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# Executive Chairman's Statement

I would like to thank all my colleagues for their contributions throughout the year I am pleased to report the year has been a success, meeting our ambitious goals, both financially and also in terms of strategic developments I believe we will look back on 2013 as a year in which we laid the foundations of a very competitive and successful business

Entering the third year of the strategy to deliver double digit sales and earnings growth through a focus on Emerging Markets and Advanced Solutions, our strategy remains firmly on track Not only have we met our initial goals but the progress we are making in the Group means the opportunity to maintain these levels of growth is now available to us for the foreseeable future

In the past 12 months, we have extended the Group's operations into Spain, Mexico, Argentina, Sweden, India and the USA Regenersis now has a footprint of 21 depot sites, runs 105 "retail units" in 13 countries and employs over 3,750 people Our clients have been important in helping us extend our services and geographies and I would particularly like to thank them for their part in making this year a success

In the year under review, revenue increased by 28% to £179 7 million and headline operating profit improved by 22% to £9 5 million Cash flow management improved with headline operating cash flow of £11 0 million (2012 £5 9 million) Net debt at the year-end was just £1 9 million (2012 £2 9 million), compared with £7 7 million at the end of the six months to 31 December 2012

In June 2013 we reinstated the payment of interim dividends after 5 years, with the payment of 0 67 pence per ordinary share I am pleased to announce that, in line with our stated dividend policy, the Board is recommending a final dividend of 1 83 pence per ordinary share to be paid on 4 December 2013 to shareholders on the register on 8 November 2013 This gives a full year dividend of 2 5 pence per ordinary share, which represents a 127% increase on the prior year and is a sign of the Board's confidence (2012 1 1 pence)

On 28 March 2013, the Group raised £6 9 million (before expenses) through a placing of 3,300,000 new ordinary shares at a price of 209 pence per share The proceeds of the placing were initially used to supplement organic growth by investing in the working capital requirements of the Group and also to fund acquisitions We were pleased with the high level of support shown for the placing

Since the year end, the Group has acquired Digicomp Complete Solutions Ltd ("Digicomp") This represents another significant and exciting step for Regenersis as it brings us into the high growth Indian market for the first time This emerging market exhibits the classic characteristics for us of rapid growth and few mature competitors We are delighted with the quality and client relationships of the Digicomp business and believe that this will be a significant territory for the Group over the next few years

We have also formed new partnerships with Xcaliber Technologies LLC ("Xcaliber") and EcoAsia Technologies Ltd ("EcoAsia") in the rapidly developing and strategically important areas of mobile device diagnostics and parts refurbishment, which are becoming areas of real strength for us Our organic new ventures in Recommerce and Digital Care have also moved successfully through the cost investment phase this year

The year just ended has, above all, in terms at least of my own time spent, been about hiring and integrating new people We are on a path to building the stand-out team in the sector Much of this investment in people was focused on product development and sales It was, therefore, extremely pleasing to see a big ramp in new contracts won in the second half of the year and for this to have continued since the year end

# Executive Chairman's Statement continued

**Senior Appointments**

The management team has been further strengthened with a number of senior appointments, reflecting our continued focus on operational excellence and future growth

- Bryce Boothby, appointed Group Sales & Marketing Director Bryce joined Regenersis from Celestica Inc, where he spent many years as the President of its aftermarket services division
- Pritpal Matharu, a senior industry MD, appointed to manage and direct the Renew business He joins the Executive Committee and Advanced Solutions board on 1 November 2013 Pritpal is joining from Carphone Warehouse Plc, where he has spent the last four years building the B2B Services division, including leading the Business Development, Operations and Account Management functions
- Simon Harper has just been appointed as COO of our Depot business and joined the Group, the Executive Committee and Depot Solutions board on 23 September 2013 Simon joins Regenersis from HTC, where he led a significant transformation programme of customer services as the VP Global Customer Service Prior to this, he was a partner at Booz & Company where he specialised in operational transformation for consumer-led companies

Recent growth in sales and acquisitive growth have allowed the Group to make these appointments and, from October 2013, we will simplify the Group's management structure into two divisional Boards

- The Advanced Solutions division - which will focus on new products and powerful propositions that need to be developed, sold, implemented and globalised,
- The Depot Solutions business - which provides the Group's geographic infrastructure and core repair service and whose focus is on continuous improvement, common operating practices, IT platforms and efficiency

In June 2013, Rob Woodward joined the main Board as a Non-executive Director, replacing Kevin Bradshaw who stepped down in April Rob is also Chief Executive of STV Group Plc and has significant experience in the Technology, Media and Telecommunications (TMT) industry, notably with STV, as the Commercial Director of Channel 4 Television, as a Managing Director with UBS Corporate Finance and the lead partner for Deloitte's TMT industry group in Europe Tom Russell also moved from the position of Non-executive Director to a full time Executive Director role with responsibility for Strategy Development and Deployment

**Acquisitions and Corporate Developments**

Our clients want to reduce complexity whilst improving efficiency and consistency They can achieve this by dealing with a smaller number of more global suppliers, which are focused on a complete range of aftermarket services At the same time, they are seeking innovative services which will improve client satisfaction and retention, reduce the cost of device failure, improve diagnostics, extend the life of devices and reduce wastage of expensive components Fragmentation in their service suppliers is expensive to manage, produces inconsistent results and is inefficient A market leader in the sector with a truly global platform, homogenous service and IT proposition and new services to bundle around core repair, is very attractive to our clients This is what is being built at Regenersis Acquisitions, which fill in geographies, products or services, are an important part in the delivery of this growth Post acquisition it has been particularly pleasing to see how quickly we have added new clients and services to acquired platforms and integrated them into the Group

In addition, where it proves to be the best way to accelerate the Group's portfolio of services, we are being flexible in how we "acquire" and deliver new technologies and services, for example using joint ventures or investing in unique technologies

## Executive Chairman's Statement continued

For our partners in these ventures, Regenersis is able to provide access to its global client base and encourage their growth with a view to proving their business model or technology and integrating them into our enlarged Group in future years This approach uses our global platform as a distribution network for idea delivery and client access and accelerates our ability to offer a broad base of solutions in a rapidly changing market place

With this backdrop and a much strengthened senior management team, we have had a busy period for acquisitions and corporate development

- Acquired the HDM Group of Companies ("HDM") on 31 August 2012, for an initial consideration of €6 5 million (£5 2 million) - giving Regenersis significant presence and market leading facilities in Spain, Mexico and Argentina
- Acquired Landela Electronics (Proprietary) Ltd ("Landela") on 25 April 2013 for 21 2m ZAR (£1 5 million) - largest set top box repair business in South Africa, bringing a significant new customer to the Group
- Acquired the trade and specific assets of Bitronic European Service Centre GmbH and Bitronic Sommerda Hardware Service GmbH ("Bitronic") on 14 May 2013
- Formed a new partnership with EcoAsia to fulfil refurbishment opportunities across Regenersis' client base in mainland Europe and manage global refurbishment programmes for OEMs
- Acquired Digicomp on 10 September 2013 for INR 451 million (£4 4 million) - giving Regenersis significant presence in Indian aftermarket services business
- Invested USD 1 2 million (£0 75 million) in Xcaliber on 17 September 2013, a developer of telecoms solutions primarily focussed on remote diagnostics software for smartphones, adding to our existing diagnostics offer both in the US and globally

**Outlook**

I believe that the aftermarket services sector offers outstanding opportunities to innovative businesses The key to the Group's success in this rapidly evolving and consolidating sector is that the best in class should want to work with Regenersis - be they clients, partners or acquisition targets To my mind, this is demonstrably beginning to happen at Regenersis, which makes me optimistic about the prospects for the Group in the next financial year and beyond

We will use this opportunity to reinvest in the strength of the management team This reinvestment will give the Group the management to develop further its world class sales force, acquire and integrate multiple bolt-on transactions and extend our common operating practices and systems across what is now a growing and global platform

- Current trading is in line with market expectations
- New business wins have progressed very well and are significantly ahead of the run rate at this stage for last year
- Opportunities for global growth, both organically and by acquisition, remain strong
- Continuing strong growth expected from Emerging Markets and Advanced Solutions

## Executive Chairman's Statement continued

- In June 2011 we set out a strategy to target double digit rates of growth in revenue and profits for the following 2-3 years We have achieved that Having invested well, we now believe the opportunity exists to continue to grow annually at double digit rates of growth for the foreseeable future
- Investment in capital expenditure and head office cost growth will continue throughout the business, in order to deliver efficiencies and further growth in 2015 and beyond

**Matthew Peacock**
**Executive Chairman**

# Business and Financial Review

**Results**

The financial performance of the business has once again showed significant forward momentum with revenue of £179 7 million (2012 £139 9 million, growth 28%), headline operating profit of £9 5 million (2012 £7 8 million, growth 22%), operating profit of £7 1 million (2012 £2 1 million, growth 238%), a headline operating profit margin of 5 3% (2012: 5 5%), and significant improvement in both headline operating cash flow of £11 0 million (2012 £5 9 million) and operating cash flow of £9 9 million (2012 £4 9 million), leading to a reduction in net debt at June 2013 to £1 9 million (2012 £2 9 million)

| Key financials | **2013 £'m** | 2012 £'m |
|---|---|---|
| Revenue | **179.7** | 139 9 |
| Headline operating profit | **9.5** | 7 8 |
| Operating profit | **7.1** | 2 1 |
| | | |
| Headline operating margin % | **5.3%** | 5 5% |
| Operating margin % | **4.0%** | 1 5% |

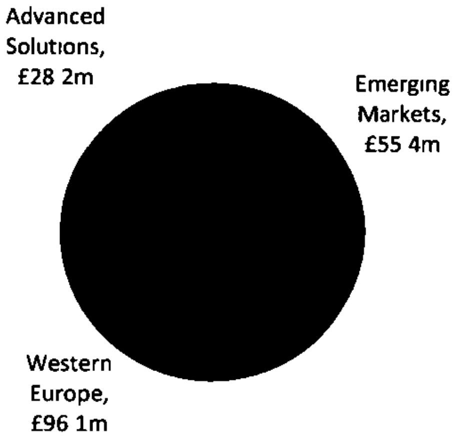
The most significant factors were

- 28% earnings growth in Emerging Markets,
- 24% earnings growth in Advanced Solutions, despite funding planned start-up costs of £0 6 million in Digital Care,
- In constant currency terms, operating profit and headline operating profit for the year would have been £0 4 million higher if they had been restated at 2012 effective exchange rates

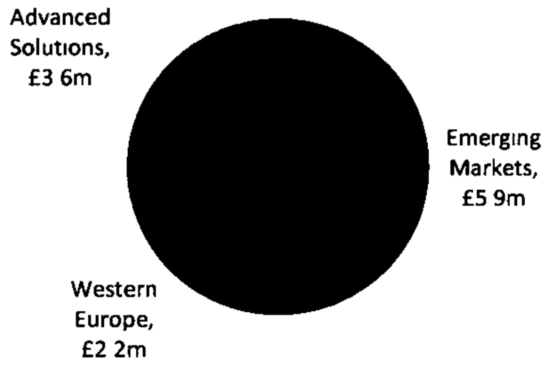
**Reporting segments**

| | Revenue | | Headline operating profit | |
|---|---|---|---|---|
| | **2013 £'m** | 2012 £'m | **2013 £'m** | 2012 £'m |
| Emerging Markets | **55.4** | 41 3 | **5.9** | 4 6 |
| Western Europe | **96.1** | 79 7 | **2 2** | 2 1 |
| **Depot Solutions** | **151.5** | **121.1** | **8.1** | **6.7** |
| **Advanced Solutions** | **28.2** | **18.8** | **3.6** | **2.9** |
| **Total divisional** | **179.7** | **139.9** | **11.7** | **9.6** |
| Corporate costs | **-** | - | **(2.2)** | (1 8) |
| **Group** | **179.7** | **139.9** | **9.5** | **7.8** |

## Business and Financial Review continued




**Revenue**




**Headline operating profit**

**Depot Solutions**

The Depot Solutions business has shown a 25% growth in revenue to £151 5 million and a 21% growth in headline operating profit to £8 1 million It consists of the Emerging Markets division and the Western Europe division

**Emerging Markets**

The Emerging Markets division includes Poland, Romania, Russia, South Africa, Turkey and from September 2012, Mexico and Argentina From September 2013, this segment will also include India

Overall, revenue increased to £55 4 million Headline operating profit also increased by 28% to £5 9 million Financial and operational highlights included

- Turkey and South Africa have shown very good progress and Mexico and Argentina performed in line with expectations
- Poland and Romania remain focused on providing a quick in-country solution, as well as a low cost solution for near-shoring work from Western European markets During the year we won significant new business with a major OEM covering several European countries, and also transferred repair volume from the UK to Poland, which delivers clients a more cost effective service
- South Africa moved to a good profit position after the initial start up investment in financial year 2012 We implemented new work with a range of clients in the Media & Entertainment sector and enhanced this progress with the acquisition of Landela, which brought a new service line, set-top box repair, to the country The growth opportunities into adjacent African countries remain strong

The Group continues to focus on both organic and acquisitive routes into new emerging markets The recent addition of the Digicomp business will also give access to India

## Business and Financial Review continued

**Western Europe**

The Western Europe division includes the businesses in the UK, (excluding Advanced Solutions) at Huntingdon and Normanton, in Germany, Schloss Holte and Sommerda, in Sweden, and following the acquisition of HDM in August 2012, Spain

Overall, revenue increased to £96 1 million Headline operating profit also increased marginally to £2 2 million Financial and operational highlights included

- Spain contributed for 10 months of the year This business has been integrated well and has performed in line with our expectations The Spanish business has had good growth with a range of new clients including Telefonica along with new service offerings brought to it through other Regenersis operations
- In the UK, the closure of our Glasgow operation was completed We also commenced a new contract with Samsung at our Normanton site
- Germany performed in line with expectations During the year we added a number of additional service lines in the country including laptop repair, mobile screening and logistics These new activities will contribute from financial year 2014
- In Sweden, we relocated from Vesteras to Gothenburg where we co-located with Ingram Mobility, a major mobile product distributor in the Nordics During the latter half of the year, we incurred planned losses setting up this new Nordic facility but have had some good early successes with a number of Recommerce clients, which are expected to contribute more substantially in financial year 2014

We are pleased with the performance in Western Europe, and continue to retain a sensible foothold to support all our clients across all geographies

**Advanced Solutions**

The Advanced Solutions division includes the newly formed Digital Care and Recommerce activities, together with the set top box and In Field Tester ("IFT") business which will become part of a new Diagnostics unit by including new activities with Xcaliber's SmartChk mobile diagnostics

Overall revenue increased 50% to £28 2 million Headline operating profit grew by 24% to £3 6 million Financial and operational highlights included

- We implemented a significant contract for the supply of the IFT product to Virgin Media to all of its field engineers The technology has been deployed for nearly 9 months and is performing well This has contributed to the profit growth in this division
- Following successfully completing the pilot of the "garage tester" variant of the IFT last year with a large US cable TV company, trials continue in the US, although the implementation of a full roll out is expected to be several months off We have now extended the discussions with this client and others in the US and in the rest of the world on broader diagnostics opportunities that have developed with SmartChk
- We also brought to market several new service offerings
    - Recommerce which offers client led refurbishment, repair and onward disposition of devices This has contributed to revenue and profit growth in the year under review and we expect this to continue in 2014
    - Digital Care which provides extended warranty and insurance services to end customers through intermediaries covering mobile, media and other portable consumer electronic equipment During the year, we have absorbed £0 6m start up costs for this new business unit which has temporarily depressed the operating margin in the year In 2014 this business is expected to make a positive contribution as a result of new business already secured

## Business and Financial Review continued

- Refurbishment which provides legitimate, quality refurbished components and devices to the end customer through our new partner EcoAsia This is allowing a broadening of our client base to retailers and insurance companies In 2014, this new service is expected to make a positive contribution as well

Together the above activities comprise a new business unit called Renew The formation of Renew follows the Group's strategy to identify and deliver innovative, higher margin products and services in the aftermarket service sector for mobile devices, including insurance companies, network operators and retailers

In the last few months, Renew has won several new contracts with significant new activities for Telefonica in Spain and other clients in Poland and Sweden These new contracts are expected to contribute to headline operating profit from 2014

Overall, the year has shown good growth in our existing Advanced Solutions propositions in terms of client wins and new geographies and the development of new propositions, which should broaden and accelerate growth in the next year

**Constant Currency**
During the year, we experienced significant headwinds in the translation of the South African Rand, the Swedish Krona and the Romania Leu

In constant currency terms, operating profit and headline operating profit for the year would have been £0 4 million higher if they had been restated at 2012 effective exchange rates

A reconciliation of actual results for 2013 to results restated at 2012 effective exchange rates is set out below

| | **Actual results 2013 £'m** | **Constant currency 2013 £'m** |
|---|---|---|
| Revenue | 179 7 | 184 7 |
| Gross profit | 40 8 | 42 2 |
| Operating profit | 7 1 | 7 5 |
| Headline operating profit | 9 5 | 9 9 |
| Basic EPS (pence) | 10 53 | 11 39 |

The cumulative effect of exchange rate movements on the Group's net assets is reflected in the Consolidated Statement of Comprehensive Income

**Client and sales development**
We have continued to grow and develop our global sales team responsible for providing an integrated approach to large multinational clients and prospects In addition, we have created three distinct sales regions covering APAC, EMEA and Americas

## Business and Financial Review continued

We have had considerable success winning larger multi-country contracts Of particular note is a European wide, three year mobile repair contract with a major OEM, which we believe to be an industry "first" This contract will contribute primarily to the Emerging Market Depot Solutions division from 2014

We have also continued to roll existing relationships and capabilities successfully into other territories, most notably

- With Samsung from Spain into Mexico and other countries globally,
- With Vodafone from Romania into Spain,
- With Telefonica from the UK into Spain,
- With Recommerce from the UK into Sweden,
- With laptop repairs from the UK into Germany, and
- With TomTom from Romania into South Africa

In the year to June 2013, the largest client accounted for 16% (2012 14%) of the Group's revenue and the top 10 clients represent 73% (2012 67%) of Group revenue Within most of the largest clients, the business is built up from multiple contracts for different geographies and/or types of work with different durations

**Mergers and Acquisition activity**

The Group has been very busy pursuing M&A opportunities For the Depot Solutions business acquisitions have been completed in Spain, Mexico, Argentina, South Africa, Germany and, post year end, in India For the Advanced Solutions division, the Group has also formed new partnerships with Xcaliber and EcoAsia in the rapidly developing and strategically important areas of mobile device diagnostics and parts refurbishment, which are becoming areas of real strength

**Acquisition of HDM**

On 31 August 2012, the Group completed the acquisition of the trade and assets of the HDM Group of Companies ("HDM") for an initial consideration of €6 5 million (£5 2 million) on a cash and debt free basis Key features of HDM

- Market leader in reverse logistics and repair to network operators and mobile telephone manufacturers in Spain, Mexico and Argentina
- Key customers included Telefonica, Samsung and Nokia
- HDM employs more than 600 staff across its three facilities

In addition to the €6 5m initial consideration, a capped earn-out will be payable on 30 September 2015 based on the EBIT achieved in the year to June 2015 as follows

| Earn Out Formula | |
|---|---|
| FY15 HDM EBIT | Multiple |
| €0-2m | 0 0x |
| €2-3m | 4 0x |
| €3m and above | 2 5x |

| Indicative Acquisition Cost | | | | |
|---|---|---|---|---|
| FY15 HDM EBIT | Initial Consideration | Earn Out | Total Consideration | Multiple |
| €2 0m | €6 5m | €0 0m | €6 5m | 3 3x |
| €3 0m | €6 5m | €4 0m | €10 5m | 3 5x |
| €4 0m | €6 5m | €6 5m | €13 0m | 3 3x |

Of the initial consideration, €5 85 million (£4 6 million) was funded through the Group's existing revolving credit facility In addition, 587,571 ordinary shares were issued to the vendor in settlement of the remaining €0 65 million (£0 5 million) of initial consideration payable

## Business and Financial Review continued

This business has been integrated well and has performed in line with our expectations The Spanish business has had growth from a range of new clients and services brought to it through other Regenersis operations The Latin American market has attractive characteristics and we are beginning to see a number of interesting opportunities emerging

**Acquisition of Landela**

On 25 April 2013, we completed the acquisition of all of the issued share capital of Landela Electronics (Proprietary) Ltd ("Landela") for a consideration of 21 2m ZAR (£1 5 million) on a cash and debt free basis Key features of Landela

- The largest set top box repair business in South Africa
- Key customers are dominant in the provision of satellite TV to the South African market and 11 other countries in Africa, with a market share in excess of 90%

