**Regenersis (Group) Limited (formerly CRC Group plc)**

# Directors' report and financial statements

Registered number 02966414

For the period ended 30 June 2008

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# Contents

# Directors' report

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

**Principal activities and business review**

The company acts as an intermediate holding company, providing management services to companies within the same group.

On 24 January 2007, Regenersis (Group) Limited (formerly CRC Group plc) and its subsidiaries were acquired by Regenersis plc (formerly Fonebak plc) and the company de-listed from AIM on 22 February 2007. Regenersis (Group) Limited is now a subsidiary of Regenersis plc.

On 30 June 2008 the Company impaired intercompany balances totalling £4,345,000 which are deemed irrecoverable.

**Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the period. The directors do not recommend the payment of a dividend *(year ended 31 December 2006: £Nil).*

**Post balance sheet event**

On 24 November 2008 the Company transferred the balance of the merger reserve to the profit and loss reserve and the Company passed a special resolution to reduce the Company's share premium account by £7,021,000 thereby eliminating the deficit on the Company's profit and loss account.

**Directors**

The directors who served during the period, and subsequently, were as follows:

| | |
|---|---|
| Anthony Malcolm David Bird | (resigned 24 January 2007) |
| Hugh Reginald Patrick Thompson | (resigned 24 January 2007) |
| Jan Astrand | (resigned 24 January 2007) |
| Robert Gogel | (resigned 24 January 2007) |
| Gary Stokes | |
| David Kelham | (resigned 24 January 2007, appointed 14 September 2007) |
| Arthur Crocker | (appointed 24 January 2007, resigned 31 May 2007) |

**Charitable and political contributions**

The company made no political or charitable contributions during the period *(year ended 31 December 2006: £Nil).*

**Disclosure of information to auditors**

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

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the board

D. W. Kelham

**D Kelham**
*Director*

4 Elm Place
Old Witney Road
Eynsham
Oxfordshire
OX29 4BD

24 November 2008

# Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

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

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

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

# Independent auditors' report to the members of Regenersis (Group) Limited (formerly CRC Group plc)

We have audited the financial statements of Regenersis (Group) Limited (formerly CRC Group plc) for the period ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

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

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

## Independent auditors' report to the members of Regenersis (Group) Limited (formerly CRC Group plc) *(continued)*

**Opinion**

In our opinion:

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

KPMG Audit Plc

**KPMG Audit Plc**
*Chartered Accountants*
*Registered Auditor*

24 November 2008

## Profit and loss account
*for the period ended 30 June 2008*

| | *Note* | **Period ended 30 June 2008 £000** | Year ended 31 December 2006 £000 |
|---|---|---|---|
| **Operating income** | | **3,216** | 1,354 |
| Administrative expenses | | **(3,768)** | (7,188) |
| Exceptional investment impairment | *2* | **-** | (15,547) |
| Dividend income | *4* | **7,757** | 75 |
| Impairment of group balances | | **(4,345)** | - |
| **Operating profit/(loss)** | | **2,860** | (21,306) |
| Net interest payable | *7* | **(306)** | (479) |
| **Profit(loss) on ordinary activities before taxation** | | **2,554** | (21,785) |
| Tax on profit/(loss) on ordinary activities | *8* | **(187)** | 224 |
| **Profit/(loss) on ordinary activities after taxation and for the financial year** | *16* | **2,367** | (21,561) |

