable reserves. At the same time the Board proposed a reduction in the Share Capital and both of these proposals were sanctioned in the High Court in February this year.

Employees

In February Glyn Hirsch, a Non Executive Director, stepped down from the Board because of pressure from his other commitments. Glyn had been a director of the company since 2001 and my immediate predecessor as Chairman. On behalf of the Board, I would like to thank him for his hard work and commitment to the Group and we wish him all the best for the future.

I would like to express the Board's thanks to all of the employees in the Group for their support and hard work in these difficult times.

Outlook

In these market conditions, Proventec continues to take positive steps to expand its offerings, ensure its financial stability and maintain momentum. The Board is confident of the long term outlook for the Group.

Peter Teerlink

Chairman

Chief Executive's Report

The year to 31 March 2009 has been challenging, beginning with the currency fluctuations in the exchange rates from July 2008 onwards between the pound and the US dollar and euro, followed by the decline of the UK's trading markets.

Despite these factors which were beyond the Board's control, the Group has tried to manage the growth and development of Proventec.

Financial review

- Turnover £15.4 million (2008: £14 million)
- Gross profit maintained at over 43%.
- EBITDA (before IFRS impairment) £19,000 (2008: £2.51 million)

In February 2009, as part of the Group's undertaking to restructure its Balance Sheet and in anticipation of the year's trading results, the Board sought and received permission from the High Court and shareholders, to cancel its Share Premium Account and to reduce its Share Capital. This resulted in the transfer of £32.1 million from those accounts to the Profit and Loss Account as distributable reserves.

In accordance with IFRS, Proventec conducted an impairment review of its assets, particularly Goodwill, the value of its investments and the recoverability of certain debts, and has written down the value of those assets by £26.7 million. The Group's distributable reserves total has increased from a deficit of £855,000 to a credit of £3.44 million.

The Group results at the half year to 30 September 2008 reflected a loss which, in normal trading conditions, the Board would have expected to reverse in the second half of the year. However in November 2008, companies began to de-stock and looked to cost savings in all areas of their business. As such, confidence amongst many UK companies was severely dented.

Operational review

OspreyDeepClean

Proventec had embarked on an expansion in personnel in 2008, to meet what the Group saw as a breakthrough in its sales strategy. The Group's overhead structure was

developed to meet the anticipated growth in our business but unfortunately the Group did not see this predicted growth. There was a marked decline in sales of the Group's specialist dry steam cleaning equipment, which is a capital purchase to most of its customers. At the same time Proventec's major Italian suppliers requested improved payment terms because of their own trading difficulties, making the task of managing the business even more difficult.

The Group has implemented cost saving measures and is reorganising its businesses to deal with the current downturn in the market and during the last few months there has been renewed interest from customers in Proventec's products. While short term forecasting remains difficult, the Board is increasingly confident that the Group's business offering will ensure success in the longer term and the Board is looking forward to the roll out of its strategic business plan over the next few years.

Contico Manufacturing

Contico Manufacturing has continued to source new products to enhance its range of janitorial supplies. In July last year the company purchased a floor pad cutter to increase its range of Contico Superpads. A new full automated screen printing machine has just been delivered and will be operational from mid-August.

The company's commitment to customer service will be further enhanced by the company's new interactive website for customers, launched in July this year.

Preventative Coatings

Magma has developed a comprehensive range of fire retardant treatments for surfaces ranging from fabrics to paint and thatch to timber. The timber range has been registered and classified under the EN "euroclass" rating.

In May of this year, the Group announced Magma Industries B.V. ("Magma"), had signed an exclusive distribution agreement for the European distribution of fire retardant products for pressure treatment of timber with Dr. Wolman GmbH ("Wolman"), a leading supplier of wood preservatives and fire protection products. Wolman is a 100% subsidiary of BASF, the world's leading chemical company. Wolman's reputation and extensive sales network in the timber treatment industry will expand the awareness and use of Magma's fire retardant products.

Acquisitions

In 2008 the Group also completed a 60% acquisition of an established German engineering company, Frank GmbH, which specialises in the manufacture of high pressure industrial quality hot water washers. Frank will become the Group's centre of excellence carrying out research and development for other Group companies. Frank is already working on a number of projects in conjunction with the Osprey engineers to improve their range of equipment.