This enhanced the progress already made organically in the region and also brought a significant new client to Regenersis The growth opportunities into adjacent African countries remain strong and we are currently actively pursuing this new market for the Group's patented IFT technology

**Partnership with EcoAsia**

In July 2013 we formed a partnership with EcoAsia Technologies Ltd ("EcoAsia"), to fulfil refurbishment opportunities across Regenersis' client base in mainland Europe and manage global refurbishment programmes for OEMs EcoAsia is a market leading firm in Refurbishment capabilities with facilities in Philippines, Hong Kong, China and Mexico

**Acquisition of Digicomp**

The Board is pleased to announce it has acquired on the 10 September 2013, 80% of the issued share capital of Digicomp Complete Solutions Limited ("Digicomp") for a consideration of INR 451 million (£4 4 million)

Key features of Digicomp

- High-quality business in a new territory, India - 65% market share in formal laptop repair
- One main depot facility in Bangalore with 92 owned and franchised stores in the major Indian cities
- Key OEM customers, including Dell, HP, Lenovo and Acer and market leading accreditations with Foxconn and Pegatron
- Unique laptop recovery offering, which is growing rapidly, and is similar to the Group's existing mobile Recommerce business
- Market penetration for laptops in India is less than 10% of the total population and less than 5% for smart phones - both presenting very significant growth opportunities for Digicomp
- Strong, incentivised senior management team, which will remain in the business post acquisition

The initial consideration of INR 451 million cash was funded through the Group's existing revolving credit facility In addition to the initial consideration, an earn-out will be payable in March 2015 based upon a fixed earnings multiple above a pre-defined level of profitability, using the average annualised EBIT achieved in the 17 month period 31 August 2013 to 31 December 2014 In September 2016, Regenersis will acquire the remaining 20% of the issued share capital of Digicomp, based upon a fixed earning multiple applied to the average EBIT achieved in the 12 month period ending 31 March 2016

## Business and Financial Review continued

**Investment in Xcaliber**

The Board is pleased to announce it acquired 15% (plus the option to acquire a further 10%) of the issued share capital of Xcaliber Technologies LLC and Xcaliber Infotech PVT Ltd (together "Xcaliber") for a consideration of USD 1 2 million (£0 75 million) Xcaliber is a US based software business with a market leading mobile diagnostic technology which will add to our existing diagnostic offer both in the US and globally The effective date of exchange was 17 September 2013 and the date of completion is expected to be in October 2013

Regenersis will also become Xcaliber's route to market around the world, with exclusivity in EMEA This will build Regenersis' share of the economics of Xcaliber significantly beyond our equity stake Key features of Xcaliber

- A developer of telecoms solutions primarily focussed on remote diagnostics software for smartphones
- Headquarters in Atlanta, USA along with a 60 person software development team based in Pune, India
- Xcaliber's most important application is the SmartChk diagnostics software for Windows, Android and iOS platforms, which is designed to drive down No Fault Found rates for operators and OEMs on smartphones by running comprehensive diagnostics either directly on the handset or through an in-store "kiosk"-style application
- Xcaliber's diagnostics technology will form part of the new suite of Advanced Solutions remote diagnostic offerings
- We believe Xcaliber is at the forefront of remote diagnostics technology which is of increasing importance, as OEM's and operators look to continually reduce their costs and increase customer satisfaction, by reducing unnecessary returns
- This technology expands the Group's current diagnostic capability within set-top boxes, and expands the range of diagnostics solutions available to clients Regenersis is already working with, particularly in the US

As well as providing Xcaliber with finance to fund growth, Regenersis will assist by providing access to our global sales resources in the marketing of the SmarkChk application by utilising our existing relationships with OEMs and operators Regenersis will also have the opportunity to use the application within its own facilities in order to automate and increase the efficiency of the screening and quality assurance phases of our repair process

The initial consideration of USD 1 2 million cash will be funded through the Group's revolving credit facility

**The Operating Matrix**

The Group now has a footprint of 21 depot sites, runs 105 "retail units" in 13 countries and employs over 3,750 people 9 of these countries were opened or acquired since the new Board took over in March 2011 We also have 10 well-defined product and service offerings with clear teams and owners, of which 4 have been recently developed This matrix of geographies and products is important, firstly, because it is how we leverage and build on our strengths, assets and relationships and, secondly, it is how we translate our strategy for growth in Emerging Markets and Advanced Solutions into action on the ground

## Business and Financial Review continued

| | | UK | Germany | Poland | Romania | Russia | Nordics | USA | Turkey | South Africa | Spain | Mexico | Argentina | India |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mobile | Repair | X | X | X | X | X | X | | | X | X | X | X | |
| | Vendor Management Outsourcing/ BPO | X | | | | | | | X | | X | X | | |
| Media & Entertainment | STB Repair | X | | | X | | | | | X | | | | |
| | TVs, Sat Nav, Laptops | X | X | | X | | | | | | X | | | X |
| B2B niche products | Cash and payment | X | X | X | | X | | | | | | | | |
| | Medical and Industrial | X | X | | | X | | | | | | | | |
| Advanced solutions | Recommerce | X | | X | | | X | | X | X | | X | | X |
| | Digital Care | | | X | | | X | | | | | | | |
| | Remote Diagnostics | X | | | | | | X | | | | | | |
| | Refurbishment | X | | | X | | X | | | | X | X | | |

*Progress in the last 6 months*

### Acquisition costs

Acquisitions costs amounted to £1 9 million (2012 £nil) with the largest costs relating to the acquisition of HDM

### Amortisation of intangible assets

Other costs excluded from headline operating profit included the ongoing amortisation of acquired intangible assets amounting to £0 1 million (2012 £0 2 million)

### Share based payments

Share based payments amounting to £0 5 million (2012 £0 3 million) were also excluded from headline operating profit

### Net financing charges

Net financing charges were £1 4 million (2012 £0 4 million) This has increased as a result of a £0 7 million charge in respect of the unwinding of the impact of discounting on deferred consideration primarily associated with the HDM acquisition

### Taxation

The total tax charge was £1 0 million (2012 £0 3 million) The Group has a permanent benefit from being in territories where the local taxation rates are lower than the UK rate, for example in Poland and Romania The blended corporation tax rate for the entire year for Group in 2013 is 17% The blended corporation tax rate for H2 2013 was 15 5% and is expected to remain at or below this level going forward

## Business and Financial Review continued

**Earnings per share**
Adjusted earnings per share increased to 16 80 pence (2012 13 85 pence) Basic earnings per share rose to 10 53 pence (2012 3 33 pence)

**Cash flow**

| | **2013 £'m** | 2012 £'m |
|---|---|---|
| Operating cash flow before movement in working capital | **10.0** | 5 7 |
| Movement in working capital | **2.2** | (1 6) |
| Movement in provisions | **(1.2)** | 1 8 |
| **Headline operating cash flow** | **11.0** | **5.9** |
| Net interest payments | **(0.3)** | (0 2) |
| Tax paid | **(0.8)** | (0 8) |
| Operating cash flow | **9.9** | 4 9 |
| Net capital expenditure | **(4.3)** | (3 3) |
| Acquisition of subsidiary, net of cash acquired | **(7.5)** | - |
| Net cash flow from share issues, option vesting and dividend payments | **3.3** | - |
| Drawdown /(Repayment) of borrowings | **0.2** | (1 2) |
| Net increase in cash and cash equivalents | **1.6** | 0 4 |
| **Net debt** | **(1.9)** | **(2.9)** |

Headline cash inflow from operating activities improved dramatically to £11 0 million (2012 £5 9 million) Cash inflow from operating activities also improved to £9 9 million (2012 £4 9 million)

Working capital has decreased by £2 2 million, despite an increase in the size of the business This is due to a permanent benefit received from careful working capital management Debtor days are in line with the prior year at 42 days (2012 42 days)

Tax paid was £0 8 million as the Group again benefited from losses brought forward and research and development expenditure tax credits

Net interest paid was £0 3 million (2012 £0 2 million) and is higher than the prior year due to increased use of the revolving credit facility throughout the majority of year primarily to fund the acquisitions of HDM in September 2012 and Landela in April 2013

Capital expenditure increased to £4 3 million (2012 £3 3 million) Expenditure on intangible assets amounted to £2 5 million (2012 £1 1 million) and comprised further R&D investment in automation, diagnostic and IFT technology as well as other new technologies Expenditure on tangible assets amounted to £1 8 million (2012 £2 2 million) and comprised leasehold improvements and technical equipment

**Banking facilities**
The Group continues to benefit from its revolving credit facility of £23 25 million with HSBC The facility runs until October 2015 Given our low level of net debt, the facility continues to provide significant funding to undertake further investment and M&A activity

## Business and Financial Review continued

The Group has strong financial metrics with interest cover of 10 times (2012 22 times) and a net debt to EBITDA ratio of 0 2 at 30 June 2013 (2012 0 3)

All banking covenants have been passed and show significant headroom for the foreseeable future

**Net debt**
At 30 June 2013 net debt was £1 9 million, which is an improvement on the prior year (2012 £2 9 million)

Year end net debt comprised gross borrowings of £6 6 million, in Sterling, ZAR and Euro's (2012 £6 0 million), cash and cash equivalents of £4 5 million (2012 £2 7 million) and the deferred arrangement fees of £0 2 million (2012 £0 4 million)

**Key performance indicators**
The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business These are set at the individual customer level and for business units as well as for the Group as a whole The Group's key performance indicators ("KPIs") are headline operating profit, headline operating cash flow, net debt, Adjusted EPS and Health & Safety RIDDOR reportable (or local country equivalent) incidents These measures are used continually to manage the business, improve performance and compare results against targets

| KPI | 2013 | 2012 | 2011 |
|---|---|---|---|
| Headline operating profit (£'m) | 9 5 | 7 8 | 6 3 |
| Headline operating cash flow (£'m) | 11 0 | 5 9 | 3 3 |
| Net debt (£'m) | 1 9 | 2 9 | 3 8 |
| Adjusted EPS (pence) | 16 80 | 13 85 | 12 26 |
| Health & Safety RIDDOR* reportable incidents (number) | 4 | 3 | 4 |

*or local country equivalent

**Risks and uncertainties**
Throughout its international operations, Regenersis faces various risks, both internal and external, which could have a material impact on the Group's long term performance Regenersis manages the risks inherent in its operations in order to mitigate exposure to all forms of risk, where practical The Board has identified several specific risks and uncertainties that potentially impact the ongoing business including

- Commercial contract risks – Given the potential for onerous terms in customer contracts it is essential that Regenersis continues to contract for business at acceptable rates and with appropriate commercial balance This also includes consideration of the cash flow impact of each customer contract The Group has a contract approval process in which the key customer contracts will be approved by the Group Board and others approved by different levels of senior management as appropriate

- Systems risks – As data management is an essential platform of our service offering, the flexibility and reliability of the systems is critical to the ongoing development of the Group The integrity of our systems is maintained through backup testing and a disaster recovery planning

## Business and Financial Review continued

- Market and economic risks – The Group's activities support a broad range of customer orientated and technology rich products There is a strong correlation between the volume of consumer sales and the number of service events arising as a result of those sales The Group has been developing a diversified service capability and expanding capacity in low cost service locations to ensure a balanced portfolio of customers, services and locations

- Financing risks – In the continuing difficult financial markets the Group has maintained a prudent approach to the management of cash flow The Group has good access to revolving credit facilities providing finance until October 2015

- Customer concentration risks – A number of customers are significant in the context of the Group as a whole Decreasing customer concentration remains an issue the Board is conscious of and seeks to reduce further through the development of new customers and the creation of more dependent relationships with its existing customers

- Operational risks – Operational efficiency is vital to the profitability of the Group and to customer service The Group is currently giving this area great focus and has strengthened the operational management where needed

- Compliance risks – Some of the Group's business relies on the compliance with and enforcement of legislation consistent with the WEEE Directive The Group maintains Government approved licenses to manage the collection, treatment and export of electrical waste In addition, Regenersis handles equipment holding personal data and is mindful of the implications of the Data Protection Act The Group maintains internal processes to ensure appropriate guidelines are followed

- Foreign exchange rate volatility - The widening geographic spread of the Group means that financial results can, increasingly, be affected by movements in foreign exchange rates The risk presented by currency fluctuations may affect business planning and product procurement costs The Group monitors foreign exchange exposure closely and, when a transactional exposure is not covered through a natural hedge, will consider entering into a hedge arrangement

- Employee engagement - Staff engagement is essential to the successful delivery of service to customers and longer term the overall business strategy Considerable effort has been devoted to communicating the business strategy so employees are clear on our business objectives and their role in the strategy The employee appraisals process and setting of personal objectives, operate within the framework of our corporate objectives This is then reinforced by the employee incentivisation process

- Corporate social responsibility - The Board continues to identify business ethics, health and safety, sustainability, the environment, employees and the local community as the main building blocks in this area To mitigate risks associated with these issues, Regenersis has implemented Group-wide policies and training of all staff The Board is committed to managing all risks associated with these activities, on an ongoing basis

## Business and Financial Review continued

**Cautionary statement**

This review has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential of that strategy to succeed and should not be relied upon by any other party or for any other purpose It contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Regenersis Plc

These statements and forecasts involve risk and uncertainty because they relate to events and depend upon the circumstances that may occur in the future

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts Nothing in this review should be construed as a profit forecast

**Matthew Peacock**
**Executive Chairman**

**Jog Dhody**
**Chief Financial Officer**

## Directors and Advisers

**Matthew Peacock**
**Executive Chairman**
Matthew Peacock is the founder partner of Hanover Investors Management LLP which is a significant shareholder of Regenersis Hanover Investors is a specialist turnaround investment firm Matthew has led investments for over 23 years in, amongst other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles and logistics Prior to this, he ran the international M&A team in London at Barclays de Zoete Wedd, having started his career at Credit Suisse First Boston in New York

**Jog Dhody**
**Chief Financial Officer**
Jog Dhody has significant financial management experience, particularly within ambitious, growth-oriented businesses Prior to joining Regenersis, Jog was Chief Financial Officer of the Esporta Group, a position he held for four years During that time, he played a key role in the successful restructuring and turnaround of the business, which had been the subject of a private equity-backed refinancing, and the ultimate sale of the business Prior to this, Jog was Financial Controller of Phones4u Group

**Tom Russell**
**Executive Director**
Tom Russell is also partner at Hanover Investors Prior to this he spent nine years at Mercer Oliver Wyman, where he specialised in the Communications, Information and Entertainment sector, advising on strategy and operations

**Michael Peacock**
**Senior Independent Non-executive Director**
Michael Peacock was most recently the Finance Director at Victrex plc Victrex is a global manufacturer of innovative, high performance thermoplastic polymers, working with customers and end users to deliver technology driven solutions to the challenges and opportunities they face Michael was formerly with Barclays de Zoete Wedd's corporate finance department before moving into industry as a Finance Director Michael is also a Non-executive Director of Blackrock Smaller Companies Trust plc

**Rob Woodward**
**Independent Non-executive Director**
Rob Woodward is also Chief Executive of STV Group Plc and has significant experience in the Technology, Media and Telecommunications (TMT) industry, notably with STV, as the Commercial Director of Channel 4 Television, as a Managing Director with UBS Corporate Finance and the lead partner for Deloitte's TMT industry group in Europe

## Directors and Advisers continued

**Registered office**
4th Floor
32 Wigmore Street
London W1U 2RP

T +44 (0)203 657 7000
F +44 (0)203 657 7019

**Company number**
05113820

**Auditors**
KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

**Nominated advisor and joint broker**
Panmure Gordon (UK) Ltd
155 Moorgate
London EC2M 6XB

**Joint broker**
Cenkos Securities
6-8 Tokenhouse Yard
London EC2R 7AS

**Bankers**
HSBC
4th Floor, 120 Edmund Street
Birmingham B3 2QZ

**Registrars**
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

**Lawyers**
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2HS

Pinsent Masons
3 Colmore Circus
Birmingham B4 6BH

## Directors and Advisers continued

**Company Secretary**
Prism Cosec Limited
10 Margaret Street
London W1W 8RL

# Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 June 2013

**Principal activities**

Regenersis is a leading, strategic outsource partner to the world's premier consumer technology brands We specialise in the field of after-sales, enabling our clients to define and deliver cost effective service propositions that reinforce their brands, building stronger relationships with their customers

We achieve this by creating solutions that leverage our market knowledge, technical expertise and customer insight Clients benefit from accelerated delivery of solutions by taking advantage of our innovative products and services

Our dedication to improve the end-to-end customer experience and, at the same time, to reduce the total cost of after-sales make us unique in our market place As a result, our clients choose Regenersis to manage (i) the lifecycle of their products from the preparation and introduction of new products to market, (ii) technical and customer support requirements, (iii) warranty processes and insurance fulfilment, (iv) fully integrated repair avoidance, (v) returns and technical repair, (vi) the remarketing and safe re-deployment of end-of-life products and (vii) electronic device insurance

**Business review and future developments**

The Company is required by the Companies Act 2006 to include a business review in this report The information that fulfils the requirements of the business review can be found in the Chairman's Statement on pages 1 to 4 and the Business and Financial Review on pages 5 to 16 which is incorporated in this report by reference These reports also include details of expected future developments in the business of the Group, principal risks and uncertainties and details of key performance indicators deployed by management

The Business and Financial Review has been prepared to provide the Company's shareholders with a fair review of its business and a description of the principal risks and uncertainties facing it It should not be relied upon by anyone, including the Company's shareholders, for any other purpose

**Results and dividends**

The audited accounts for the Group for the year ended 30 June 2013 are set out on pages 43 to 94 The Group profit for the year after taxation was £4 7 million (2012 £1 4 million) The Board recommends the payment of a final dividend of 1 83 pence per ordinary share If approved, the final dividend will be paid on 4 December 2013 to shareholders on the register at the close of business on 8 November 2013

**Directors**

Details of changes to the Board during the year and of the Directors offering themselves for appointment at the forthcoming Annual General Meeting are set out in the Corporate Governance Report on pages 24 to 31

Details of Directors' service agreements are set out in the Directors' Remuneration Report on pages 32 to 37

The interests of the Directors in the shares of the Company are set out on page 37

Full biographical details of the Company's Directors are given on page 17

# Directors' Report continued

**Directors' liability insurance and indemnities**

The Company maintains liability insurance for the Directors and officers of all Group companies

Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's articles of association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries

Neither the Group's liability insurance nor indemnities provides cover in the event that a Director or Officer is proved to have acted fraudulently or dishonestly

**Supplier payment policy**

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payment to suppliers Trade payables at 30 June 2013 represented on average 33 days credit based on actual invoices received (2012 31 days credit)

**Share capital**

The issued share capital of the Company at 30 June 2013 was £994,307 72, comprised of 49,715,386 ordinary shares of two pence each of which 1,419,481 are designated as treasury shares

The Directors will be seeking authority at the forthcoming Annual General Meeting to renew their authority to allot shares (Resolutions 7 and 8) and also a further authority enabling the Company to purchase its own shares (Resolution 9) Full details of these resolutions, together with explanatory notes, are contained in the Notice of Annual General Meeting on pages 95 to 103

**Substantial shareholdings**

As at 26 September 2013, the following shareholders own more than 3% of the issued share capital of the Company

| | % of issued share capital | Number of shares |
|---|---|---|
| Hanover Investors Management LLP | 21 62 | 10,748,637 |
| Impax Asset Management Limited | 9 16 | 4,555,514 |
| Investec Asset Management | 6 84 | 3,400,000 |
| FIL Limited | 4 14 | 2,057,491 |
| Ignis Investment Services | 3 65 | 1,813,676 |
| Aviva plc | 4 00 | 1,986,328 |

**Fixed assets**

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interests in land and buildings

# Directors' Report continued

**Charitable and political donations**
The Group made no direct charitable donations during the year However, certain clients direct the Group to pay their entitlement under commercial arrangements to various charities

**Going concern**
As highlighted in note 25 to the financial statements, the Group meets its day to day working capital requirements through a revolving credit facility which is due for renewal on 31 October 2015

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business and Financial Review on pages 5 to 16 Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Business and Financial Review on 5 to 16 In addition, note 29 to the financial statements details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current revolving credit facility

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

**Subsequent events**
Since the 30 June 2013 the Group has acquired 80% of the issued share capital Digicomp Complete Solutions Limited and 15% of the issued share capital of Xcaliber Technologies LLC and Xcaliber Infotech PVT Limited Further details of these events are given in the Business and Financial review section

**Annual General Meeting**
The Annual General Meeting of the Company will be held on Wednesday 20 November 2013 at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT The Notice setting out details of the business to be considered at the meeting is included on pages 95 to 103