# Balance sheet
*at 30 June 2008*

| | Note | 30 June 2008 | | 31 December 2006 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *9* | | **131** | | 12 |
| Investments | *10* | | **12,317** | | 12,317 |
| | | | **12,448** | | 12,329 |
| **Current assets** | | | | | |
| Debtors | *11* | **841** | | 2,702 | |
| Cash at bank and in hand | | **-** | | 5 | |
| | | **841** | | 2,707 | |
| **Creditors:** Amounts falling due within one year | *12* | **(7,918)** | | (8,620) | |
| **Net current liabilities** | | | **(7,077)** | | (5,913) |
| **Total assets less current liabilities** | | | **5,371** | | 6,416 |
| **Creditors:** Amounts falling due after more than one year | *13* | | **-** | | (3,412) |
| **Net assets** | | | **5,371** | | 3,004 |
| **Capital and reserves** | | | | | |
| Called up share capital | *15* | | **493** | | 493 |
| Share premium account | *16* | | **10,703** | | 10,703 |
| Capital redemption reserve | *16* | | **1,196** | | 1,196 |
| Merger reserve | *16* | | **6,755** | | 6,755 |
| Profit and loss account | *16* | | **(13,776)** | | (16,143) |
| **Equity shareholders' funds** | *17* | | **5,371** | | 3,004 |

These financial statements were approved by the board of directors on 24 November 2008 and were signed on its behalf by:

D. W. Kelham

**D Kelham**
*Director*

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the UK and, in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated financial statements.

As the company is a wholly-owned subsidiary of Regenersis plc (formerly Fonebak plc), the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Regenersis plc (formerly Fonebak plc), within which the company is included, can be obtained from the registered office of that company.

***Tangible fixed assets and depreciation***

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives as follows:

| | | |
|---|---|---|
| Leasehold improvements | - | remaining life of lease (up to a maximum of 10 years) |
| Plant and machinery | - | 3 to 5 years |

***Investments***

Investments are included at cost less any amounts provided against their carrying value for impairment.

***Deferred taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

***Pensions***

The Group operates a money purchase scheme for its employees. The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## 2 Exceptional investment impairment

No impairment has arisen in the 18 month period to 30 June 2008.

An exceptional impairment charge of £15,547,000 was made in the year to 31 December 2006 which reflected the directors' best estimate of the recoverable amount of the company's investment in subsidiaries. It was made by reference to the offer price made by Regenersis plc for the entire issued share capital of Regenersis (Group) Limited and its subsidiaries on 14 December 2006 and completed on 24 January 2007.

# Notes *(continued)*

## 3 Profit on ordinary activities before taxation

| | Period ended 30 June 2008 £000 | Year ended 31 December 2006 £000 |
|---|---|---|
| *Profit on ordinary activities before taxation is stated* | | |
| *after charging/(crediting)* | | |
| Depreciation of tangible fixed assets: | | |
| Owned | **17** | 190 |
| Auditors' remuneration | **18** | 15 |

Fees paid to the company's auditor, KPMG Audit Plc and its associates for other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Regenersis plc, are required to disclose non-audit fees on a consolidated basis.

## 4 Dividend income

| | Period ended 30 June 2008 £000 | Year ended 31 December 2006 £000 |
|---|---|---|
| Dividend received from subsidiary companies | **7,701** | - |
| Preference dividend received | **56** | 75 |
| | **7,757** | 75 |

## 5 Staff numbers and costs

The average number of persons employed by the company during the financial year, including the directors, was as follows:

| | Number of employees Period ended 30 June 2008 | Year ended 31 December 2006 |
|---|---|---|
| Administration | **7** | 17 |

The aggregate payroll costs of the above were as follows:

| | £000 | £000 |
|---|---|---|
| Wages and salaries | **1,155** | 2,193 |
| Social security costs | **188** | 262 |
| Other pension costs | **116** | 60 |
| | **1,459** | 2,515 |

## Notes *(continued)*

### 6 Directors' remuneration

| | **Period ended 30 June 2008 £000** | Year ended 31 December 2006 £000 |
|---|---|---|
| Directors' emoluments | **747** | 908 |
| Compensation for loss of office | **-** | 203 |
| Pension | **75** | 41 |
| | **822** | 1,152 |

The emoluments of the highest paid director were £539,000 for the 18 month period to 30 June 2008 *(year ended 31 December 2006: £323,000)*. Directors are eligible to be members of the Group's Money Purchase Scheme. This includes a dependent's pension and the payment of a lump sum in the event of death in service.