In October 2008 the Group also completed the acquisition of a 60% stake in CryoJet Industrial Services BV. CryoJet offers a proprietary dry ice cleaning service particularly to the oil, gas and chemical industries, where leaks and machine failure from a build up of debris, result in an increase in down time and are very expensive. CryoJet's dry ice cleaning service has also been used to refurbish a production line for one of the Netherlands' biggest bakeries. This has led to sales of the Group's industrial dry steam equipment for ongoing cleaning and maintenance, demonstrating the synergies and opportunities for cross selling between the businesses.

Re-structuring update

Proventec is being re-structured to accommodate these developments and to provide a customer targeted business approach in two separate divisions. These businesses will operate under the umbrella brands of Proventec Healthcare and Proventec Industrial.

In April 2009, the Group launched Proventec Healthcare which offers a unique, simplified "one-stop shop" approach to cleaning in the healthcare sector, with a comprehensive range of clinically validated cleaning products. These provide the customer with the necessary cleaning tools to clean in the healthcare environment and to safely remove the pathogens that cause healthcare and community acquired infections.

Proventec Industrial will be launched early in 2010 and will specifically target the food manufacturing sector where hygiene is also of very high importance.

In September 2008, Guido Schoenmakers, who has been with the Group since 2005, joined the Board as Chief Operations Director and has particular responsibility for the roll out of Proventec Industrial. Guido is supported by Samir El-Assal, Managing Director of Frank and Harry Leenman, Managing Director of CryoJet.

Outlook

With the fundraising that was completed in July 2009 and approved at the General Meeting held on 31 July, the Board is well positioned financially to ensure that the impetus it has generated is maintained.

While short and even medium term trading may present a challenge, the Group is confident that the long term prospects of the business remain positive. The Group has benchmarks for its development over the next three to five years and the Board is committed to achieving its goals which should bring rewards for shareholders and employees alike.

David Chestnutt

Chief Executive

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2009

| | Unaudited | Audited |
|--|---------------|---------------|
| | 2009 | 2008 |
| | £'000 | £'000 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 906 | 689 |
| Goodwill | 27,125 | 37,144 |
| Other intangible assets | 4,949 | 3,855 |
| Available for sale investments | 12 | 2,816 |
| Investments accounted for using the equity method | 8 | (19) |
| | 33,000 | 44,485 |
| Current assets | | |
| Inventories | 2,848 | 2,232 |
| Trade and other receivables | 4,149 | 11,448 |
| Cash and cash equivalents | 1,095 | 4,042 |
| | 8,092 | 17,722 |
| Non current assets classified as held for sale | - | 100 |
| | 8,092 | 17,822 |
| | 41,092 | 62,307 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 1,242 | 12,170 |
| Other reserves | 12,297 | 27,458 |
| Retained earnings | 3,444 | (855) |
| | 16,983 | 38,773 |
| Minority interest | 252 | 32 |
| Total equity | 17,235 | 38,805 |
| Non-current liabilities | | |
| Long term borrowings | 14,260 | 16,774 |
| Deferred tax | - | 517 |
| | 14,260 | 17,291 |
| Total non-current liabilities | 14,260 | 17,291 |
| Current liabilities | | |
| Trade and other payables | 6,798 | 5,937 |
| Current portion of long term borrowings | 2,799 | 59 |
| Current tax payable | - | 215 |
| | 9,597 | 6,211 |
| Total current liabilities | 9,597 | 6,211 |
| Total liabilities | 23,857 | 23,502 |
| Total equity and liabilities | 41,092 | 62,307 |