**Auditor**
Our auditor, KPMG Audit Plc, has instigated an orderly wind down of business The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the Company

**Disclosure of information to the auditor**
As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and

- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Words and phrases used in this confirmation should be interpreted in accordance with Section 418 of the Companies Act 2006

## Directors' Report continued

**Employees**

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue It is the policy of the Group that training, career development and promotion opportunities should be available to all employees

The average number of employees within the Group is shown in note 10 to the financial statements on page 62

By order of the Board

**Jog Dhody**
Chief Financial Officer
Regenersis Plc
4th Floor
32 Wigmore Street
London W1U 2RP

27 September 2013

# Corporate Governance

**Principles of good governance**

As a Company quoted on AIM, a market operated by the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code ('the Code') However, the Group has complied with the provisions of the Code with the following exceptions

- Matthew Peacock, as Executive Chairman has responsibilities for both the organisation of the Board and running of the Group's business Whilst this does not meet the criteria set out in provision A 2 of the Code, the objectivity of the Board and its independence from management is strengthened by the designation of a senior independent Non-executive Director, Michael Peacock (no relation), to convene or chair sessions of the Non-executive Directors if required,

- Tom Russell, as Non-executive Director and a member of the Audit, Remuneration and Nominations Committees during the year, by virtue of his association with Hanover Investors Management LLP did not meet the independence criteria set out in provision B 1 1 of the Code Accordingly, Mr Russell resigned from the Audit and Remuneration Committees on 10 September 2012 and from the Nominations Committee on 27 June 2013 following the appointment of Rob Woodward as an independent Non-executive Director on 1 June 2013 Following Mr Woodward's appointment to the Board and its three principal committees, the Audit and Remuneration Committees now comprise a minimum of two independent Non-executive Directors as required by provisions C 3 1 and D 2 1 of the Code respectively, whilst the Nominations Committee comprises a majority of independent Non-executive Directors as required by provision B 2 1 of the Code

**The Board**

***Structure and composition***

As at 30 June 2013, the Board comprised three Executive and two Non-executive Directors

| | | Appointed | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|---|
| Matthew Peacock | Executive Chairman | 8 February 2011 | - | - | Chairman |
| Jog Dhody | Chief Financial Officer | 21 March 2012 | - | - | - |
| Tom Russell | Executive Director | 8 March 2011 | - | - | - |
| Michael Peacock | Non-executive Director | 8 February 2011 | Chairman | Chairman | Member |
| Rob Woodward | Non-executive Director | 1 June 2013 | Member | Member | Member |

Biographies of all the Directors at the date of this report, including those offering themselves for re-election at this year's Annual General Meeting on Wednesday 20 November 2013, are set out on page 17

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda

## Corporate Governance continued

The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns

Michael Peacock is the Senior Independent Non-executive Director to whom concerns may be conveyed by shareholders if they are unable to resolve them through existing mechanisms for investor communications or where such channels are inappropriate

The Company Secretary is responsible for assisting the Chairman in all matters relating to corporate governance

Details of the terms of appointment of both the Executive and Non-executive Directors are set out in the Directors' Remuneration Report, which refers to executive service contracts and non-executive terms of appointment, copies of which are available for inspection at the Company's registered office and which will be available for inspection at the forthcoming AGM

***Board process***

The Directors ensure the effectiveness of the Board through regular meetings and by having open lines of communication between Board members

During the year, the Board made two visits to the Group's operating sites, and believes that the benefit of its collective experience is a valuable asset to the business On joining the Board, new Directors are given background information describing the Group and its activities Meetings with principal shareholders and advisers are arranged as appropriate

Details of attendance at scheduled Board and Board Committee meetings during the period are as follows

| | **Board** | | **Audit Committee** | | **Remuneration Committee** | | **Nominations Committee** | |
|---|---|---|---|---|---|---|---|---|
| | Number | Attended | Number | Attended | Number | Attended | Number | Attended |
| Matthew Peacock | 15 | 15 | 3 | 3* | 7 | 5* | 5 | 5 |
| Michael Peacock | 15 | 14 | 3 | 3 | 7 | 7 | 5 | 5 |
| Tom Russell** | 15 | 13 | - | - | 1 | - | 5 | 4 |
| Kevin Bradshaw (resigned 25 April 2013) | 11 | 9 | 2 | 2 | 6 | 6 | 1 | 1 |
| Rob Woodward (appointed 1 June 2013) | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Jog Dhody | 15 | 15 | 3 | 3* | - | - | 5 | 1* |

*Attended by invitation

**Tom Russell was a member of the Audit and Remuneration Committees until 10 September 2012 and a member of Nominations Committee until 27 June 2013

## Corporate Governance continued

Non-attendance at meetings was due to prior business or personal commitments Directors unable to attend Board or Committee meetings reviewed the relevant papers and provided comments to the Chairman or Committee Chairman

The Board sets the strategic objectives of the Group, agrees on performance criteria and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters The Board monitors compliance with policies and achievements against objectives by holding management accountable for its activities through regular reporting and budget updates

The Board has agreed a schedule of matters reserved specifically for its decision which include

- Overall strategy and objectives,
- Approving interim and financial statements,
- Approving annual budget and medium term projections,
- Reviewing operational and financial performance,
- Acquisitions and disposals,
- Approval of major customer contracts,
- Major divestments and capital expenditure,
- Reviewing the Group's systems and capital expenditure,
- Reviewing the environmental and health and safety performance of the Group,
- Approving appointments to the Board including the Company Secretary,
- Approving policies proposed by the Remuneration Committee relating to Directors' remuneration and the severance of Directors' contracts, and
- Ensuring that a satisfactory dialogue takes place with shareholders

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to, and scrutiny of, management Further information is obtained by the Board from the Executive Directors and other relevant senior Executives as the Board, particularly its Non-executive members, considers appropriate

Procedures are in place for Directors to take independent professional advice, when necessary, at the Company's expense No such advice was sought during the year under review

The Board is supported by the Company Secretary who, under the direction of the Chairman, ensures good communication and information flows within the Board, including between Executive and Non-executive Directors and between the Board and its Committees

If Directors have concerns that cannot be resolved regarding the running of the Group or a proposed action, they are encouraged to make their views known and these are recorded in the Board minutes

***Directors' conflicts of interest***

Under the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Group's interests The requirement is considered very broad and could apply, for example, if a Director becomes a Director of another Company or a trustee of another organisation The Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, provided that the articles of association contain a provision to this effect The Company's articles authorise the Directors to approve such situational conflicts

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict

# Corporate Governance continued

First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the Directors must act in a way which they consider, in good faith, will be most likely to promote the Group's success The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate

Directors are required to notify the Company Secretary of any additional conflict situation or if there is a material change in a conflict situation previously notified, giving sufficient details of the situation to allow the Board to make an informed decision when considering authorisation

***Re-appointment of Directors***

The articles of association provide that any director appointed to fill a casual vacancy or as an additional director shall hold office only until the AGM immediately following appointment and shall then be eligible for election but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting (Article 94 2)

Kevin Bradshaw resigned from his non-executive position on the Board on 25 April 2013 In his place, the Board appointed Rob Woodward on 1 June 2013 to fill the resulting vacancy Mr Woodward will offer himself for election at the forthcoming AGM

Tom Russell was appointed as Executive Director in charge of Strategy on 14 June 2013

***Board performance and evaluation***

The Board carried out a formal evaluation process for the Board, its committees and individual Directors in respect of the year ended 30 June 2013 The evaluation process concluded that the Board as a whole and its committees had functioned effectively during the year and that each Director continued to make a valuable contribution

**Board Committees**

***Audit Committee***

The Audit Committee is chaired by Michael Peacock The Executive Directors are invited to attend meetings as necessary The Chairman and/or the Committee meets with the external auditors without any Executive Directors present whenever this is considered appropriate

The Committee's responsibilities include

1) Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them,
2) Considering the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and agreeing the scope of the audit engagement,
3) Keeping under review the effectiveness of the Group's systems of internal financial control and reporting to the Board regarding such systems on an annual basis, and
4) Reviewing the arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting (or other matters)

# Corporate Governance continued

During the year under review, the Audit Committee met three times as follows

1) In September 2012, the Committee reviewed the financial statements for the year ended 30 June 2012 and considered the effectiveness of the external auditors, concluding that the processes reviewed provided the required degree of comfort and that there is an effective and robust independent external audit It was therefore resolved to recommend to the Board that KPMG Audit Plc be retained as the external auditor
   In addition, at its meeting in September 2012 the Audit Committee received a report in the ongoing work being carried out to establish a risk management framework which is subject to regular review to ensure compliance with the relevant regulatory requirements on internal control and risk management The Directors recognise that they are ultimately responsible for the Group's risk management framework and for reviewing its effectiveness The purpose of this framework is to manage, rather than eliminate, the risk of failure to achieve business objectives and there will be an ongoing process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the business
2) In February 2013, the Audit Committee reviewed the results for the half-year ended 31 December 2012, received an update from the Chief Financial Officer on the development of a Group risk register and noted the establishment and deployment of a Whistleblowing policy
3) In June 2013, the Audit Committee met to consider the audit scope for the year ended 30 June 2013 and approve the audit fee for the June 2013 year-end audit and to review the internal control framework

***Remuneration Committee***
The Remuneration Committee is chaired by Michael Peacock The Executive Directors are invited to attend meetings as necessary

Under its terms of reference, the Remuneration Committee is responsible for

1 Considering and approving all aspects of the Company's remuneration policy for the Executive Directors (including the Executive Chairman), making recommendations to the Board as appropriate,
2 Ensuring that the remuneration and conditions of service of the Executive Directors support corporate objectives and shareholders' interests, represent value for money and reflect the performance of the Company and the individual directors as appropriate,
3 Determining the individual remuneration packages for the Executive Directors and the Executive Chairman (including bonuses and other incentives),
4 Recommending and monitoring the structure and level of pay for the senior management team,
5 Agreeing a policy for the authorisation of expenses claimed by all directors and reviewing annually a schedule of expenses claimed by the directors in the preceding financial year,
6 Making whatever other recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed

Full details of the role, policies and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 32 to 37

## Corporate Governance continued

***Nominations Committee***

The Nominations Committee is chaired by Matthew Peacock Under its terms of reference, the Remuneration Committee is responsible for

1 selecting the most suitable candidate or candidates for appointment to the Board, and
2 overseeing succession planning for the Board, and
3 attracting and developing a highly qualified and diverse workforce, to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory The Board acknowledges the importance of diversity, including gender and ethnicity, to the effective functioning of the Board as well as senior management

The Committee meets as and when required and met during the year to evaluate its own performance and to consider the appointment of Rob Woodward as an independent Non-executive Director following the resignation of Kevin Bradshaw on 25 April 2013 The Committee recommended Mr Woodward's appointment to the Board and recommended that he be appointed as a member of the Audit, Remuneration and Nominations Committees In June 2013, the Committee agreed to Tom Russell moving from the position of Non-executive Director to a full-time Executive Director with responsibility for strategy development and deployment with effect from 14 June 2013 This was subsequently ratified by the full Board Following this, Mr Russell resigned from the Nominations Committee on 27 June 2013

**Internal controls**

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material mis-statement or loss

Regenersis is committed to conducting its business responsibly and in accordance with all applicable laws and regulations Employees are encouraged to raise concerns about fraud, bribery and other matters through a whistle-blowing procedure All such concerns are referred to, and investigated by, the Executive Chairman or Chief Financial Officer, who then recommend appropriate remedial action

The Group's financial reporting processes are detailed and regularly reviewed The detailed reporting is reviewed at least each month end by the members of the central finance team, highlighting areas of concern and checking/confirming that the reasons for variations are valid Quarterly reviews of each of the businesses are performed by the Chief Financial Officer covering both historic and forthcoming financial and business performance as well anticipating key future events

In addition each business unit is required to submit a monthly controls checklist which is signed locally to say that controls and reviews have been carried out both during the month and as part of the month end close process Quarterly reports are also issued to follow up on any non compliance points identified on these forms and are reviewed by the relevant Financial Directors

The Group has recently implemented an internal control review function, which carries out reviews of key risks and mitigations within the various locations Each site will be visited once a year, prioritised by financial risk assessment Two businesses were visited within the year under review A full review procedure manual and testing document has been created to track the results of the visits and highlight recommendations and responsibilities for improvements The outcomes of these reviews are presented to the Audit Committee twice per year

# Corporate Governance continued

**Audit independence**

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in their reporting to shareholders The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided when necessary to senior members of KPMG unrelated to the audit This activity also forms part of KPMG's own system of quality control The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgmental areas These discussions have proved satisfactory to date The scope of the forthcoming year's audit is discussed in advance by the Audit Committee Audit fees are approved by the Audit Committee after discussions between the businesses and KPMG

Rotation of the audit partner's responsibilities within KPMG is required by their profession's ethical standards There will be rotation of the audit partner and key members within the audit team as appropriate

Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Audit Committee so that audit independence is not compromised In summary, these procedures are as follows

1 Audit related services as auditor If any additional support is required, this is considered competitively,
2 Tax consulting after considering competitive offers, in cases where they are best suited, the Group engages KPMG and its associates, and
3 M&A advice and due diligence after considering competitive offers, in cases where they are best suited, the Group engages KPMG and its associates

Other than audit, the Board is required to give prior approval of work carried out by KPMG and its associates in excess of £20,000 Part of this review is to determine that other potential providers of the services have been adequately considered These controls provide the Audit Committee with confidence in the independence of KPMG in their reporting on the audit of the Group

**Relations with shareholders**

***Dialogue***

The Board is committed to maintaining good communications with shareholders Other than during close periods, the Executive Chairman and Chief Financial Officer maintain a regular dialogue with institutional shareholders throughout the year and give presentations to institutional shareholders and analysts immediately after the announcement of the Group's half year and full year results The Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings

The Group maintains a corporate website (www regenersis com), which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors including the Group's annual and half year reports, trading statements and press releases and all regulatory announcements relating to the Group

## Corporate Governance continued

***Constructive use of the AGM***

The Board wishes to encourage the constructive use of the Company's AGM for shareholder communication

The Chairman of the Board and the chairmen of the Audit, Remuneration and Nominations Committees will be available to answer questions at the forthcoming AGM As with previous practice, resolutions will be proposed on each substantially separate issue and the level of proxies cast for each resolution will be available at the AGM

# Directors' Remuneration Report

**Remuneration Committee and advisers**
The Committee determines on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and Senior Managers Executive Directors attend by invitation only when appropriate and are not present at any discussion of their own remuneration

The members of the Remuneration Committee and details of attendance at the meetings are disclosed in the table in the Corporate Governance report on page 25

The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided They have no conflicts of interest arising from cross-directorships or from being involved in the day-to-day business of the Group With the exception of Tom Russell, who served on the committee until 10 September 2012, the Committee members do not participate in any bonus, share awards or pension arrangements Tom Russell is associated with Hanover Investors Management LLP and has an indirect beneficial interest in the share awards made under the Incentive Share Plans discussed below

**Remuneration policy**
The Group operates in a highly competitive environment For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieve the objectives of attracting, retaining, motivating and rewarding the necessary high caliber of individuals at all levels across the Group

The Group therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in the market in which it operates To achieve this, the remuneration package is based upon the following principles

- total rewards should be set to provide a fair and attractive remuneration package,
- appropriate elements of the remuneration package should be designed to reinforce the link between performance and reward, and
- Executive Directors' incentives should be aligned with the interests of shareholders

The remuneration strategy is designed to be in line with the Group's fundamental values of fairness, competitiveness and equity and also to support the Group's corporate strategy A cohesive reward structure consistently applied and with links to corporate performance is seen as critical in ensuring attainment of the Group's strategic goals

The Group also seeks to align the interests of shareholders with those of Executive Directors and senior employees by giving the latter opportunities and encouragement to build up a shareholding interest in the Company through long term incentive plans

**Remuneration of Executive Directors**
***Elements of remuneration***
The Executive Directors' total remuneration currently consists of

- fixed elements, comprising basic salary or fees, benefits and pensions, and
- performance related elements comprising performance related bonus and long term performance arrangements satisfied by share awards

Each of the above elements of remuneration is explained below

# Directors' Remuneration Report continued

***Basic salary or fees***

Basic salaries or fees are set by the Remuneration Committee on an annual basis after taking into consideration the performance of the individuals, their levels of responsibility and rate of salary or fees for similar positions in comparator companies

***Benefits in kind***

These principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme or payment in lieu of these benefits These benefits do not form part of pensionable earnings

***Pensions***

The Group makes defined contributions on behalf of the Chief Financial Officer into his individual pension plan The amounts paid in the financial year are set out in the Directors' emoluments table on page 36

***Annual performance related bonuses***

Performance related bonuses for the Executive Directors are contractual and are determined by reference to performance targets based on the Group's financial results set at the beginning of the financial year Terms and conditions are based on the recommendations of the Remuneration Committee

The Executive Directors were eligible to receive a cash bonus of up to the following amounts for the year ended 30 June 2013

| | | **Maximum % eligible of basic salary or fees** | **Actual % awarded of basic salary or fees** |
|---|---|---|---|
| Matthew Peacock | Executive Chairman | 130% | 100% |
| Jog Dhody | Chief Financial Officer | 75% | 60% |
| Tom Russell* | Executive Director | - | - |

*As Tom Russell became an Executive Director on 14 June 2013, he was not included in the bonus arrangement for the financial year

***Long term incentive arrangements***

***Incentive Share Plan (ISP1)***

On 1 July 2011, the Company established the Regenersis Incentive Share Plan ("ISP1") for the senior management team including Hanover Investors Management LLP

Under ISP1, employees (including Executive Directors) were, at the discretion of the Company, granted rights to acquire shares at their par value, subject to continuing employment and the attainment of the applicable performance target Equivalent rights were granted to Hanover Participation Partnership LP

## Directors' Remuneration Report continued

The purpose of ISP1 was to incentivise key members of the management team by granting rights to acquire shares based on an increase in shareholder value, thus aligning their interests with shareholders in order to achieve significant value growth

Awards in respect of 11 85% of the increase in shareholder value were granted under ISP1, including 0 7% to Jog Dhody and 6 3% to Hanover Participation Partnership LP Matthew Peacock and Tom Russell are indirectly interested in awards granted to Hanover Participation Partnership LP through their association with Hanover Investors Management LLP

On 22 February 2013, the performance target requiring that the average mid-market closing share price over any 30 trading day period prior to 30 June 2014 was greater than 150 pence was met The actual average mid-market closing share price for the 30 trading day period ended 22 February was 180 pence This represented an increase of 140% over the share price when ISP1 was established Accordingly, all of the awards under ISP1 became available for vesting, subject only to the performance period coming to an end on or before 30 June 2014, as confirmed by the Remuneration Committee for all, or a proportion of, any award

On 14 March 2013, awards in respect of 10 05% of the increase in shareholder value vested and were exercised On 30 May 2013, awards in respect of a further 1 26% of the increase in shareholder value vested and were exercised

The remainder of 0 54% of the increase in shareholder value will vest no later than 30 June 2014 Of this amount 0 14% is held by Jog Dhody

During the year, the awards were settled by creating and issuing 1,007,563 new shares, transferring 730,519 existing shares from the Employee Benefit Trust (EBT) and direct cash payments amounting to £2,404,604 At 30 June 2013 the total dilution to existing shareholders, from the exercise of the awards during the financial year was 2 1%

***New Incentive Share Plan (ISP2)***

On 14 March 2013, following the recommendation of the Remuneration Committee, the Board approved the establishment of a new incentive share plan ("ISP2") on similar lines to ISP1, to incentivise management to achieve further shareholder value growth

Under ISP2, employees (including Executive Directors), at the discretion of the Company, were granted rights to acquire shares at their par value, subject to continuing employment and the attainment of the applicable performance target Equivalent rights were granted to Hanover Investors Management LLP or one of its connected parties

The number of shares vesting from any award under ISP2 will be determined as follows

- Following the end of the performance period, the Remuneration Committee will determine whether the applicable performance target has been satisfied and calculate the increase in shareholder value since the date of grant to the individual holder,
- Each award holder will be entitled to acquire shares at par, with a value equal to a specified percentage of that increase in shareholder value, provided that the performance target had been met – that value for each award holder is divided by the market value of a share at the end of the performance period to determine the number of shares to be awarded

## Directors' Remuneration Report continued

The awards granted under ISP2 will vest if any of the following performance targets are met

- The basic target is met if the average mid-market closing share price over the 30 consecutive days immediately prior to 14 March 2016 is greater than 228 5 pence, or
- The additional target is met if the average mid-market closing share price over any 30 consecutive day period prior to 14 March 2016 is greater than 293 5 pence, or
- In the event of a successful offer for the company