### 7 Net interest payable

| | **Period ended 30 June 2008 £000** | Year ended 31 December 2006 £000 |
|---|---|---|
| On bank loans and overdrafts | **309** | 561 |
| Bank interest receivable | **(3)** | (82) |
| | **306** | 479 |

### 8 Tax on profit/(loss) on ordinary activities

***Analysis of charge/(credit) in period***

| | **Period ended 30 June 2008 £000** | Year ended 31 December 2006 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Adjustments in respect of prior years | **-** | (12) |
| Total current tax | **-** | (12) |
| *Deferred tax* | | |
| Origination and reversal of timing differences | **259** | - |
| Adjustment in respect of prior years | **(72)** | (212) |
| Tax on profit/(loss) on ordinary activities | **187** | (224) |

# Notes *(continued)*

## 8 Tax on profit on ordinary activities *(continued)*

***Factors affecting the tax charge/(credit) for the period***

The current tax charge for the period is lower *(year ended 31 December 2006: higher)* than the standard rate of corporation tax in the UK of 29.7% *(year ended 31 December 2006:30%))*. The differences are explained below:

| | **Period ended 30 June 2008 £000** | Year ended 31 December 2006 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit/(loss) on ordinary activities before tax | **2,554** | (21,785) |
| Current tax at 29.7% *(year ended 31 December 2006: 30%)* | **759** | (6,536) |
| *Effects of:* | | |
| Dividends not taxable | **(1,931)** | - |
| Expenses not deductible for tax purposes (including exceptional impairment) | **1,303** | 5,811 |
| Depreciation less than capital allowances | **(12)** | 32 |
| Utilisation of tax losses | **(206)** | - |
| Other timing differences | **(4)** | (5) |
| Adjustments to tax charge in respect of prior periods | **-** | (12) |
| Group relief given not paid for | **91** | 710 |
| Total current tax charge (see above) | **-** | (12) |

## 9 Tangible assets

| | **Leasehold improvements £000** | **Plant and machinery £000** | **Total £000** |
|---|---|---|---|
| ***Cost*** | | | |
| At beginning of period | 107 | 355 | 462 |
| Additions | 110 | 38 | 148 |
| Disposals | (107) | (355) | (462) |
| At end of period | 110 | 38 | 148 |
| ***Depreciation*** | | | |
| At beginning of period | 107 | 343 | 450 |
| Provided in the period | 15 | 2 | 17 |
| Disposals | (107) | (343) | (450) |
| At end of period | 15 | 2 | 17 |
| ***Net book value*** | | | |
| **At 30 June 2008** | **95** | **36** | **131** |
| At 31 December 2006 | - | 12 | 12 |

## Notes *(continued)*

### 10 Fixed asset investments

| | Shares in subsidiary undertakings £000 |
|---|---|
| *Cost* | |
| At beginning and end of period | 27,864 |
| *Impairment* | |
| At beginning and end of period | 15,547 |
| *Net book value* | |
| **At 30 June 2008 and 31 December 2006** | **12,317** |

***Principal subsidiary undertakings***

| Name | Country of incorporation or registration | Proportion of voting rights and share capital held | Nature of business |
|---|---|---|---|
| Regenersis (Glenrothes) Limited | England and Wales | 100% ordinary | Management and provision of service and repair of electronic equipment, computer components and peripherals |
| Regenersis (Paderborn) GmbH | Germany | 100% ordinary | As above |
| Regenersis (Huntingdon) Limited* | England and Wales | 100% ordinary | Service and repair management of telecommunications equipment, including mobile phones |
| Regenersis (Nottingham) Limited | England and Wales | 100% ordinary | As above |
| Regenersis (Warsaw) sp z.o.o. | Poland | 100% ordinary | As above |

* Held by Regenersis (Glenrothes) Limited

### 11 Debtors

| | **30 June 2008 £000** | 31 December 2006 £000 |
|---|---|---|
| Amounts owed by group undertakings | **776** | 2,425 |
| Other debtors | **-** | 41 |
| Deferred taxation (see note 14) | **33** | 220 |
| Prepayments and accrued income | **32** | 16 |
| | **841** | 2,702 |