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

| | Unaudited Year ended 31 March 2009 £'000 | Audited Year ended 31 March 2008 £'000 |
|---|---|---|
| Revenue | 15,390 | 14,027 |
| Cost of Sales | (8,773) | (7,658) |
| Gross profit | 6,617 | 6,369 |
| Other income | - | 1,125 |
| Administrative expenses - recurring | (7,033) | (5,117) |
| Impairment of goodwill | (16,000) | - |
| Impairment of investments | (3,260) | - |
| Impairment of receivables | (7,458) | - |
| Total administrative expenses | (33,751) | (5,117) |
| Operating (loss)/profit | (27,134) | 2,377 |
| Finance costs | (1,542) | (1,020) |
| Share of associates and joint ventures operating profit | 28 | (19) |
| (Loss)/profit before taxation | (28,648) | 1,338 |
| Tax credit/(expense) | 748 | (7) |
| (Loss)/profit for the year | (27,900) | 1,331 |
| (Loss)/profit attributable to the minority interest | (47) | 13 |
| (Loss)/profit attributable to the equity holders of the parent undertaking | (27,853) | 1,318 |
| | (27,900) | 1,331 |
| (Loss)/earnings per share (pence) | | |
| basic | (227.4) | 10.9 |
| diluted | (227.4) | 10.9 |

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2009**

| | Unaudited | Audited |
|---|----------------------|-------------------|
| | Year ended | Year ended |
| | 31 March 2009 | 31 March |
| | £'000 | 2008 |
| | | £'000 |
| (Loss)/profit for the year | (27,900) | 1,331 |
| Net exchange differences on translating foreign operations | 5,764 | 4,663 |
| | <hr/> | <hr/> |
| Total recognised income and expense for the year | (22,136) | 5,994 |
| | <hr/> | <hr/> |
| Total recognised income and expense attributable to the minority interest | (47) | 13 |
| Total recognised income and expense attributable to the equity holders of the parent undertaking | (22,089) | 5,981 |
| | <hr/> | <hr/> |
| | (22,136) | 5,994 |

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

| | Unaudited | Audited |
|---|----------------|----------------|
| | 2009 | 2008 |
| | £'000 | £'000 |
| Cash flows from operating activities | | |
| Cash generated from operations | 370 | (1,411) |
| Interest received | 121 | 352 |
| Interest paid | (1,442) | (1,140) |
| Tax received/(paid) | 9 | (116) |
| Net cash flow from operating activities | (942) | (2,315) |
| Cash flows from investing activities | | |
| Acquisition of subsidiaries (net of cash acquired) | (1,112) | (5,474) |
| Acquisition of investments | (6) | - |
| Proceeds from sale of property, plant and machinery | - | 3 |
| Proceeds from sale of investments | - | - |
| Purchase of property, plant and equipment | (294) | (285) |
| Purchase of intangible assets | (99) | (97) |
| Share capital acquired by minority interest | - | 20 |
| Net cash flow from investing activities | (1,511) | (5,833) |
| Cash flows from financing activities | | |
| (Repayment of)/proceeds from new loans | (712) | 1,826 |
| Proceeds from issue of equity instruments | 272 | 5,096 |
| Payments in respect of hire purchase | (54) | (18) |
| Costs in issuing equity instruments | - | (156) |
| Net cash flow from financing activities | (494) | 6,748 |
| Net (decrease) in cash and cash equivalents | (2,947) | (1,400) |
| Cash and cash equivalents at beginning of the year | 4,042 | 5,442 |
| Cash and cash equivalents at end of the year | 1,095 | 4,042 |

NOTES

The financial information in this preliminary announcement is not audited and does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985 (as amended). Group financial statements for 2009 will be delivered to the Registrar of Companies in due course. The Board of Directors approved this financial information on 31 July 2009. Statutory accounts for the year ended 31 March 2008, which were prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (collectively IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the EU, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement made under s237(2) or (3) of the Companies Act 1985.

Basis of preparation

The preliminary announcement for the year ended 31 March 2009 has been prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (collectively IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the EU.

IFRS issued but not yet applied

The following standards and interpretations were issued and available for early application but have not yet been applied by the group in these financial statements. The group intends to apply these standards and interpretations when they become effective:

- IAS 39 Financial instruments : Recognition and measurement
- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRS 3 Business combinations
- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Amendment) Borrowing costs
- IFRS 2 Share based payments
- IAS 1 and IAS 32 (Amendment) Presentation of Financial statements and Financial instruments :Presentation
- IAS 27 Consolidated and separate financial statements
- IFRS 7 Financial instruments : Disclosure

- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- IFRIC 17 Distribution of non- cash assets to owners
- IFRIC 18 Transfers of assets to customers.