Under ISP2, awards may be granted in respect of up to 12% of the increase in shareholder value

In addition, the amount of the increase in shareholder value that may be distributed under awards pursuant to ISP2, must be limited so that in the judgement of the Remuneration Committee the total dilution to the ordinary shareholders due to ISP2 when aggregated with the dilution that may occur under any existing or new share option schemes, and other awards made by reference to a calculation of the increase in shareholder value, does not exceed 12%

As at 30 June 2013 awards had been granted in respect of 9 66% of the increase in shareholder value, including 1 06% to Jog Dhody and 7 0% to Hanover Investors Management LLP or one of its connected parties Matthew Peacock and Tom Russell are indirectly interested in the awards granted through their association with Hanover Investors Management LLP

***Performance Share Plan***

The Company has historically operated a Performance Share Plan ('PSP') in which members of senior management (excluding the Directors) were able to participate from around the Group This scheme is now closed to new participants The conditions and performance criteria governing the PSP are as follows

- Awards were granted to acquire shares at no cost to the employees,
- Awards would be performance tested after three years and vested if a predetermined target is achieved,
- The Remuneration Committee would, in all cases, retain discretion to ensure that, as a condition for the release of awards, the underlying overall performance of the Group had been satisfactory, and
- The PSP also contained certain earlier vesting provisions where the participant left the Group for reasons of ill health or early retirement

**Service agreements**

The three Executive Directors have rolling service agreements with the Group which provide for 6 months notice either side

In the event that the Group serves notice to terminate the contract of any Executive Director, the Group may make a payment in lieu of notice, but is not obliged to do so Such payments are restricted to the unexpired portion of the duration of the executive's employment or entitlement to notice

The dates of the contracts are as follows

| | |
|---|---|
| Matthew Peacock | 19 October 2011 |
| Jog Dhody | 6 March 2012 |
| Tom Russell | 8 March 2011 |

The Remuneration Committee also determines the terms and conditions of employment of the Executive Directors

## Directors' Remuneration Report continued

**Non-executive Directors' remuneration**

Non-executive Directors are appointed for a specified term, being an initial 3-year period subject to approval by the shareholders at the first AGM after appointment and, provided that the Director is appointed at that meeting, re-appointment by shareholders at subsequent AGMs for a further 3 year term, such re-appointment being conditional upon endorsement by the Board On termination, no compensation is payable other than outstanding fees

The following are the Non-executive Directors and the dates they joined the Board

| | |
|---|---|
| Michael Peacock | 8 February 2011 |
| Rob Woodward | 1 June 2013 |

The Non-executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole No other incentives, pensions or other benefits are available to the Non-executive Directors

The Board may request Non-executive Directors to perform specific additional work at an agreed per diem rate It would be the intention of the Board that the independence of such a Director is not prejudiced by the nature of any such additional work

Details of the Directors' emoluments, share awards and shareholdings are given below and form part of the audited financial statements

| | Salary, fees, benefits | Bonus | Pension contributions | Total | Total |
|---|---|---|---|---|---|
| | 2013 | 2013 | 2013 | 2013 | 2012 |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Executive** | | | | | |
| Matthew Peacock [1 and 2] | 350 | 300 | - | 650 | 250 |
| Jog Dhody | 172 | 96 | 26 | 294 | 86 |
| Tom Russell [1] | 35 | - | - | 35 | 35 |
| | **557** | **396** | **26** | **979** | **371** |
| | | | | | |
| **Non-executive** | | | | | |
| Michael Peacock | 40 | - | - | 40 | 40 |
| Kevin Bradshaw (resigned 25 April 2013) | 29 | - | - | 29 | 15 |
| Rob Woodward (appointed 1 June 2013) | 3 | - | - | 3 | Nil |
| | **72** | - | - | **72** | **55** |
| **Total** | **629** | **396** | **26** | **1,051** | **426** |

[1] Matthew Peacock and Tom Russell's fees are paid to Hanover Investors Management LLP for the provision of their services as Executive Chairman and Executive Director respectively

[2] Following the expansion of Matthew Peacock's role as Executive Chairman to a full time position, the Remuneration Committee reviewed his fees in the light of progress made at the Company, his outstanding performance and fees for similar positions in comparator companies As a result his total Director fees were increased to £350,000 p a with effect from 1 July 2012

# Directors' Remuneration Report continued

**Long term incentives vested during the financial year**

The table below outlines awards made under ISP1 to Executive Directors which vested in 2013

| Director | Vesting Date | Award Basis | Number of shares vested | Vesting price of award |
|---|---|---|---|---|
| Matthew Peacock | 14 March 2013 | Share Price increase | * | £1 90 |
| | 30 May 2013 | Share Price increase | * | £2 16 |
| Jog Dhody | 14 March 2013 | Share Price increase | 145,048 | £1 90 |
| Tom Russell | 14 March 2013 | Share Price increase | * | £1 90 |
| | 30 May 2013 | Share Price increase | * | £2 16 |

* Matthew Peacock and Tom Russell have an indirect beneficial interest in awards made to Hanover Participation Partnership LP, through their association with Hanover Investors Management LLP Awards vested and exercised by Hanover Participation Partnership LP in 2013 consisted of 489,536 shares and cash payments of £2,404,604

**Directors' beneficial interests in shares**

The interests of the Directors who held office at 30 June 2013 and their connected parties in the ordinary share capital of the Company are as shown in the table below

| | As at 30 June 2013 Number | As at 30 June 2012 Number |
|---|---|---|
| **Executive** | | |
| Matthew Peacock | * | * |
| Tom Russell | * | * |
| Jog Dhody | 316,285 | - |
| **Non-executive** | | |
| Michael Peacock | 3,000 | - |
| Rob Woodward | - | - |

* Matthew Peacock and Tom Russell have an indirect beneficial interest in the shares of the Group, through their association with Hanover Investors Management LLP The combined holding of Hanover Investors Management LLP and its connected parties is 10,748,637 ordinary shares at 30 June 2013 (2012 10,213,351)

This report has been approved by the Board and has been signed on its behalf by

**Michael Peacock**
Chairman of the Remuneration Committee

27 September 2013

## Statement of Directors' Responsibilities
in respect of the annual report and accounts and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period In preparing each of the Group and parent Company 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent Company financial statements, 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 adequate accounting records that are sufficient to show and explain the parent Company's transactions and 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 2006 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# Corporate Social Responsibility

**At Regenersis, our job is important – protecting the reputations of the leading brands we serve As a result, we place Corporate Responsibility and responsible business practices at the core of our service proposition.**

The Board continues to identify business ethics, health and safety, sustainability, the environment, employees and the local community as the main building blocks of Corporate Social Responsibility To mitigate risks associated with these issues, Regenersis has implemented Group-wide policies and training of all staff, along with several Group-wide programs The Board is committed to managing all risks associated with these activities, as well as others it has identified, on an ongoing basis

### Business ethics

The Board believes that our business should be operated only through ethical policies and practices As such, the Group already has an Ethics Policy and during the year also implemented a Whistle Blowing Policy These policies are in place across all Group companies and form a key part of the induction of new employees and ongoing training of existing staff

### Health and safety

Our health and safety record continues to be good with only four reported incidents during the year These were reported to the Board and were not critical All our staff receive the appropriate level of health and safety training Every operation has an established structure in place to deal with health and safety matters

The Board monitors Health & Safety RIDDOR reportable (or local country equivalent) incidents as a key performance indicator This KPI is used continually to manage the business, improve performance and compare results against target

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Health & Safety RIDDOR* reportable incidents (number) | 4 | 3 | 4 |

*or local country equivalent

### Sustainability and environment

Sustainability and operating in an environmentally responsible manner continues to have the full commitment of the Board Regenersis recognises that environmentally responsible business practices are cost effective, build employee and customer loyalty and drive new business for the Group It continues to build an environmental leadership position based on the fundamental building blocks of sustainability and remains committed to the 3Rs - Reduce, Reuse, and Recycle

Our services extend the productive life of consumer electronics and reduce unnecessary consumption We refurbish and repair products to exacting manufacturer's standards, so that these products can then be reused either in their home market or matched to a secondary market When a product is beyond economical repair, we safely and responsibly dispose of it, or recover the component materials and ensure they are put back into productive use

## Corporate Social Responsibility continued

The Board remains committed to its green credentials and the end-to-end services the Company manages on behalf of its clients Each of our operational facilities has documented Environmental Management Systems, which are certificated to ISO14001 These systems help the Group to manage its environmental impacts

These environmental management systems help to ensure that the Group

- Provides fully auditable and sustainable solutions that enable whole life cycle management for all the products we support through repair avoidance, technical repair, refurbishment,
- Manages and minimises environmental risks identified in our operations and maintain our regulatory compliance,
- Assesses the environmental performance of key suppliers, and co-operate with suppliers, customers and business partners to achieve higher environmental standards,
- Encourages sustainable development and voluntary endeavours, both nationally and within the local community, and
- Delivers services to its clients and their customers that not only furthers the cause of sustainability, but does so in a way that ensures the Group will continue to prosper by virtue of doing the right thing

**Employees and the local community**

The Group's employees are its greatest asset Considerable value is placed on their involvement in the business and the Group's practice of keeping them informed on all matters affecting them and the business as a whole This is achieved through both formal and informal meetings, regular news updates, and on-going training

The Group's average number of employees during the year increased to 2,681 (an increase of almost 12% from the previous years' average of 2,401), reflecting increased investment in the local markets in which the Group operates

Several of the Group's operations have implemented Kaizen, where every employee is encouraged to come up with improvement suggestions on a regular basis Kaizen is based on making changes anywhere in the business It involves setting standards and then creating a process to continually improve those standards

The Group recognises its social and statutory duties to employ disabled persons, and pursues a policy of providing, wherever possible, the same employment and training opportunities to disabled persons as to other employees

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees, wherever possible

We aim to be a responsible partner in the communities in which we operate around the world The Board encourages all our businesses to engage constructively with their local communities and contribute to their prosperity through providing employment, local charitable support, and volunteering

For example, in the UK, the Company supported BBC Children in Need, a charity that aims to help disadvantaged children and young people reach their potential In Poland, the Company supported the Noble Box Project, a non-profit organisation designed to provide aid during Christmas holidays In Norway, the company supported Telenor to raise funds to send the Norwegian Olympics team to London 2012

# Independent Auditors' Report

to the members of Regenersis Plc

We have audited the financial statements of Regenersis Plc for the year ended 30 June 2013 set out on pages 43 to 94 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc org uk/auditscopeukprivate

**Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2013 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

# Independent Auditors' Report

to the members of Regenersis Plc (continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S Smith

**Stuart Smith (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

27 September 2013

## Consolidated Income Statement
for the year ended 30 June 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Group revenue** | 4 | **179,714** | **139,857** |
| **Headline operating profit** | | **9,507** | **7,754** |
| Exceptional restructuring costs | 8 | - | (4,945) |
| Acquisition costs | 7 | (1,874) | - |
| Amortisation of acquired intangible assets | 17 | (90) | (239) |
| Share-based payments | | (471) | (281) |
| **Group operating profit** | | **7,072** | **2,289** |
| Share of results of jointly controlled entity | 19 | 6 | (163) |
| **Operating profit from continuing operations** | | **7,078** | **2,126** |
| Finance income | 11 | 30 | 110 |
| Finance costs | 11 | (1,437) | (552) |
| **Profit before tax** | | **5,671** | **1,684** |
| Taxation | 12 | (978) | (261) |
| **Profit for the year (attributable to the equity holders of the company)** | | **4,693** | **1,423** |

| | | | |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic | 13 | 10 53p | 3 33p |
| Diluted | 13 | 10 46p | 3 31p |

## Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Profit for the year** | 4,693 | 1,423 |
| **Other comprehensive income – Amounts that may be reclassified to profit or loss in the future:** | | |
| Exchange differences arising on translation of foreign entities | (94) | (1,454) |
| **Total comprehensive income/(expense) for the year attributable to equity holders of the company** | **4,599** | **(31)** |

## Consolidated Balance Sheet
as at 30 June 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 16 | 40,441 | 26,936 |
| Other intangible assets | 17 | 4,588 | 1,631 |
| Investments in jointly controlled entities | 19 | 100 | 98 |
| Property, plant and equipment | 18 | 4,381 | 3,405 |
| Deferred tax | 30 | 3,447 | 1,543 |
| | | **52,957** | **33,613** |
| **Current assets** | | | |
| Inventory | 20 | 7,924 | 6,556 |
| Trade and other receivables | 21 | 26,054 | 18,608 |
| Cash | 22 | 4,519 | 2,727 |
| | | **38,497** | **27,891** |
| **Total assets** | | **91,454** | **61,504** |
| **Current liabilities** | | | |
| Trade and other payables | 23 | (32,949) | (20,825) |
| Provisions | 28 | (871) | (816) |
| Income tax payable | | (496) | (60) |
| | | **(34,316)** | **(21,701)** |
| **Non-current liabilities** | | | |
| Borrowings | 25 | (6,423) | (5,604) |
| Deferred consideration | 14 | (7,777) | - |
| Provisions | 28 | (3,540) | (3,270) |
| **Total liabilities** | | **(52,056)** | **(30,575)** |
| **Net assets** | | **39,398** | **30,929** |
| **Equity** | | | |
| Ordinary share capital | 31 | 994 | 896 |
| Share premium | 31 | 26,592 | 19,702 |
| Merger reserve | 31 | 3,088 | 3,088 |
| Translation reserve | 31 | 74 | 168 |
| Retained earnings | 31 | 8,650 | 7,075 |
| **Total equity** | | **39,398** | **30,929** |

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2013

They were signed on its behalf by

**Matthew Peacock**
Executive Chairman

**Jog Dhody**
Chief Financial Officer

Company number 05113820

## Consolidated Statement of Changes to Equity

for the year ended 30 June 2013

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Balance as at 30 June 2011** | **896** | **19,702** | **3,088** | **1,622** | **5,502** | **30,810** |
| **Comprehensive income:** | | | | | | |
| Profit for the year | - | - | - | - | 1,423 | 1,423 |
| **Other comprehensive income:** | | | | | | |
| Exchange differences arising on translation of foreign entities | - | - | - | (1,454) | - | (1,454) |
| **Transactions with owners recorded directly in equity.** | | | | | | |
| Recognition of share based payments | - | - | - | - | 150 | 150 |
| **Balance as at 30 June 2012** | **896** | **19,702** | **3,088** | **168** | **7,075** | **30,929** |
| **Comprehensive income:** | | | | | | |
| Profit for the year | - | - | - | - | 4,693 | 4,693 |
| **Other comprehensive income:** | | | | | | |
| Exchange differences arising on translation of foreign entities | - | - | - | (94) | - | (94) |
| **Transactions with owners recorded directly in equity:** | | | | | | |
| Issue of share capital | 98 | 6,890 | - | - | - | 6,988 |
| Recognition of share based payments | - | - | - | - | 289 | 289 |
| Vesting of share options | - | - | - | - | (2,608) | (2,608) |
| Dividends paid | - | - | - | - | (799) | (799) |
| **Balance as at 30 June 2013** | **994** | **26,592** | **3,088** | **74** | **8,650** | **39,398** |

## Consolidated Cash Flow Statement
for the year ended 30 June 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Profit for the year** | | **4,693** | **1,423** |
| Adjustments for | | | |
| Net finance charges | 11 | 1,407 | 442 |
| Tax expense | 12 | 978 | 261 |
| Depreciation on property, plant and equipment | 18 | 1,536 | 1,507 |
| Impairment of property, plant and equipment | 18 | - | 242 |
| Amortisation of intangible assets | 17 | 798 | 570 |
| Impairment of intangible assets | 17 | - | 549 |
| Amortisation of acquired intangible assets | 17 | 90 | 239 |
| Share of JV profit | | (6) | 163 |
| (Gain)/loss on disposal of property, plant and equipment | | (2) | 29 |
| Share-based payments expense | | 471 | 281 |
| **Operating cash flow before movement in working capital** | | **9,965** | **5,706** |
| Increase in inventories | | (706) | (291) |
| Decrease/(increase) in receivables | | 294 | (2,798) |
| Increase in payables and accruals | | 2,648 | 1,431 |
| (Decrease)/increase in provisions | | (1,186) | 1,816 |
| **Headline cash flow from operating activities** | | **11,015** | **5,864** |
| Interest received | | 30 | 111 |
| Interest paid | | (398) | (259) |
| Tax paid | | (795) | (775) |
| **Net cash inflow from operating activities** | | **9,852** | **4,941** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | 18 | (1,764) | (2,220) |
| Purchase and development of intangible assets | 17 | (2,479) | (1,103) |
| Proceeds from sale of property, plant and equipment | | 62 | - |
| Acquisition of subsidiary, net of cash acquired | 14,15 | (7,488) | - |
| **Net cash used in investing activities** | | **(11,669)** | **(3,323)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of share capital (net) | 31 | 6,470 | - |
| Drawdown/(repayment) of borrowings | 27 | 186 | (1,236) |
| Payment on vesting of share options | 32 | (2,405) | - |
| Dividends paid | 24 | (799) | - |
| **Net cash inflow/(outflow) from financing activities** | | **3,452** | **(1,236)** |
| **Net increase in cash and cash equivalents** | | **1,635** | **382** |
| Other non-cash movements – exchange rate changes | | 157 | (531) |
| Cash and cash equivalents at the beginning of year | | 2,727 | 2,876 |
| **Cash and cash equivalents at end of year** | 22 | 4,519 | **2,727** |
| **Cash and cash equivalents at end of year** | | **4,519** | **2,727** |
| Bank borrowings | 25 | (6,423) | (5,604) |
| **Net debt** | 26 | **(1,904)** | **(2,877)** |

## Notes to the Accounts
for the year ended 30 June 2013

### 1. General information
Regenersis Plc is a Company incorporated in the United Kingdom under the Companies Act 2006 Details of its registered office are published on page 18, whilst the nature of the Group's operations and principal activities are set out in the Business and Finance Review on pages 5 to 16 These financial statements are presented in thousands pounds sterling, which is the functional currency of the Group and Parent Company Foreign operations are included in accordance with the policies set out in note 2

### 2. Accounting policies

**2.1 Basis of preparation**
These consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards ("IFRS") as adopted by the EU ("Adopted IFRS")

The financial statements of the parent Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and presented from page 87

**Changes in accounting policies**
The standards, changes to existing standards and interpretations listed below have been enacted and adopted by the Group in the period in the preparation of these financial statements They have not had a significant impact on the Group's accounting

IAS 1 Presentation of items in other comprehensive income – amended to require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassed to profit or loss

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

| | | **Effective for periods beginning on or after:** |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| IAS 27 (2011) | Separate Financial Statements | 1 January 2013 |
| IFRS 11 | Joint Arrangements | 1 January 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| IFRS 13 | Fair Value Measurement | 1 January 2013 |
| IAS 28 (2011) | Investments in Associates and Joint Ventures | 1 January 2013 |
| IFRS 9 | Financial Instruments | 1 January 2015 |

The Group does not consider the adoption of these standards will have any material impact on its financial statements

The financial statements are prepared under the historical cost convention, except where the measurement of balances at fair value is required as set out below The accounting policies below have been consistently applied to all periods presented in these consolidated financial statements

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**2.2 Going concern**

As highlighted in note 25 to the financial statements, the Group meets its day to day working capital requirements through a revolving credit facility which is not due for renewal until October 2015

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business and Financial Review on pages 5 to 16 Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facilities is also described in this review In addition note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its revolving credit facility

After making enquiries, the Board have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

**2.3 Basis of consolidation**

The consolidated financial statements aggregate the results, cash flow and balance sheets of Regenersis Plc ("the Company") and its subsidiary undertakings (together the "Group") drawn up to 30 June each year A list of the Company's principal subsidiary undertakings is given in note 19 The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition The financial statements of subsidiaries are prepared in accordance with the Company's accounting policies and to coterminous balance sheet dates Regenersis (Bucharest) SRL, Regenersis Rus and Regenersis Mexico have a statutory year end of 31 December Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements On acquisition of a subsidiary, applicable assets and liabilities existing at the date of acquisition are reflected at their fair values

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein Non-controlling interests consist of the amount of those interests at the date of the original business combination and the share of the changes in equity since the date of the combination Losses applicable to the non-controlling interest that are in excess of the non-controlling interest in the subsidiary's equity, are allocated against the interests of the Group only if there is a binding obligation to fund the losses and the Group is able to make an additional investment to cover the losses

Subsidiaries comprise the entities in which the Group has the right to control financial and operating policies and derive economic benefit from their activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until it ceases