# Notes *(continued)*

## 12 Creditors: Amounts falling due within one year

| | 30 June 2008 £000 | 31 December 2006 £000 |
|---|---|---|
| Bank loan and overdrafts (see note 13) | 24 | 4,362 |
| Trade creditors | 77 | 170 |
| Amounts owed to group undertakings | 5,870 | 1,591 |
| Other taxes and social security | 190 | - |
| Other creditors | - | 2 |
| Accruals and deferred income | 1,757 | 2,495 |
| | 7,918 | 8,620 |

## 13 Creditors: Amounts falling due after more than one year

| | 30 June 2008 £000 | 31 December 2006 £000 |
|---|---|---|
| Bank loan | - | 3,412 |

*Analysis of bank loans and overdrafts*

Debt can be analysed as falling due:

| | 30 June 2008 £000 | 31 December 2006 £000 |
|---|---|---|
| Within one year | 24 | 4,362 |
| After one year and within two years | - | 853 |
| After two and within five years | - | 2,559 |
| | 24 | 7,774 |

## 14 Deferred taxation

The movements in deferred tax assets/(liabilities) are as follows:

| | £000 |
|---|---|
| At 1 January 2007 | 220 |
| Charge to the profit and loss account for the period | (187) |
| **At 30 June 2008** | 33 |

# Notes *(continued)*

## 14 Deferred taxation *(continued)*

The elements of deferred tax are as follows:

| | 30 June 2008 £000 | 31 December 2006 £000 |
|---|---|---|
| Depreciation in excess of capital allowances | **33** | 40 |
| Other timing differences | **-** | 180 |
| | **33** | 220 |

There is no unprovided deferred tax.

## 15 Share capital

| | 30 June 2008 £000 | 31 December 2006 £000 |
|---|---|---|
| *Authorised:* | | |
| 50,000,000 ordinary shares of 2p each | **1,000** | 1,000 |
| *Allotted, called up and fully paid:* | | |
| 24,635,401 ordinary shares of 2p each | **493** | 493 |

### *Share options*

All outstanding share options at 31 December 2006 lapsed following completion of the Fonebak plc offer on 24 January 2007.

## 16 Reserves

| | Share premium account £000 | Capital redemption reserve £000 | Merger reserve £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 January 2007 | 10,703 | 1,196 | 6,755 | (16,143) | 2,511 |
| Profit for the financial year | - | - | - | 2,367 | 2,367 |
| **At 30 June 2008** | **10,703** | **1,196** | **6,755** | **(13,776)** | **4,878** |

## Notes *(continued)*

### 17 Reconciliation of movements in equity shareholders' funds

| | **30 June 2008 £000** | 31 December 2006 £000 |
|---|---|---|
| Profit/(loss) for the financial period | **2,367** | (21,561) |
| Opening equity shareholders' funds | **3,004** | 24,565 |
| **Closing equity shareholders' funds** | **5,371** | 3,004 |

### 18 Guarantees

The company has guaranteed, via fixed and floating charges over the whole of its property, undertaking and assets, the bank borrowings of other companies in the Regenersis plc (formerly Fonebak plc) group. At 30 June 2008, the liability covered by this guarantee amounted to £3,000,000.

In April 2006, Regenersis (Group) Limited signed a "patronage letter" under Italian law whereby it guaranteed to certain Italian banks the overdraft and debt factoring debts of its Italian businesses, which businesses are now fully liquidated. The total amount payable under these guarantees is not more than £500,000 and is fully provided in these financial statements.

### 19 Ultimate parent company

The company's immediate and ultimate parent undertaking is Regenersis plc (formerly Fonebak plc), which is incorporated in England and Wales. Copies of the financial statements of Regenersis plc (formerly Fonebak plc) can be obtained from:

4 Elm Place
Old Witney Road
Eynsham
Oxfordshire
OX29 4BD

### 20 Post balance sheet event

On 24 November 2008 the Company transferred the balance of the merger reserve to the profit and loss reserve and the Company passed a special resolution to reduce the Company's share premium account by £7,021,000 thereby eliminating the deficit on the Company's profit and loss account.