**2.4 Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction Foreign currency monetary assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date The income statements and cash flow of overseas subsidiaries are translated into sterling at the weighted average exchange rates applicable during the year and their assets and liabilities are translated at the rates ruling at the balance sheet date Exchange differences arising on the retranslation of opening net assets of overseas subsidiaries, together with differences between profit and loss accounts at average and closing rates, are included within other comprehensive income All other exchange differences are dealt with in the income statement

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**2.5 Goodwill**

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a business at the date of the acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill is reviewed for impairment at least annually Any impairment is recognised immediately in the income statement and is not subsequently reversed

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date

**2.6 Impairment**

Goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually, or whenever there is an indication that they may be impaired, by comparing the carrying value of the asset, or group of assets, to its recoverable amount Assets which do not generate cash inflows independent of other assets are aggregated into cash generating units (CGUs) and the recoverable amount of the CGU to which the asset belongs is estimated The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use

The value in use is estimated by calculating the present value of its future cash flow Impairment charges are recognised in the income statement to the extent that the carrying value exceeds the recoverable amount in the period in which the impairment is identified
Goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination

**2.7 Intangible assets**

**Separately identifiable intangible assets arising on business combinations**

Other intangible assets, such as customer contracts, are recognised on business combinations if they are separable or arise from a legal or contractual right Separately identifiable intangible assets are amortised over their expected future lives unless they are regarded as having indefinite useful lives, in which case they are not amortised, but subject to an annual impairment test Customer contracts are being amortised on a straight line basis over three to six years

**Research and development**

Expenditure on research and certain development activities is recognised as an expense in the period in which it is incurred Any internally-generated development costs (including software development) are recognised as an asset only if the following criteria are met

- An asset is created that can be identified,
- It is probable, and intended, that the asset created will generate future economic benefits,
- The development costs of the asset can be measured reliably, and
- There is availability of adequate resources to complete the development

Where no internally-generated intangible asset can be recognised, the development expenditure is recognised as an expense in the period in which it is incurred Internally-generated intangible assets are amortised on a straight line basis over three to five years once the asset is available for use

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**Software licences**
Software licenses are initially measured at cost Cost includes the purchase price of the assets and the directly attributable cost of bringing the asset into its intended use After initial recognition, the intangible asset is carried at cost, less accumulated amortisation, less any accumulated impairment losses Amortisation is charged evenly over the assets' estimated useful lives, which are between three and five years

**2.8 Property, plant and equipment**
Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to the Group and when they can be measured reliably Depreciation begins when the asset is available for use and is charged to the income statement on a straight-line basis so as to write off the cost less residual value of the asset over its estimated useful life as follows

| | | |
|---|---|---|
| Leasehold improvements | - | over the period of the lease or life of the improvements if less |
| Plant and machinery | - | 20% per annum |
| Computer equipment | - | 33% per annum |
| Motor vehicles | - | 25% per annum |
| Fixtures and Fittings | - | 20% - 50% per annum |

Gains and losses arising on the disposal of an asset are determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised in the income statement

**2.9 Interests in joint ventures**
A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control Joint control exists when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control

The Group's interest in jointly controlled entities is accounted for using the equity method Under this method the Group's share of the profits less losses of jointly controlled entities is included in the consolidated income statement and its interest in their net assets is included in investments in jointly controlled entities in the consolidated balance sheet Where the share of losses exceeds the interests in the entity the carrying amount is reduced to nil and recognition of further losses is discontinued Interest in the entity is the carrying amount of the investment together with any long term loan that, in substance, forms part of the net investment in the entity

**2.10 Inventories and work in progress**
Inventories and work in progress are stated at the lower of cost and net realisable value The cost of inventories is based on the first-in first-out principle and includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the inventories and work in progress to their present location and condition Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**2 11 Provisions**
A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Provisions in respect of contingent consideration for acquisitions are made at the Boards' best estimate of the likely consideration payable taking account of the performance criteria which affect the level of contingent consideration

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability The unwinding of the discount rate is recognised as finance cost

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract

**2.12 Revenue recognition and cost of sales**
Revenue is measured at the fair value of the consideration received or receivable and is net of value added tax and other duties Revenue is recognised when the delivery of services has taken place in accordance with the terms of the sales, and there is certainty on the value and recoverability and risk has transferred to the customer

Bundled sales or multiple-element arrangements require the group to deliver hardware and/or a number of services under one agreement, or a series of agreements which are commercially linked Under such agreements, an assessment is made over the ability to identify and account for each of the components separately In order for these components to be identified it is determined whether the component has stand-alone value to the customer and whether the fair value of the component can be measured reliably If these criteria are deemed to be met the components are accounted for separately

Where these agreements are accounted for separately, the consideration received is allocated to each of the identifiable components based on the relative fair values Fair values are determined on a hierarchical basis as follows
- Evidence where the group sells on a stand-alone basis
- Evidence where the same or similar components are being sold by another third party
- Best estimate of the selling price

The amount of revenues allocated to the hardware element is accounted for in line with the policy for the sale of goods, and the amount allocated to services is accounted for in line with the policy for services

Alternatively, where it is determined that either the component does not have stand-alone value or it is not possible for fair value to be determined reliably, revenue is recognised on the entire agreement on a straight line basis over the service period

Revenue generated from revenue sharing agreements is recognised in full in revenue with the revenue share due to third parties recognised as a cost of sale

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

Revenue share comprises amounts payable to network operators in respect of phones which are sourced from them and which are sold by the Group to independent third parties
The following factors are relevant to the accounting treatment for this revenue sharing business

- The Group takes full title and ownership of the products prior to onward sale or Recommerce,
- The Group is sometimes exposed to the stock-holding risks such as loss or damage The Group also bears the some risk of stock obsolescence,
- The Group processes and decides on the best route to market for the phones,
- The Group has full discretion in identifying customers for onward sale or Recommerce of products and establishes the selling price to these customers, and
- The Group bears the full credit risk of these sales

Given the above factors the gross inflows are recognised as revenue

**2.13 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on the taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary differences arise from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**2.14 Employee benefits**

**Pensions**

The Group offers defined contribution pension arrangements to certain employees Payments to defined contribution pension schemes are expensed as incurred The Group does not operate any defined benefit pension arrangements

**Share-based payments**

Some directors and employees are granted share options which may, if certain performance criteria are met, allow these employees to acquire shares in the Company The specific schemes are detailed in note 32 to the accounts

The fair value of options granted after 7th November 2002, are recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting

**Cash settled option schemes**

The Group grants options to certain employees which, on vesting, are settled in cash These are detailed in note 32 to the accounts and are referred to as Phantom Share Schemes An option pricing model is used to ascertain the fair value of the option at each balance sheet date A charge is recognised and included within share-based payments with a corresponding liability, based on the expected number of options to vest, pro-rated for the vesting period that has expired

**2.15 Own shares held by EBT**

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements In particular, the trust's purchases of shares in the Company are debited directly to equity

**2.16 Dividends on shares presented within equity**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

**2.17 Leases**

Lease arrangements entered into by the Group are assessed at the inception of the lease and classified as either an operating or a finance lease A lease is classified as a finance lease if it transfers substantially all the risks and rewards of incidental ownership to the lessee All other lease arrangements are classified as operating leases

Rentals payable under operating leases are recognised in the income statement on a straight line basis over the periods of the leases Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**2.19 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

**Equity instruments**

Equity instruments issued by the Group are initially recorded at the proceeds received, net of direct issue costs

**Non-derivative financial instruments**

Non-derivative financial instruments include investments, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings

- Cash and cash equivalents comprise cash balances and short term deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement
- Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost
- Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost

- Bank borrowings Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including revolving credit facility fees and redemption premia) Financing costs are amortised over the expected term of the loan so as to produce a constant rate of return over the period to the date of expected redemption In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised

**2.20 Headline operating profit / Headline operating cash flow**

'Headline operating profit' is the key profit measure used by the Board to assess the underlying financial performance of the operating divisions and the Group as a whole 'Headline operating profit' is stated before amortisation or impairment of acquired intangible assets, acquisition costs, exceptional restructuring costs, share-based payments and the share of results of jointly controlled entities

'Headline operating cash flow' is a key internal measure used by the Board to evaluate the cash flow of the Group It is defined as operating cash flow excluding taxation and interest payments

**2.21 Adjusted earnings per share**

An adjusted measure of earnings per share has also been presented, which the Board consider gives a useful additional indication of the Group's performance Adjusted earnings are stated before amortisation or impairment of acquired intangible assets, exceptional restructuring costs, acquisition costs, share-based payments and unwinding of the discounted deferred consideration

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

### 3. Critical judgements and estimations in applying the Group's accounting policies

#### 3.1 Judgements

In the process of applying the Group's accounting policies, management makes various judgements that can significantly affect the amounts recognised in the financial statements The critical judgements are considered to be the following

- The transfer of the risk and rewards of ownership with respect to inventories,
- Whether the Group acts as principal or agent in recognising revenue,
- Whether the Group capitalises development expenditure, and
- Assessment of provisions required to meet a present obligation

#### 3.2 Estimations

- **Impairment of Goodwill**
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated The value in use calculation includes estimates about future financial performance and long term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flow The key assumptions used in the impairment review are disclosed in note 16 to the financial statements

- **Deferred tax**
  The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period

  The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable If appropriate profits are earned in the future, the temporary difference may result in a benefit to the Group in the form of a reduced tax charge in a future period

- **Customer relationships**
  The assessment of the future economic benefits generated from acquired customer relationships, and the determination of the related amortisation profile, involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets

- **Contingent consideration**
  The Directors use their judgement to determine the extent to which contingent consideration will be payable To assist in making this estimation the Directors use all available information when preparing these financial statements

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

- **Current asset provisions**
  In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital, principally inventory and trade receivables Provisions are established for net realisable value and bad and doubtful debt risks Provisions are based on the facts available at the time and may also be determined by using profiles, based upon past practice, applied to inventory and aged receivables
  In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes
  In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balances Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

### 4. Segmental reporting

The current internal reporting uses three reporting segments – Emerging Markets, Western Europe and Advanced Solutions which reflect the way the business is managed and reviewed Emerging Markets include operations in Poland, Romania, Turkey, South Africa, Mexico and Argentina, Western Europe incorporates UK (excluding Glenrothes), Spain, Sweden and German businesses, whilst Advanced Solutions aggregates the Group's set top box repair, Diagnostics, Recommerce, Refurbishment and Digital Care

| | Revenue 2013 £'000 | Share of JV 2013 £'000 | Revenue 2013 £'000 | Revenue 2012 £'000 | Share of JV 2012 £'000 | Revenue 2012 £'000 |
|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | |
| Emerging Markets | 56,568 | (1,143) | 55,425 | 42,318 | (1,002) | 41,316 |
| Western Europe | 100,471 | (4,412) | 96,059 | 83,938 | (4,204) | 79,734 |
| **Depot Solutions** | **157,039** | **(5,555)** | **151,484** | **126,256** | **(5,206)** | **121,050** |
| **Advanced Solutions** | **28,230** | **-** | **28,230** | **18,807** | **-** | **18,807** |
| | **185,269** | **(5,555)** | **179,714** | **145,063** | **(5,206)** | **139,857** |

Within Emerging Markets and Western Europe, there are three customers which individually account for more than 10% of Group's revenue and had total revenues of £28,874,000, £26,176,000, and £18,005,000 (2012 £18,533,000, £19,417,000 and £19,949,000 respectively) These are significant in the context of the Group although we contract under several service agreements in several different countries

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Headline segment profit** | | |
| Emerging Markets | 5,859 | 4,580 |
| Western Europe | 2,227 | 2,091 |
| **Depot Solutions** | **8,086** | **6,671** |
| **Advanced Solutions** | **3,617** | **2,905** |
| | **11,703** | **9,576** |
| Corporate costs | (2,196) | (1,822) |
| **Headline operating profit** | **9,507** | **7,754** |
| Exceptional restructuring costs | - | (4,945) |
| Acquisition costs | (1,874) | - |
| Amortisation of acquired intangible assets | (90) | (239) |
| Share-based payments | (471) | (281) |
| **Group operating profit** | **7,072** | **2,289** |
| Share of results of jointly controlled entity | 6 | (163) |
| **Operating profit from continuing operations** | **7,078** | **2,126** |
| Net finance expense | (1,407) | (442) |
| **Profit before tax** | **5,671** | **1,684** |

| | Segment assets 2013 £'000 | Segment assets 2012 £'000 | Segment liabilities 2013 £'000 | Segment liabilities 2012 £'000 |
|---|---|---|---|---|
| Emerging Markets | 29,670 | 19,145 | 6,791 | 4,063 |
| Western Europe | 33,928 | 19,752 | 15,563 | 11,186 |
| **Depot Solutions** | **63,598** | **38,897** | **22,354** | **15,249** |
| **Advanced Solutions** | **20,139** | **18,393** | **7,186** | **4,803** |
| | **83,737** | **57,290** | **29,540** | **20,052** |
| Corporate | 7,717 | 4,214 | 22,516 | 10,523 |
| | **91,454** | **61,504** | **52,056** | **30,575** |

| | Capital expenditure 2013 £'000 | Capital expenditure 2012 £'000 | Depreciation & amortisation 2013 £'000 | Depreciation & amortisation 2012 £'000 |
|---|---|---|---|---|
| Emerging Markets | 935 | 1,182 | 736 | 769 |
| Western Europe | 957 | 772 | 824 | 952 |
| **Depot Solutions** | **1,892** | **1,954** | **1,560** | **1,721** |
| **Advanced Solutions** | **1,320** | **948** | **730** | **565** |
| | **3,212** | **2,902** | **2,290** | **2,286** |
| Corporate costs | 1,031 | 421 | 134 | 30 |
| | **4,243** | **3,323** | **2,424** | **2,316** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**Geographical information**

The following geographical information is based on the location of the business units of the Group

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Revenue from external customers** | | |
| UK | 87,854 | 75,503 |
| Germany | 21,819 | 22,995 |
| Poland | 29,235 | 28,881 |
| Spain | 13,489 | - |
| South Africa | 9,347 | 2,154 |
| Rest of World | 23,525 | 15,530 |
| | **185,269** | **145,063** |
| Less share of jointly controlled entity | (5,555) | (5,206) |
| | **179,714** | **139,857** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Inter-location revenue** | | |
| UK | 7 | 98 |
| Poland | 325 | 2 |
| Rest of World | 20 | 71 |
| | **352** | **171** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Non-current assets** | | |
| UK | 44,861 | 30,674 |
| Non-UK | 7,983 | 2,939 |
| | **52,844** | **33,613** |

**5. Auditors' remuneration**

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 45 | 25 |
| The audit of the Company's subsidiaries pursuant to legislation | 209 | 126 |
| **Total audit fees** | **254** | **151** |
| Non-audit fees | | |
| Taxation compliance services | 34 | 35 |
| Taxation advisory services | 88 | - |
| Other assurance services | 9 | - |
| Transaction services | 262 | 37 |
| **Non-audit fees** | **393** | **72** |
| | **647** | **223** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

### 6 Operating profit

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Revenue | 185,269 | 145,063 |
| Less share of jointly controlled entity | (5,555) | (5,206) |
| **Group revenue** | **179,714** | **139,857** |
| Cost of sales | (138,946) | (106,206) |
| **Gross profit** | **40,768** | **33,651** |
| Headline administrative expenses | (31,261) | (25,897) |
| **Headline operating profit** | **9,507** | **7,754** |
| Other administrative expenses | (2,435) | (5,465) |
| Share of results of jointly controlled entity | 6 | (163) |
| **Operating profit** | **7,078** | **2,126** |
| | | |
| Administrative expenses | 33,696 | 31,362 |

### 7. Acquisition costs

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Acquisition costs | **1,874** | - |

Acquisition costs during the year relate to the M&A activity within the year, with the largest costs relating to the acquisition of HDM

### 8 Exceptional restructuring costs

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Redundancies and restructuring | - | 2,466 |
| Onerous lease and dilapidation provision | - | 1,961 |
| Unsuccessful acquisitions | - | 518 |
| | - | **4,945** |

The 2012 cost includes substantial restructuring costs including provisions for onerous property leases and redundancy costs incurred in the UK This completed the review undertaken by the Directors to consolidate key sites and activities within the UK

### 9. Profit for the year
Profit for the year has been arrived at after charging/(crediting)

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment – owned | 1,536 | 1,507 |
| Loss on disposal of property, plant and equipment | 2 | 29 |
| Amortisation of intangible assets | 888 | 809 |
| Cost of inventories recognised as an expense | 90,217 | 67,591 |
| Staff costs (note 10) | 49,625 | 45,019 |
| Net foreign exchange (gains)/losses | (248) | 263 |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

### 10. Staff costs

| | 2013 Number | 2012 Number |
|---|---|---|
| **Average numbers employed** | | |
| Production | 2,214 | 2,067 |
| Sales and business development | 83 | 15 |
| Administration | 384 | 319 |
| | **2,681** | **2,401** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Aggregate employment costs** | | |
| Wages and salaries | 42,490 | 39,269 |
| Social security costs | 5,187 | 4,423 |
| Share based payments | 471 | 281 |
| Pension and other staff costs | 1,477 | 1,046 |
| | **49,625** | **45,019** |

Key management personnel have been identified as the main Board, the Depot Solutions board, the Advanced Solutions Board and the Executive Committee Remuneration of key management personnel is as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Key management personnel costs** | | |
| Short term employee benefits | 2,571 | 2,036 |
| Post employment benefits | 102 | 68 |
| Share-based payments | 258 | 150 |
| | **2,931** | **2,254** |

The remuneration of individual Directors is detailed in the Remuneration Report on pages 32 to 37

### 11. Finance costs and finance income

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Bank interest receivable and similar income | 30 | 110 |
| **Total finance income** | **30** | **110** |
| | | |
| Interest payable on borrowings | | |
| Bank loans and overdrafts | 725 | 473 |
| Other finance costs | 11 | 79 |
| Unwind of discount factor | 701 | - |
| **Total finance costs** | **1,437** | **552** |
| | | |
| **Net finance charge** | **1,407** | **442** |

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

### 12 Tax

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | 71 | - |
| Overseas tax | 705 | 883 |
| Adjustments in respect of prior years | 255 | (17) |
| **Total current tax charge** | **1,031** | **866** |
| | | |
| **Deferred tax** | | |
| UK | (326) | (524) |
| Overseas | 338 | 43 |
| Adjustments in respect of prior years | (65) | (124) |
| **Total deferred tax (credit) (note 30)** | **(53)** | **(605)** |
| | | |
| | **978** | **261** |

UK Corporation tax is calculated at 23 75% (2012 25 5%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

The Group's total income tax charge for the year can be reconciled to the profit per the Consolidated Income Statement as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Profit before tax | 5,671 | 1,684 |
| Tax at standard UK corporation tax rate of 23 75% (2012 25 5%) | 1,347 | 429 |
| | | |
| Effects of | | |
| Permanent differences | 52 | 416 |
| Rate differences | (248) | (219) |
| Adjustment in respect of previous periods | 202 | (143) |
| Brought forward losses no longer recognised | 106 | - |
| Current year losses not recognised | 62 | 640 |
| Relief on research & development costs | - | (166) |
| Other timing differences | (543) | (696) |
| | **978** | **261** |

**Factors that may affect future current and total tax charges**

The 2013 budget on March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012, 23% (effective from April 2013), 21% (effective from April 2014) and 20% (effective from April 2015) were substantively enacted on 26 March 2012, 3 July 2012 and 2 July 2013 respectively

This will reduce the Group's future current tax charge accordingly and further reduce the deferred tax assets and liabilities recognised, which have been based on a tax rate of 23% (2012 24%), as this was substantively enacted at the balance sheet date

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

The Group's future tax charge is dependent on several factors which does not make it possible to quantify the full anticipated effect Factors expected to effect the tax charge going forward include the extent to which the UK carries out development work which qualifies for R&D tax credits, income assigned to the 10% patent box regime (effective from 1 April 2013), the proportion of profits earned in higher or lower tax jurisdictions, and the ability to use tax losses

### 13. Earnings per share (EPS)

| EPS Summary | 2013 Pence | 2012 Pence |
|---|---|---|
| Basic earnings per share | 10 53 | 3 33 |
| Diluted earnings per share | 10 46 | 3 31 |
| Adjusted earnings per share | 16 80 | 13 85 |
| Adjusted diluted earnings per share | 16 69 | 13 75 |

| | 2013 Pence per share | 2012 Pence per share | 2013 £'000 | 2012 £'000 |
|---|---|---|---|---|
| Basic EPS/profit for the year | 10 53p | 3 33p | 4,693 | 1,423 |
| Reconciliation to adjusted profit | | | | |
| Amortisation of acquired intangible assets | 0 15p | 0 41p | 69 | 177 |
| Impairment of acquired intangible assets | - | - | - | - |
| Acquisition costs | 3 85p | 0 93p | 1,718 | 394 |
| Share based payments | 1 06p | 0 66p | 471 | 281 |
| Unwinding of discount on deferred consideration | 1 21p | - | 539 | - |
| Exceptional restructuring costs | - | 8 52p | - | 3,637 |
| | **16.80p** | **13.85p** | **7,490** | **5,912** |

| Number of shares | 2013 '000 | 2012 '000 |
|---|---|---|
| Weighted average number of ordinary shares | 46,009 | 44,820 |
| Treasury shares excluded | (1,419) | (2,150) |
| Weighted average number of ordinary shares (basic) | 44,590 | 42,670 |
| Effect of share options in issue | 284 | 335 |
| Weighted average number of ordinary shares (diluted) | **44,874** | **43,005** |

The outstanding awards granted under ISP1 and ISP2 are not dilutive as at 30 June 2013 and therefore are excluded from the diluted EPS calculation

### 14 Acquisition of HDM Group of Companies

On 31 August 2012, the Group completed its acquisition of all of the issued share capital of Plataforma HDM Técnologica S A and Plataforma HDM Tecnologica S A de C V and the trade and assets of HDM Plataforma Logística S L , HDM Soluciones Integrales de Reparacion S L and HDM Moviltech Servicio Técnico S L together comprising the entire operations of the HDM Group of Companies ("HDM")

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

HDM is a leading provider of aftermarket services, including reverse logistics and repair, to network operators and mobile telephone manufacturers in Spain, Mexico and Argentina HDM's key customers include Telefonica, Samsung and Nokia

The addition of high-quality business in Spain, where HDM has a 20% market share in mobile repair, significantly enhances Regenersis' European customer proposition The acquisition also provides a strong exposure to new Emerging Markets and a platform for further future expansion into Latin America

In the 10 months to June 2013, this acquisition has contributed total revenue of £21,519,000 and headline operating profit of £954,000 If the acquisition had been completed on the first day of the financial year, management estimates that total revenue for the year would have been £25,823,000 and the total operating profit for the year would have been £1,145,000 In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 July 2012 The book value and fair value of the assets acquired and liabilities assumed were as follows

| | Book Value £'000 | Fair Value £'000 |
|---|---|---|
| Intangible assets | 438 | 438 |
| Intangible assets – customer contracts | - | 608 |
| Property, plant and equipment | 1,528 | 626 |
| Inventory | 608 | 410 |
| Trade and other receivables | 5,609 | 5,763 |
| Deferred tax asset | - | 1,218 |
| Trade and other payables | (3,420) | (3,906) |
| Provisions | (1,563) | (1,351) |
| **Net assets acquired** | **3,200** | **3,806** |
| Goodwill | | 9,630 |
| **Total consideration** | | **13,436** |

**Satisfied by:**

| | |
|---|---|
| Cash | 6,282 |
| Equity Instruments issued | 529 |
| Deferred cash | 6,625 |
| **Total consideration** | **13,436** |

The fair value adjustments relate to intangibles arising from customer contracts (£608,000), obsolete or unutilised property, plant and equipment (£902,000), obsolete inventory (£198,000), old credit balances in debtors (£139,000), other contingent liabilities (£486,000), and a reduction in an onerous lease provision (£212,000), together with the consequential deferred tax impact of the above

In addition to the adjustments noted above, during the course of the due diligence period, the Directors, working with the Directors of HDM, identified a number of further adjustments that were required to the book values, including accounting policy alignments, following a review of all balance sheet categories These adjustments include £1,563,000 in relation to onerous leases, £312,000 in relation to software licenses, £624,000 in relation to other liabilities and £145,000 for unrecoverable accrued income, all of which were not previously identified by HDM in the course of preparing its management accounts

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

Trade receivables acquired totalled £3,303,000 gross, which consisted of £3,186,000 net and bad debt provision of £117,000

**Equity Instruments issued**

The fair value of the ordinary shares issued was based on the listed share price on the 31 August 2012 which was 90p

**Deferred cash consideration**

The acquisition includes an earn-out based on the EBIT as at 30 June 2015, and to be paid on 30 September 2015 The Group included a deferred liability of £6,625,000 which represents the fair value at the acquisition date, using a discount rate of 12% At 30 June 2013 the contingent consideration had increased to £7,777,000 due to the unwinding of the impact of discounting and also foreign exchange movements

Under IFRS 3, "Business Combinations" the only separately identifiable intangible asset arising from the acquisition relates to customer contracts and relationships valued at £608,000 The remaining goodwill of £9,630,000 can be attributed to the anticipated profitability through the growth of the enlarged Group and synergistic benefits

### 15 Other acquisitions within the year

On 25 April 2013 Regenersis acquired all of the issued share capital of Landela Electronics (Proprietary) Ltd ("Landela"), on 1 November 2012 Regenersis acquired the remaining 50% share holding in Digital Care Sweden, and on 14 May 2013 Regenersis acquired the trade and specific assets of Bitronic European Service Centre GmbH and Bitronic Sommerda Hardware Service GmbH ("Bitronic")

In the periods following their acquisitions, they contributed total revenue of £1,495,000 and operating loss of £194,000 If the acquisitions had been completed on the first day of the financial year, management estimates that total revenue for the year would have been £7,550,000 and total operating loss for the year would have been £208,000 In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 July 2013

| | Book Value £'000 | Fair Value £'000 |
|---|---|---|
| Intangible assets | 14 | 14 |
| Intangible assets – customer contracts | - | 220 |
| Cash | 253 | 253 |
| Property, plant and equipment | 211 | 168 |
| Inventory | 321 | 256 |
| Trade and other receivables | 387 | 387 |
| Deferred tax asset | - | 736 |
| Trade and other payables | (3,053) | (3,407) |
| **Net assets acquired** | **(1,867)** | **(1,373)** |
| Goodwill | | 3,379 |
| **Total consideration** | | **2,006** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

| | |
|---|---|
| **Satisfied by:** | |
| Cash | 1,459 |
| Deferred cash | 547 |
| **Total consideration** | **2,006** |

The fair value adjustments relate to intangibles arising from customer contracts (£220,000), obsolete or unutilised property, plant and equipment (£36,000), obsolete inventory (£65,000), onerous contracts (£191,000), other liabilities (£164,000) and the reclassification of goodwill (£212,000) on Bitronic's balance sheet at the date of acquisition to Regenersis' balance sheet under the requirements of IFRS, together with the consequential deferred tax impact of the above

In addition to the adjustments noted above the Directors, working with the administrators of Bitronic, identified a number of further adjustments that were required to the book values, including accounting policy alignments, following a review of all balance sheet categories These adjustments relate to contingent liabilities identified during the due diligence so as to properly reflect the position of the business in its insolvency process (£2,054,000)

Trade receivables acquired totalled £201,000 gross, which consisted of £201,000 net and bad debt provision of £nil

**Deferred cash consideration**
Both the Landela and Bitronic acquisitions include an element of deferred cash consideration In Landela these are fixed amounts to be paid in three instalments over the next financial year In Bitronic this relates to an agreed payment which is currently held back until liabilities identified at the point of acquisition are settled by the previous owner, as dictated in the sale and purchase agreement

Under IFRS 3, "Business Combinations" the only separately identifiable intangible assets arising from these acquisitions relates to customer contracts and relationships valued at £220,000 The remaining goodwill of can be attributed to the anticipated profitability through the growth of the enlarged Group and synergistic benefits

### 16 Goodwill

| | Total £'000 |
|---|---|
| **Cost** | |
| At 30 June 2011 and 30 June 2012 | 33,517 |
| Acquisitions | 13,029 |
| Effect of movements in exchange rates | 476 |
| **At 30 June 2013** | **47,022** |
| | |
| **Accumulated impairment losses** | |
| At 30 June 2011, 30 June 2012, and **30 June 2013** | **6,581** |
| | |
| **Net book value** | |
| **At 30 June 2013** | **40,441** |
| At 30 June 2011 and 30 June 2012 | 26,936 |

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

The recoverable amount of each cash generating unit (CGU) has been determined from the value in use, calculated with reference to the net present value of its future cash flow

Cash flow projections are based on the latest budget for each CGU approved by the Board Beyond this, the projections extend to 20 years using a long term growth rate for each CGU which the Executive Directors considers to be specific to the business This is not considered to exceed the post-war real annual average growth in GDP, in the markets the Group serves and the assessment to impairment is not considered sensitive to changes in this assumption

In establishing the discount factor for each CGU, the Group's weighted average cost of capital was calculated and then flexed according to CGU geographical spread, customer concentration, length of customer contracts and risk of loss, breadth of services offered, longer term profitability trend, unique selling points, expected business change and growth opportunity

The Board believes that, even in the current economic conditions, any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the CGUs carrying amount to exceed the recoverable amount

| | 2013 Carrying value £'000 | 2012 Carrying value £'000 |
|---|---|---|
| Emerging Markets | 15,352 | 9,928 |
| Western Europe | 14,329 | 6,002 |
| Advanced Solutions | 10,760 | 11,006 |
| **Total Goodwill** | **40,441** | **26,936** |

The growth and pre-tax discount rate applied are as follows

| | 2013 Growth rate % | 2013 Discount rate % | 2012 Growth rate % | 2012 Discount rate % |
|---|---|---|---|---|
| Emerging Markets | 5 0% | 12% | 3 0% | 12% |
| Western Europe | 4 0% | 15% | 2 0% | 14% |
| Advanced Solutions | 4 0% | 11% | 2 5% | 11% |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

### 17. Other intangible assets

| | Customer contracts £'000 | Development expenditure £'000 | Software licences £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 30 June 2011** | **2,605** | **2,297** | **2,596** | **7,498** |
| Additions | - | 730 | 373 | 1,103 |
| Disposals | - | - | (428) | (428) |
| Exchange movement | - | (3) | (150) | (153) |
| **At 30 June 2012** | **2,605** | **3,024** | **2,391** | **8,020** |
| Additions | - | 952 | 1,527 | 2,479 |
| On acquisitions | 828 | - | 601 | 1,429 |
| Disposals | - | (1,593) | (592) | (2,185) |
| Exchange movement | 32 | (2) | 101 | 131 |
| **At 30 June 2013** | **3,465** | **2,381** | **4,028** | **9,874** |
| | | | | |
| **Accumulated amortisation** | | | | |
| **At 30 June 2011** | **2,366** | **906** | **2,311** | **5,583** |
| Charge for the year | 239 | 289 | 281 | 809 |
| Disposals | - | - | (428) | (428) |
| Impairment | - | 540 | 9 | 549 |
| Exchange movement | - | - | (124) | (124) |
| **At 30 June 2012** | **2,605** | **1,735** | **2,049** | **6,389** |
| Charge for the year | 90 | 410 | 388 | 888 |
| On acquisitions | - | - | 149 | 149 |
| Disposals | - | (1,593) | (592) | (2,185) |
| Exchange movement | - | (2) | 47 | 45 |
| **At 30 June 2013** | **2,695** | **550** | **2,041** | **5,286** |
| | | | | |
| **Net book value at 30 June 2013** | **770** | **1,831** | **1,987** | **4,588** |
| | | | | |
| Net Book value at 30 June 2012 | - | 1,289 | 342 | 1,631 |
| Net book value at 30 June 2011 | 239 | 1,391 | 285 | 1,915 |

The Group capitalised development expenditure of £1 0m (2012 £0 7m) predominantly on its ongoing investment in the development of in-field testing and remote diagnostics, for which the Group has commenced operating under its first contract

The disposals within the year largely related to the closure of the Glasgow site and the disposal of all assets which could not be transferred

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**18. Property, plant and equipment**

| | Leasehold improvements £'000 | Plant and machinery £'000 | Computer equipment £'000 | Motor vehicles £'000 | Fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 30 June 2011** | **2,490** | **7,013** | **4,540** | **32** | **2,217** | **16,292** |
| Additions | 869 | 629 | 410 | - | 312 | 2,220 |
| Disposals | (65) | (89) | (131) | (21) | (18) | (324) |
| Exchange movement | (269) | (477) | (223) | (2) | (191) | (1,162) |
| **At 30 June 2012** | **3,025** | **7,076** | **4,596** | **9** | **2,320** | **17,026** |
| Additions | 844 | 300 | 441 | 56 | 123 | 1,764 |
| On acquisitions | 487 | 1,100 | 454 | 39 | 406 | 2,486 |
| Disposals | (53) | (49) | (69) | (24) | (9) | (204) |
| Exchange movement | 40 | 81 | 57 | 3 | 70 | 251 |
| **At 30 June 2013** | **4,343** | **8,508** | **5,479** | **83** | **2,910** | **21,323** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| **At 30 June 2011** | **1,805** | **5,949** | **3,790** | **28** | **1,442** | **13,014** |
| Charge for the year | 396 | 456 | 445 | 2 | 208 | 1,507 |
| Disposals | (65) | (77) | (118) | (21) | (14) | (295) |
| Impairment | - | 47 | 125 | - | 70 | 242 |
| Exchange movement | (164) | (365) | (191) | (2) | (125) | (847) |
| **At 30 June 2012** | **1,972** | **6,010** | **4,051** | **7** | **1,581** | **13,621** |
| Charge for the year | 359 | 519 | 424 | 14 | 220 | 1,536 |
| On acquisitions | 120 | 804 | 353 | 33 | 382 | 1,692 |
| Disposals | (15) | (46) | (71) | (8) | (4) | (144) |
| Exchange movement | 36 | 96 | 67 | 2 | 36 | 237 |
| **At 30 June 2013** | **2,472** | **7,383** | **4,824** | **48** | **2,215** | **16,942** |
| | | | | | | |
| **Net book value at 30 June 2013** | **1,871** | **1,125** | **655** | **35** | **695** | **4,381** |
| | | | | | | |
| Net book value at 30 June 2012 | 1,053 | 1,066 | 545 | 2 | 739 | 3,405 |
| Net book value at 30 June 2011 | 685 | 1,064 | 750 | 4 | 775 | 3,278 |

There are no assets held under finance leases

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**19. Investments**

The Group's principal subsidiary undertakings and joint ventures are as follows

| Company name | Principal activity of the company | Ownership percentage by the Group as at 30 June 2013 | Country of incorporation |
|---|---|---|---|
| **Held directly by the Company** | | | |
| Regenersis (Glasgow) Ltd | Technical repair, repair avoidance, customer support services for mobile phones | 100% | Scotland |
| Regenersis (Bucharest) SRL * | Technical repair, customer support services and product end of life management for mobile phones and electronic equipment | 100% | Romania |
| Regenersis (Group) Ltd | Intermediate Holding Company | 100% | England and Wales |
| Regenersis (South Africa) (PTY) Ltd | Technical repair, repair avoidance, customer support services for mobile phones | 100% | South Africa |
| Regenersis Istanbul Teknoloji Danışmanlığı Limited Şirketi | Customer support services for mobile phones | 100% | Turkey |
| Regenersis (Nederland) BV | Intermediate holding company | 100% | Netherlands |
| Regenersis Recommerce Ltd | Offers client led buy back, repair and onward resale of devices | 100% | England and Wales |
| **Held indirectly by the Company** | | | |
| Regenersis (Glenrothes) Ltd | Technical repair, repair avoidance, diagnostic testing services and software development | 100% | England and Wales |
| Regenersis (Warsaw) Sp z o o | Technical repair, customer support services and product end of life management for mobile phones and electronic equipment | 100% | Poland |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

| | | | |
|---|---|---|---|
| Regenersis (Sommerda) GmbH | Technical repair, customer support services and product end of life management for electronic equipment | 100% | Germany |
| Regenersis Inc | Customer support and diagnostic testing services | 100% | USA |
| Regenersis Digital Care Sp z o o | Extended warranty and insurance services | 100% | Poland |
| Regenersis Rus * | Jointly controlled entity - technical repair of electronic equipment | 50% | Russia |
| Regenersis Sweden AB | Technical repair and recycling of mobile phone | 100% | Sweden |
| Regenersis Spain 1, S L | Technical repair and repair avoidance | 100% | Spain |
| Regenersis Mexico S A de C V | Technical repair and repair avoidance | 100% | Mexico |

All investments are in the ordinary share capital of the subsidiaries
All subsidiaries are included in the consolidated results of the Group
*Year end date is 31 December

The Group has a 50% interest in the joint ventures Regenersis Rus and Regenersis (Sweden) Ltd The Groups' share of joint venture assets, liabilities, income and expenses are as follows

| | Regenersis (Sweden) Ltd *7 months* 2013 £'000 | Regenersis Rus 2013 £'000 | Total 2013 £'000 | Total 2012 £'000 |
|---|---|---|---|---|
| Current assets | 133 | 277 | 410 | 3,220 |
| Current liabilities | (4,376) | (180) | (4,556) | (3,003) |
| Non-current assets | 2,880 | 6 | 2,886 | 414 |
| Non-current liabilities | (570) | - | (570) | (540) |
| **Net assets/(liabilities)** | **(1,933)** | **103** | **(1,830)** | **91** |
| Income | 4,412 | 1,143 | 5,555 | 5,207 |
| Expense | (6,251) | (1,137) | (7,388) | (5,467) |
| **Net income/(expense) of joint ventures** | **(1,839)** | **6** | **(1,833)** | **(260)** |

The Group's liability is limited to the investment value in the legal entity, therefore any losses are only recognised to the extent that they write the total investment down to nil

Following the administration of Regenersis Nordic AB on 15 February 2013, its investment holding company Regenersis (Sweden) Limited ceased trading in the year

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

The reconciliation of total investment in joint ventures including working capital loans is as follows

| | Regenersis (Sweden) Ltd 2013 £'000 | Regenersis (Sweden) Ltd 2012 £'000 | Regenersis Rus 2013 £'000 | Regenersis Rus 2012 £'000 |
|---|---|---|---|---|
| At 1 July | - | - | 179 | 100 |
| Share capital investment | - | - | - | - |
| Working capital investment | - | 242 | - | - |
| Retained (loss)/profit | - | (242) | 6 | 79 |
| **At 30 June** | **-** | **-** | **185** | **179** |

This is presented in the following captions in the balance sheet

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Investments in jointly controlled entities | 100 | 98 |
| Trade and other receivables | 85 | 81 |
| **Total** | **185** | **179** |

### 20. Inventories

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Raw materials | 6,038 | 3,947 |
| Work in progress | 1,091 | 907 |
| Finished goods | 795 | 1,702 |
| | **7,924** | **6,556** |

### 21 Trade and other receivables

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade receivables | 19,534 | 14,881 |
| Less provision for doubtful trade receivables | (159) | (217) |
| Trade receivables net of provision | 19,375 | 14,664 |
| Prepayments and accrued income | 6,679 | 3,944 |
| | **26,054** | **18,608** |

A reconciliation of the movement in the provision for doubtful trade receivables is as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **At 1 July** | 217 | 232 |
| Provision created | 126 | 107 |
| Amounts written off as uncollectable | (131) | (73) |
| Amounts recovered during the year | (53) | (49) |
| **At 30 June** | **159** | **217** |

## Notes to the Accounts
for the year ended 30 June 2013 (contınued)

### 22 Cash and cash equivalents

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Cash at bank and ın hand | **4,519** | **2,727** |

### 23. Trade and other payables

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade payables | 11,549 | 7,563 |
| Other taxes and socıal securıty | 1,773 | 625 |
| Other payables | 4,138 | 3,437 |
| Accruals and deferred ıncome | 15,489 | 9,200 |
| | **32,949** | **20,825** |

### 24 Dıvıdends

| | 2013 £'000 | 2013 Pence per share | 2012 £'000 | 2012 Pence per share |
|---|---|---|---|---|
| Prevıous year fınal dıvıdend | 489 | 1 10 | - | - |
| Current year ınterım dıvıdend | 310 | 0 67 | - | - |
| | **799** | **1.77** | **-** | **-** |

### 25. Bank borrowıngs

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Due after more than one year:** | | |
| Secured bank loan | 6,423 | 5,604 |
| **Repayable:** | | |
| In the thırd to the fifth years ınclusıve | 6,423 | 5,604 |

The bank borrowıng ıs secured on the majorıty of the Group's assets for the duratıon of the revolvıng credıt facılıty The revolvıng credıt facılıty avaılable to the Group as at 30 June 2013 totalled £23 25 mıllıon (2012 £23 25 mıllıon), of whıch £6 6 mıllıon (2012 £6 0 mıllıon) had been drawn down ın cash, resultıng ın an unutılısed revolvıng credıt facılıty of £16 65 mıllıon (2012 £17 25 mıllıon) In the prevıous year the revolvıng credıt facılıty was ıncreased to £23 25 mıllıon to support the future acquısıtıon actıvıty of the Group The facılıty expıres on 31 October 2015, and borrowıng costs of £203,000 (2012 £396,000) are set-off agaınst the amount owıng at year end

### 26. Net (debt)/cash

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Cash | 4,519 | 2,727 |
| Bank borrowıngs (non-current) | (6,423) | (5,604) |
| | **(1,904)** | **(2,877)** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

### 27. Reconciliation of movement in net debt

| | **Net debt at 1 July 2012** | Cash flow | Drawdown of borrowings | Other non-cash items | **Net debt at 30 June 2013** |
|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | **£'000** |
| Cash at bank and in hand | 2,727 | 1,635 | - | 157 | 4,519 |
| Borrowings | (5,604) | 7 | (193) | (633) | (6,423) |
| | **(2,877)** | **1,642** | **(193)** | **(476)** | **(1,904)** |

### 28. Provisions

| | Onerous leases £'000 | Dilapidations £'000 | Total £'000 |
|---|---|---|---|
| **At 1 July 2012** | **3,672** | **414** | **4,086** |
| Created during the year | - | - | - |
| Acquired during the year | 1,351 | - | 1,351 |
| Paid during the year | (1,145) | (41) | (1,186) |
| Unwinding of discount factor | 58 | 1 | 59 |
| Foreign exchange movement | 101 | - | 101 |
| **At 30 June 2013** | **4,037** | **374** | **4,411** |

Provisions relate to a period of between one and eight years and are analysed between current and non-current as follows

| | 2013 £'000 |
|---|---|
| Current | 871 |
| Non-current | 3,540 |
| | **4,411** |

Opening provisions relate to onerous lease and dilapidation provisions relating to the restructuring in Glasgow, covering residual lease commitments which expire between 2017 and 2019

The balances acquired within the year relate to onerous leases within Spain and Mexico, covering lease commitments which expire between 2017 and 2020

### 29. Financial instruments – risk management

**Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising return for stakeholders through the optimisation of the debt and equity balance

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

The Group's capital structure is as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Total borrowings | 6,423 | 5,604 |
| Cash and cash equivalents | (4,519) | (2,727) |
| Net debt | 1,904 | 2,877 |
| Equity holders of the parent | 39,398 | 30,929 |
| Gearing ratio (net debt to equity) | 0 05 1 | **0.09 : 1** |

Debt is primarily used for financing acquisitions and working capital

Under the revolving credit facility the Group is subject to certain financial covenants relating to
- Leverage – the ratio of total net debt to EBITDA
- Interest cover – the ratio of EBITDA to total debt costs
- Capital expenditure – any obligation treated as such under accounting principles

The Group has complied with these financial covenants

**Categories of financial instruments**
The following assets and liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Loans and receivables** | | |
| Trade and other receivables | 26,054 | 18,608 |
| Cash | 4,519 | 2,727 |
| **Financial assets** | **30,573** | **21,335** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Held at amortised cost** | | |
| Trade and other payables | 32,949 | 20,825 |
| Income tax payable | 496 | 60 |
| Borrowings | 6,423 | 5,604 |
| **Financial liabilities** | **39,868** | **26,489** |

**Estimation of fair values**
The carrying value and fair value of the financial assets and financial liabilities are considered to be the same with the following assumptions

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value For cash and cash equivalents, the amount reported on the balance sheet approximates to fair value For borrowing at floating rates, the carrying value is deemed to reflect the fair value as it represents the price of the instrument in the market place

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

**Financial risk management**

The main risks arising from the Group's financial instruments include market risk (including foreign currency risks and interest rate risk), liquidity risk and credit risk The Group seeks to minimise the effects of these risks by developing and consistently applying Board approved policies and procedures Such policies and procedures are regularly reviewed for their appropriateness and effectiveness to deal with the changing nature of financial risks

**Market risk - interest rate risk**

The Group holds cash in a variety of currencies within the business units in order to meet working capital requirements

During the year, the revolving credit facility attracted margins of between 2 00% and 2 75% above LIBOR (for GBP and ZAR amounts drawn down) and between 2 00% and 2 75% above EURIBOR (for EUR amounts drawn down) depending on the ratio of EBITDA to net debt In the prior year, the margin also ranged from 2 00% and 2 75%, also depending in the ratio of EBITDA to net debt The undrawn part of the revolving credit facility is subject to a charge during its availability computed at 40% of margin

A change in the LIBOR rate of 1% would increase/decrease the annual interest charge on the GBP/ZAR revolving credit facility drawn down as at 30 June 2013 of £3,400,000 (2012 £6,000,000) by £34,000 (2012 £60,000)

A change in the EURIBOR rate of 1% would increase/decrease the annual interest charge on the revolving credit facility drawn down as at 30 June 2013 of £3,200,000 (2012 £nil) by £32,000 (2012 £nil)

The Board continues to monitor the exposure to interest rate risk and the requirement to use an interest rate swap agreement or other financial instruments

**Foreign currency risk**

The Group executes certain transactions in foreign currencies, primarily in Euros, US Dollars, and South African Rand, thus creating some exposure to exchange rate fluctuations Such exposures are managed by aligning payables and receivables in foreign currencies around the business

The table below shows the extent to which the Group had monetary assets and liabilities denominated in currencies other than the local currency of the Company in which they are recorded

| | ZAR denominated | | Euro denominated | | USD denominated | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Monetary assets | - | - | 1,632 | 1,905 | 2,162 | 334 |
| Monetary liabilities | (1,358) | - | (8,781) | (753) | (442) | (6) |
| **Net monetary (liabilities)/assets** | **(1,358)** | **-** | **(7,149)** | **1,152** | **1,720** | **328** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**Sensitivity analysis**

This quantifies the impact of change in value of assets and liabilities denominated in a currency other than the functional currency of that business unit A 10% appreciation/depreciation of the South African Rand, the Euro and the US Dollar against sterling, applied to the net exposures as at 30 June, would give rise to the following gain/(loss) in the retranslation of these balances

| | ZAR denominated | | Euro denominated | | USD denominated | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Profit before tax – gain/(loss) | | | | | | |
| 10% appreciation of ZAR/Euro/USD | (136) | - | (715) | 115 | 172 | 33 |
| 10% depreciation of ZAR/Euro/ USD | 136 | - | 715 | (115) | (172) | (33) |

The analysis has been performed using the Group exchange rates at the 30 June 2013 reporting date of 15 26 ZAR/£ (2012 12 83), 1 17 €/£ (2012 1 24 €/£), and 1 53 $/£ (2012 1 57 $/£)

The Group is exposed to fluctuations in exchange rates on the translation of net assets and profits earned by its subsidiaries in Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, Sweden and the USA These profits are translated at average exchange rates for the year, which is an approximation to the rates at the date of the transaction

**Credit risk**

The top 10 customers (all of which are major international businesses) account for 73 1% (2012 67%) of the Group's revenue and hence there is some customer reliance risk although the biggest single customer is 16 1% (2012 14%) of revenue and is spread over many of their businesses This is distinct from credit risk

At the balance sheet date one customer made up of several contracts amounted to 23% (2012 17%) of the Group's total trade receivables and accrued income balances Over the past year the aging profile has remained strong and, as at the year end, 90% (2012 94%) of our trade receivables balances were in terms and therefore the Board believes these balances do not present a significant credit risk which could lead to a loss for the Group

Ageing of trade receivables, net of impaired balances, is as follows

| | 2013 | 2013 | 2012 | 2012 |
|---|---|---|---|---|
| | £'000 | % | £'000 | % |
| **Neither past due nor impaired** | 17,452 | 90% | 13,785 | 94% |
| **Past due but not impaired** | | | | |
| Less than 30 days overdue | 1,196 | 6% | 794 | 6% |
| 30 to 60 days overdue | 355 | 2% | 28 | - |
| More than 60 days overdue | 372 | 2% | 57 | - |
| | **19,375** | **100%** | **14,664** | **100%** |

The average credit period taken on sales is 42 days (2012 42 days)

The Group has provided for specific trade receivables where the recoverability is uncertain As at the 30 June 2013 the doubtful debtors balance was £159,000 (2012 £217,000), of which £1,000 (2012 £6,000) was more than 90 days overdue The Board believes there is no further provision required in excess of the allowance for doubtful debts

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

Receivables are written off against the impairment provision when management considers the debt is no longer recoverable

**Liquidity risk**

The Group ensures that there are sufficient levels of committed facilities, cash and cash equivalents to ensure that the Group is at all times able to meet its financial commitments

The revolving credit facility available to the Group as at 30 June 2013 totalled £23 25 million (2012 £23 25 million), of which £6 6 million (2012 £6 0 million) had been drawn down in cash, resulting in an unutilised revolving credit facility of £16 65 million (2012 £17 25 million)

The table below summarises the contractual maturity profile of the Group's financial liabilities

| | 2013 Effective interest rate (%) | 2013 Less than one year £'000 | 2013 One to five years £'000 | 2012 Effective interest rate (%) | 2012 Less than one year £'000 | 2012 One to five years £'000 |
|---|---|---|---|---|---|---|
| Trade and other payables | - | 32,949 | - | - | 20,825 | - |
| Income tax payable | | 496 | | | 60 | |
| Provisions | - | 871 | 3,540 | - | 816 | 3,270 |
| Bank borrowings | 3 2 | | 7,282 | 5 4 | - | 7,077 |
| | - | **34,316** | **10,822** | - | **21,701** | **10,347** |

### 30. Deferred tax assets

| | At 1 July 2012 £'000 | Recognised in the income statement £'000 | Recognised upon acquisition £'000 | Exchange £'000 | At 30 June 2013 £'000 |
|---|---|---|---|---|---|
| Property plant and equipment | 1,054 | 39 | - | - | 1,093 |
| Intangible assets | (17) | 17 | - | - | - |
| Short term timing differences | 182 | (93) | 1,953 | 4 | 2,046 |
| Tax losses | 324 | (16) | - | - | 308 |
| | **1,543** | **(53)** | **1,953** | **4** | **3,447** |

| | At 1 July 2011 £'000 | Recognised in the income statement £'000 | Exchange £'000 | At 30 June 2012 £'000 |
|---|---|---|---|---|
| Property plant and equipment | 584 | 470 | - | 1,054 |
| Intangible assets | (90) | 73 | - | (17) |
| Short term timing differences | 331 | (133) | (16) | 182 |
| Tax losses | 147 | 195 | (18) | 324 |
| | **972** | **605** | **(34)** | **1,543** |

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the Group No deferred tax asset has been recognised in relation to taxation on UK losses amounting to £1 0 million (2012 £2 9 million)

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12 The deferred tax asset balance as at 30 June 2013 is made up of a UK deferred tax asset balance of £0 7 million (2012 £1 1 million) and an overseas balance of £2 7 million (2012 £0 5 million)

### 31. Called up share capital

| | 2013 Number of shares | 2013 £'000 | 2012 Number of shares | 2012 £'000 |
|---|---|---|---|---|
| **Authorised:** | | | | |
| Ordinary shares of 2p | 59,760,350 | 1,195 | 59,760,350 | 1,195 |
| **Allotted, called up and fully paid:** | | | | |
| Ordinary shares of 2p | 49,715,386 | 994 | 44,820,252 | 896 |

The Company has one class of ordinary shares, which carry no rights to fixed income The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company

On 28 March 2013, the Group raised £6 9 million (before expenses) through a placing of 3,300,000 new ordinary shares at a price of 209 pence per share The proceeds of the placing were initially used to supplement organic growth by investing in the working capital requirements of the Group and also to fund acquisitions We were pleased with the high level of support shown for the placing

**Share premium**
This arises on issue of the Company's shares over and above the nominal value of the shares, less any expenses of issue incurred in issuing equity
Movements within share premium this year relate to shares issued within the acquisition of HDM, share issued relating to the vesting of ISP1 options, and from the share placing completed

**Merger reserve**
The merger reserve arises in respect of the premium arising on the ordinary shares issued as consideration for the acquisition of shares in another company

**Translation reserve**
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations

**Employee Benefit**
Of the issued share capital at 30 June 2013 1,419,481 shares (30 June 2012 2,150,000) are held by the Employee Benefit Trust 730,519 were used to settle awards under ISP1

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

**Outstanding options**
Outstanding options have been granted to the Directors and employees of the Group under the Performance Share Plan and the Incentive Share Plans over shares in Regenersis Plc Further details of these are included within note 32
Details of the share plans and share options held by Directors are included in the Remuneration Report on page 37

**32 Share-based payments**
The Group operates two Incentive Share Plans, a Performance Share Plan and a cash-based Phantom Share Scheme

The terms of the Incentive Share Plans and Performance Share Plan are disclosed in the Directors' Remuneration Report

Awards issued under the cash-based Phantom share scheme vest three years from the date of the grant and automatically lapse for those employees who leave the company before the third anniversary Options are settled in cash, which is calculated as the difference between the closing share price on the day that they vest compared to the grant price The grant price is set with reference to the average share price over a three day period up to the date of the grant

Details of share options and phantom scheme awards outstanding at the end of the year are as follows

| Scheme | Performance Share Plan | Phantom Share Scheme | Phantom Share Scheme |
|---|---|---|---|
| Exercise price | 0 0p | 39 0p | 72 0p |
| Earliest year in which options are exercisable | 2013 | 2013 | 2014 |
| | Number of options | Number of options | Number of options |
| At 30 June 2011 | **675,000** | **66,668** | - |
| Granted | - | - | **66,668** |
| Exercised | - | - | - |
| Lapsed – leavers | **(300,000)** | - | - |
| **At 30 June 2012** | 375,000 | 66,668 | 66,668 |
| Granted | - | - | - |
| Exercised | - | (66,668) | - |
| Lapsed – leavers | - | - | - |
| **At 30 June 2013** | 375,000 | - | 66,668 |

The number of shares vesting under the two Incentive Share Plans is determined as follows
- Following the end of the performance period, the Remuneration Committee will determine whether the applicable performance target has been satisfied and calculate the increase in shareholder value since the date of grant to the individual holder,
- Each award holder will be entitled to acquire shares at par, with a value equal to a specified percentage of that increase in shareholder value, provided that the performance target had been met – that value for each award holder is divided by the market value of a share at the end of the performance period to determine the number of shares to be awarded

As the number of shares to be awarded is variable, it has not been included within the table above

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

On 22 February 2013, the performance target requiring that the average mid-market closing share price over any 30 trading day period prior to 30 June 2014 was greater than 150 pence was met The actual average mid-market closing share price for the 30 trading day period ended 22 February was 180 pence This represented an increase of 140% over the share price when ISP1 was established Accordingly, all of the awards under ISP1 became available for vesting, subject only to the performance period coming to an end on or before 30 June 2014, as confirmed by the Remuneration Committee for all, or a proportion of, any award

On 14 March 2013, awards in respect of 10 05% of the increase in shareholder value vested and were exercised On 30 May 2013, awards in respect of a further 1 26% of the increase in shareholder value vested and were exercised

Following the vesting of the awards the Remuneration Committee decided that the awards would be settled as follows creating and issuing 1,007,563 new shares, transferring 730,519 existing shares from the Employee Benefit Trust (EBT) and direct cash payments amounting to £2,404,604 As a consequence, in accordance with IFRS 2 Share Based Payments, the accounting for the ISP1 was modified from equity settled to cash settled

The remainder of 0 54% of the increase in shareholder value will vest no later than 30 June 2014 At 30 June 2013 the outstanding liability of £203,000 was included in accruals and deferred income in respect of the outstanding awards under ISP1

| | £'000s |
|---|---|
| Liability created on vesting | 6,468 |
| Cash settled | (2,405) |
| Equity settled | (3,860) |
| **Liability remaining at 30 June 2013** | **203** |

The fair values for the above options were calculated using the inputs and pricing models outlined in the table below

| | Incentive Share Plan 2 | Incentive Share Plan 2 | Incentive Share Plan 2 | Incentive Share Plan 2 | Incentive Share Plan 1 | Incentive Share Plan 1 | Performance Share Plan | Phantom Share Scheme | Phantom Share Scheme |
|---|---|---|---|---|---|---|---|---|---|
| Date of grant | 14 June 2013 | 6 May 2013 | 25 April 2013 | 14 March 2013 | 1 July 2012 | 1 July 2011 | 17 September 2010 | 1 July 2010 | 1 July 2011 |
| Option pricing model used | Monte Carlo | Monte Carlo | Monte Carlo | Monte Carlo | Monte Carlo | Monte Carlo | Monte Carlo | Black Scholes | Black Scholes |
| Fair value of options granted (per share) at date of grant | 30 5p | 30 3p | 30 7p | 31 1p | 12 6p – 17 5p | 12 1p | 25 6p | - | - |
| Fair value of options granted (per share) at 30 June 13 | - | - | - | - | - | - | - | 164 0p | 133 0p |
| Expected volatility | 30% | 30% | 30% | 30% | 31% | 36% | 39% | 25% | 25% |
| Risk free interest rate | 0 3% - 1 3% | 0 2%- 0 9% | 0 2%- 0 8% | 0 1% - 1 0% | 0 3% | 1 4% | 1 2% | 2 8% | 1 4% |
| Exercise price (per share) | 2 0p | 2 0p | 2 0p | 2 0p | 2 0p | 2 0p | 0 0p | 39 0p | 72 0p |
| Expected dividends | - | - | - | - | - | - | - | - | - |

## Notes to the Accounts

for the year ended 30 June 2013 (continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Expected term (years) | 2 8 | 2 9 | 2 9 | 3 0 | 3 0 | 3 0 | 3 0 | 3 0 | 3 0 |
| Expected departures | - | - | - | - | - | - | - | - | - |
| Settlement | Equity | Equity | Equity | Equity | Equity | Equity | Equity | Cash | Cash |

Total expense recognised in the income statement for each of the schemes and disclosed on the face on the income statement, was as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Performance Share Plan | 31 | - |
| Incentive Share Plans | 258 | 150 |
| Phantom Share Scheme | 182 | 131 |
| | **471** | **281** |

The liability on the Phantom Share Scheme is £210,000 (2012 £182,000), the intrinsic value at 30 June 2013 was £136,000 (2012 £274,000)

### 33 Commitments

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | **3,783** | **2,650** |

The Group has outstanding commitments for total future minimum lease payments under non-cancellable operating leases, which fall due as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Not less than one year | 4,200 | 2,842 |
| Later than one year and not later than five years | 8,673 | 5,872 |
| Later than five years | 1,232 | 1,334 |
| | **14,105** | **10,048** |

The majority of the leases which the Group has entered into relate to land and buildings Lease terms range from 3 months to 8 years

### 34 Subsequent Events

**Acquisition of Digicomp**

The Board is pleased to announce it has acquired on the 10 September 2013, 80% of the issued share capital of Digicomp Complete Solutions Limited ("Digicomp") for a consideration of INR 451 million (£4 4 million)

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

Key features of Digicomp

- High-quality business in a new territory, India - 65% market share in formal laptop repair
- One main depot facility in Bangalore with 92 owned and franchised stores in the major Indian cities
- Key OEM customers, including Dell, HP, Lenovo and Acer and market leading accreditations with Foxconn and Pegatron
- Unique laptop recovery offering, which is growing rapidly, and is similar to the Group's existing mobile Recommerce business
- Market penetration for laptops in India is less than 10% of the total population and less than 5% for smart phones - both presenting very significant growth opportunities for Digicomp
- Strong, incentivised senior management team, which will remain in the business post acquisition

The initial consideration of INR 451 million cash was funded through the Group's existing revolving credit facility In addition to the initial consideration, an earn-out will be payable in March 2015 based upon a fixed earnings multiple above a pre-defined level of profitability, using the average annualised EBIT achieved in the 17 month period 31 August 2013 to 31 December 2014 In September 2016, Regenersis will acquire the remaining 20% of the issued share capital of Digicomp, based upon a fixed earning multiple applied to the average EBIT achieved in the 12 month period ending 31 March 2016

**Investment in Xcaliber**
The Board is pleased to announce it acquired 15% (plus the option to acquire a further 10%) of the issued share capital of Xcaliber Technologies LLC and Xcaliber Infotech PVT Ltd (together "Xcaliber") for a consideration of USD 1 2 million (£0 75 million) Xcaliber is a US based software business with a market leading mobile diagnostic technology which will add to our existing diagnostic offer both in the US and globally The effective date of exchange was 17 September 2013 and the date of completion is expected to be in October 2013 Regenersis will also become Xcaliber's route to market around the world, with exclusivity in EMEA This will build Regenersis' share of the economics of Xcaliber significantly beyond our equity stake

Key features of Xcaliber

- A developer of telecoms solutions primarily focussed on remote diagnostics software for smartphones
- Headquarters in Atlanta, USA along with a 60 person software development team based in Pune, India
- Xcaliber's most important application is the SmartChk diagnostics software for Windows, Android and iOS platforms, which is designed to drive down No Fault Found rates for operators and OEMs on smartphones by running comprehensive diagnostics either directly on the handset or through an in-store "kiosk"-style application
- Xcaliber's diagnostics technology will form part of the new suite of Advanced Solutions remote diagnostic offerings
- We believe Xcaliber is at the forefront of remote diagnostics technology which is of increasing importance, as OEM's and Operators look to continually reduce their costs and increase customer satisfaction, by reducing unnecessary returns
- This technology expands the Group's current diagnostic capability within set-top boxes, and expands the range of diagnostics solutions available to clients Regenersis is already working with, particularly in the US

## Notes to the Accounts
for the year ended 30 June 2013 (continued)

As well as providing Xcaliber with finance to fund growth, Regenersis will assist by providing access to our global sales resources in the marketing of the SmarkChk application by utilising our existing relationships with OEMs and operators Regenersis will also have the opportunity to use the application within its own facilities in order to automate and increase the efficiency of the screening and quality assurance phases of our repair process

The initial consideration of USD 1 2 million cash will be funded through the Group's revolving credit facility

**Partnership with EcoAsia**
In July 2013 we formed a partnership with EcoAsia Technologies Ltd ("EcoAsia"), to fulfil refurbishment opportunities across Regenersis' client base in mainland Europe and manage global refurbishment programmes for OEMs EcoAsia is a market leading firm in Refurbishment capabilities with facilities in Philippines, Hong Kong, China and Mexico

Fair value calculations for these acquisitions have not been completed, due to their proximity to the published date of these accounts, and as such have not been disclosed

### 35 Related party transactions

Transactions between Regenersis plc and its subsidiaries, which are related parties, have been eliminated on consolidation No disclosure of these transactions is required under IAS24

During the year to June 2010, Regenersis Plc advanced a loan of €100,000 to its jointly controlled entity, Regenersis Rus as a loan, which remains outstanding at the end of the year ended 30 June 2013 (€100,000 outstanding at 30 June 2012)

Both Matthew Peacock, Executive Chairman, and Tom Russell, Executive Director, are associated with Hanover Investors Management LLP, and a fee is charged for their services as Executive Directors which is disclosed in the Directors' Remuneration Report They also have an indirect beneficial interest in the shares of the Group At 30 June 2013, the combined holding of Hanover Investors Management LLP and its connected parties is 10,748,637 (2012 10,213,351) ordinary shares equating to 21 62% (2012 22 79%) of the issued share capital of the Company

Fees amounting to £350,000 were paid during the year for consultancy services provided by Hanover Investors Management LLP or its connected parties (2012 £nil)

At 30 June 2013 £nil was outstanding in relation to these services (2012 £nil)

All transactions with Directors are included in the Directors' Remuneration Report on pages 36 to 37 and also in the key management personnel disclosures in note 10

## Company Balance Sheet
As at 30 June 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Goodwill | 4 | 6,075 | 6,918 |
| Tangible assets | 5 | 1,016 | 401 |
| Investments in subsidiaries | 6 | 16,148 | 19,188 |
| | | **23,239** | **26,507** |
| **Current assets** | | | |
| Debtors | 7 | 36,019 | 16,272 |
| | | **36,019** | **16,272** |
| **Creditors:** | | | |
| Amounts falling due within one year | 9 | (16,023) | (6,513) |
| Provisions | 12 | (636) | (645) |
| **Net current assets** | | **19,360** | **9,114** |
| **Total assets less current liabilities** | | **42,599** | **35,621** |
| **Creditors:** | | | |
| Amounts falling due after more than one year | 10 | (6,423) | (5,604) |
| Provisions | 12 | (2,519) | (2,526) |
| **Amounts falling due after more than one year** | | **(8,942)** | **(8,130)** |
| **Net assets** | | **33,657** | **27,491** |
| **Equity** | | | |
| Ordinary share capital | 15 | 994 | 896 |
| Share premium | 16 | 26,592 | 19,702 |
| Merger reserve | 16 | 3,088 | 3,088 |
| Profit and loss account | 16 | 2,983 | 3,805 |
| **Equity shareholders' funds** | | **33,657** | **27,491** |

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2013

They were signed on its behalf by

**Matthew Peacock**
Executive Chairman

**Jog Dhody**
Chief Financial Officer

Company number 05113820

## Notes to the Company Accounts
for the year ended 30 June 2013

**1. Basis of preparation**
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom, which have been applied on a consistent basis, and on a going concern basis

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account

**2. Accounting policies**
The significant accounting policies applied in the preparation of the Company financial statements are as follows

**2.1 Going concern**
As highlighted in note 25 of the Group's financial statements, the Group meets its day to day working capital requirements through a revolving credit facility which is due for renewal on 31 October 2015

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business and Financial Review on pages 5 to 16 Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facilities is described in this review

In addition note 29 to the Group's financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility

After making enquiries, the Board have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

**2.2 Intangible assets and goodwill**
Goodwill is calculated as the excess of the fair value of the purchase consideration over the fair value attributable to the separately identifiable assets and liabilities of the acquired business Goodwill is capitalised on acquisition and amortised on a straight line basis over its estimated useful economic life The life is determined after taking account of the nature of the business acquired and the nature of the markets in which it operates, and is typically between 5 and 20 years

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

**2.3 Impairment**
Goodwill and other intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and, together with tangible fixed assets, in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

The impairment review is performed by comparing the carrying value of the asset or Group of assets, with the recoverable amount The recoverable amount is higher of net realisable value and the asset's value in use, which is estimated by calculating the present value of its future cash flow Impairment charges are recognised in the profit and loss account to the extent that the carrying value exceeds the recoverable amount in the periods in which the impairment is identified

**2.4 Tangible fixed assets and depreciation**
Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset on a straight line basis over the asset's estimated useful life as follows

| | | |
|---|---|---|
| Leasehold improvement | - | over the period of the lease or life of the improvements if less |
| Computer equipment | - | 33% per annum |
| Fixtures and fittings | - | 20% - 50% per annum |

**2.5 Investments**
Investments are stated in the balance sheet of the Company at cost less amounts written off Amounts denominated in foreign currency are translated into sterling at historical exchange rates Other investments are stated in the Company and Group balance sheets at cost less amounts written off

**2.6 Stock and work in progress**
Stock and work in progress is stated at the lower of cost and net realisable value Cost includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the stock and work in progress to their present location and condition Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs

**2.7 Deferred taxation**
Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in these financial statements
Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary

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

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted or where there are deferred tax liabilities against which the assets can be recovered

**2.8 Leases**
Lease arrangements entered into by the Company are assessed at the inception of the lease and classified as either an operating or a finance lease A lease is classified as a finance lease if it transfers substantially all the risks and rewards of incidental ownership to the lessee All other lease arrangements are classified as operating leases

Rentals payable under operating leases are recognised in the profit and loss account on a straight line basis over the periods of the leases Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors

**2.9 Foreign currencies**
Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction Foreign currency monetary assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date All other exchange differences are dealt with in the profit and loss account

**2.10 Pensions**
The Company offers defined contribution pension arrangements to certain employees Payments to defined contribution pension schemes are expensed as incurred The Company does not operate any defined benefit pension arrangements

**2.11 Provisions**
A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Provisions in respect of deferred taxation are dealt with in the accounting policy above Provisions in respect of deferred contingent consideration for acquisitions are made at the Directors' best estimate of the likely consideration payable taking account of the performance criteria which affect the level of deferred consideration

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability The unwinding of the discount rate is recognised as finance cost

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract

**2.12 Bank borrowings and financing costs**
Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including revolving credit facility fees and redemption premia) where the intention is to hold the debt instrument to maturity Financing costs are amortised over the expected term of the loan so as to produce a constant rate of return over the period to the date of expected redemption

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised

**2.13 Share based payments**

The Company operates two Incentive Share Plans, a Performance Share Plan and a cash-based Phantom Share Scheme

The share option programme allows employees to acquire shares of the Company The fair value of options granted after 7 November 2002 are recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest except where variations are due only to share prices not achieving the threshold for vesting

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity

**2.14 Own shares held by EBT**

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements In particular, the trust's purchases of shares in the Company are debited directly to equity

**3 Staff costs**

Please see disclosure in the consolidated financial statements in note 10

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 32 to 37

**4. Goodwill**

| | £'000 |
|---|---|
| **Cost** | |
| 1 July 2012 and 30 June 2013 | 16,854 |
| | |
| **Amortisation** | |
| 1 July 2012 | 9,936 |
| Amortisation charge for the year | 843 |
| 30 June 2013 | 10,779 |
| | |
| **Net book value** | |
| **30 June 2013** | **6,075** |
| 30 June 2012 | 6,918 |

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

### 5 Tangible assets

| | Leasehold improvements £'000 | Computer Equipment £'000 | Fixtures and Fittings £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2012 | 223 | 141 | 67 | 431 |
| Additions | 6 | 745 | - | 751 |
| Reclassifications | 12 | - | (12) | - |
| Disposals | - | (3) | - | (3) |
| **At 30 June 2013** | **241** | **883** | **55** | **1,179** |
| | | | | |
| **Depreciation** | | | | |
| 1 July 2012 | 4 | 25 | 1 | 30 |
| Charge for the year | 47 | 76 | 11 | 134 |
| Disposals | - | (1) | - | (1) |
| **At 30 June 2013** | **51** | **100** | **12** | **163** |
| | | | | |
| **Net book value** | | | | |
| **30 June 2013** | **190** | **783** | **43** | **1,016** |
| 30 June 2012 | 219 | 116 | 66 | 401 |

### 6. Fixed asset investments

| | Shares in subsidiary undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 July 2012 | 25,190 |
| Additions | 735 |
| **At 30 June 2013** | **25,925** |
| | |
| **Impairment** | |
| 1 July 2012 | 6,002 |
| Charge for the year | 3,775 |
| **At 30 June 2013** | **9,777** |
| | |
| **Net book value** | |
| **30 June 2013** | **16,148** |
| 30 June 2012 | 19,188 |

The additions within the year relate to investment in share capital of Regenersis (Nederland) BV and Regenersis Sweden AB
The impairment recognised within the year is in relation to reorganisation of business around the Group

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

### 7. Debtors

Amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade receivables | - | 25 |
| Amounts due from subsidiaries | 34,264 | 15,632 |
| Deferred tax asset (note 8) | 289 | 89 |
| Prepayments, other debtors and accrued income | 1,466 | 526 |
| | **36,019** | **16,272** |

### 8. Deferred tax assets

| | Depreciation in excess of/(less than) capital allowances £'000 | Other timing differences £'000 | Total £'000 |
|---|---|---|---|
| At 1 July 2012 | 19 | 70 | 89 |
| Credit/(charge) for the year | 18 | 182 | 200 |
| **At 30 June 2013** | **37** | **252** | **289** |

Deferred tax assets are recognised to the extent that they are considered recoverable against future profits of the Company No deferred tax asset has been recognised in relation to tax losses amounting to £1 0 million (2012 £602,000)

### 9. Creditors amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade creditors | 201 | 314 |
| Bank overdraft | 10,877 | 3,010 |
| Amounts due to subsidiaries | 2,649 | 2,005 |
| Accruals and deferred income | 2,296 | 1,184 |
| | **16,023** | **6,513** |

### 10 Creditors amounts falling due after more than one year

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Bank loans and other borrowings | **6,423** | **5,604** |

## Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

**11. Bank and other borrowings**

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| **Due after more than one year:** | | |
| Secured bank loan | 6,423 | 5,604 |
| **Repayable:** | | |
| In the third to fifth years inclusive | 6,423 | 5,604 |

The terms of the loan are disclosed in the Group accounts in note 25

**12. Provisions**

| | Onerous Leases<br>£'000 | Dilapidations<br>£'000 | Total<br>£'000 |
|---|---|---|---|
| **At 1 July 2012** | **2,757** | **414** | **3,171** |
| Transferred in the period | 915 | - | 915 |
| Unwinding of discount | 58 | - | 58 |
| Utilised in the period | (949) | (40) | (989) |
| **At 30 June 2013** | **2,781** | **374** | **3,155** |

Provisions are analysed between current and non-current as follows

| | 2013<br>£'000 |
|---|---|
| Current | 636 |
| Non-current | 2,519 |
| | **3,155** |

In 2013 the company inherited an onerous lease of £915,000 from one of its subsidiary undertakings

Opening provisions relate to onerous lease and dilapidation provisions relating to the restructuring in Glasgow, covering residual lease commitments which expire between 2017 and 2019

**13 Operating lease commitments**

| | 2013<br>Land & buildings<br>£'000 | 2012<br>Land & buildings<br>£'000 |
|---|---|---|
| **Lease expiry:** | | |
| Within one year | 66 | - |
| Between one and five years | 100 | 145 |
| Over five years | 264 | - |
| | **430** | **145** |

# Notes to the Company Accounts
for the year ended 30 June 2013 (continued)

### 14 Share-based payments

The Company operates two Incentive Share Plans, a Performance Share Plan and a cash-based Phantom Share Scheme

The terms of the Incentive Share Plans and Performance Share Plan are disclosed in the Directors' Remuneration Report The terms of the cash-based Phantom share scheme are disclosed in note 32 to the consolidated financial statements

The share options outstanding for the Company are the same as for the Group and are disclosed in note 32 to the consolidated financial statements

### 15 Share capital

The movements on share capital are disclosed in note 31 to the consolidated financial statements

### 16. Reserves

| | Share premium account £'000 | Merger reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 July 2012 | 19,702 | 3,088 | 3,805 | 26,595 |
| Shares issued within the year | 6,890 | - | - | 6,890 |
| Vesting of Share Options | - | - | (2,608) | (2,608) |
| Dividends issued | - | - | (799) | (799) |
| Retained profit for the year | - | - | 2,585 | 2,585 |
| **At 30 June 2013** | **26,592** | **3,088** | **2,983** | **32,663** |

## Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of Regenersis PLC ("the Company") will be held at Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT on Wednesday 20 November 2013 at noon for the following purposes

**Ordinary business**

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions

1 To receive the Directors' report, the Directors' remuneration report and the Company's annual accounts for the year ended 30 June 2013, together with the auditors' report on those accounts,

2 To approve the Directors' remuneration report for the year ended 30 June 2013

3 That a final dividend as recommended by the Directors of 1 83 pence per ordinary share in respect of the financial year ended 30 June 2013 be approved

4 That KPMG LLP be and are hereby appointed auditors of the Company and will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company

5 To authorise the Directors to agree the remuneration of KPMG LLP, and

6 To appoint Rob Woodward as a director of the Company, who has been appointed since the last general meeting and who is retiring in accordance with the articles of association of the Company

**Special business**

To consider and, if thought fit, to pass the following resolution 7 as an ordinary resolution and resolutions 8 and 9 as special resolutions

7 That, pursuant to Section 551 of the Companies Act 2006 ("the Act") and in substitution for all existing authorities under that section, the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £331,435 91 provided that (unless previously revoked, varied or renewed) this authority shall expire on 31 December 2014, or at the conclusion of the next annual general meeting of the Company after passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before expiry of this authority which would or might require such shares to be allotted or such rights to be granted after such expiry and the Directors may allot such shares or grant such rights pursuant to any such offer or agreement as if such authority conferred had not expired

8 That, subject to the passing of resolution 7, pursuant to Section 570 of the Companies Act 2006 ("the Act") the Directors be and are hereby unconditionally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 as if Section 561(1) of the Act did not apply to such allotment, provided that such power shall be limited to

## Notice of Annual General Meeting
(continued)

(a) The allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities representing fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, and

(b) The allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £99,430 77,

and (unless previously revoked, varied or renewed) shall expire on 31 December 2014 or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired

9 That pursuant to Section 701 of the Companies Act 2006 ("the Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 2 pence each in the capital of the Company ("Shares"), provided that

(a) The maximum number of Shares which may be purchased is 4,971,539,

(b) The minimum price (exclusive of expenses) that may be paid for a share is 2 pence,

(c) The maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the higher of (i) 105 per cent of the average of the middle market quotations for the Shares as derived from the Daily Official List for the five business days immediately preceding the day on which the purchase is made, and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System,

(d) Unless previously revoked, varied or renewed, this authority shall expire on 31 December 2014 or at the conclusion of the next annual general meeting of the Company, whichever is the earlier, and

(e) The Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired

## Notice of Annual General Meeting
(continued)

**By Order of the Board**

**M Devin**
For and on behalf of Prism Cosec Limited
Company Secretary

27 September 2013

Company Number 05113820

**Registered Office**
4th Floor
32 Wigmore Street
London W1U 2RP

## Notice of Annual General Meeting

### Explanatory Notes to the Resolutions

**ORDINARY BUSINESS**

Resolutions 1 to 7 will be proposed as ordinary resolutions, and will be passed if more than 50 per cent of shareholders' votes cast are in favour

**Resolution 1: To receive the 2013 Report and Accounts**
The directors of the Company ("the Directors") must present their annual report and accounts of the Company for the year ended 30 June 2013 (the "Annual Report") to shareholders for formal adoption at the Annual General Meeting

**Resolution 2: To approve the 2013 Remuneration Report**
The Remuneration Report must be laid before shareholders for approval The Remuneration Report set out on pages 32 to 37 of the Annual Report describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2013 The vote is advisory and does not affect the actual remuneration paid to any individual Director

**Resolution 3: To declare a final dividend**
A final dividend of 1 83 pence per ordinary share is proposed An interim dividend of 0 67 pence per ordinary share was paid during the year If approved, the final dividend will be paid on 4 December 2013 to shareholders on the register at the close of business on 8 November 2013

**Resolutions 4 and 5: To reappoint the auditors and authorise the Board to determine their remuneration**
The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, KPMG Audit Plc, on behalf of the Board

KPMG Audit Plc are in the process of transferring their audit work to KPMG LLP and, accordingly, have notified the Company that they are not seeking re-appointment as they are in the process of instigating an orderly wind down of business Following the Audit Committee's review of the effectiveness of the external auditor referred to above, the Board has decided to put KPMG LLP forward to be appointed as auditors Resolution 5 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors In practice, the Audit Committee will consider the audit fees for recommendation to the Board

**Resolution 6: To appoint a Director**
Rob Woodward, having been appointed since the 2012 annual general meeting, will retire and seek election at this year's AGM His biography appears on page 17 of the Annual Report

**SPECIAL BUSINESS**
As well as the ordinary business of the meeting outlined above, a number of special matters will be dealt with at the Annual General Meeting Resolution 7 will be proposed as an ordinary resolution and will be passed if more than 50 per cent of shareholders' votes cast are in favour Resolutions 8 and 9 will be proposed as special resolutions For these resolutions to be passed, more than 75 per cent of shareholders' votes cast must be in favour

## Notice of Annual General Meeting

Explanatory Notes to the Resolutions (continued)

**Resolution 7: Directors' authority to allot shares**

At the 2012 annual general meeting, the Directors were given authority to allot shares in the Company and Resolution 7 seeks to renew this authority for a period until 31 December 2014 or at the conclusion of the next annual general meeting, whichever is the earlier

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £331,435 91 This amount represents one-third of the issued ordinary share capital of the Company as at 27 September 2013, the last practicable date prior to the publication of this document

The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans

**Resolution 8: Disapplication of pre-emption rights**

If directors of a company wish to allot shares in the company, or to sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings

The purpose of Resolution 8 is to authorise the Directors to allot ordinary shares in the Company, or sell treasury shares, for cash (i) in connection with a rights issue, and, otherwise, (ii) up to a nominal value of £99,430 77, equivalent to ten per cent of the total issued ordinary share capital of the Company as at 27 September 2013 without the shares first being offered to existing shareholders in proportion to their existing holdings This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised

The Directors do not intend to issue more than 7 5% of the total issued ordinary share capital of the Company for cash on a non-pre-emptive basis within any rolling three-year period without prior consultation with shareholders

**Resolution 9: Authority to purchase own shares**

Under the Companies Act 2006 ("the Act"), the Company requires authorisation from shareholders if it wishes to purchase its own shares

Resolution 9 seeks to renew the existing authority given at the 2012 annual general meeting The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought

Under the Act, the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee shares schemes The Directors believe that it is desirable for the Company to have this choice and therefore intend to hold any shares purchased pursuant to this authority as treasury shares Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any actual purchase, whether to hold the shares in treasury or cancel them

## Notice of Annual General Meeting

### Explanatory Notes to the Resolutions (continued)

The Directors have no present intention of exercising this authority The Directors intend to keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities The authority will only be used if in the opinion of the Directors this will result in an increase in earnings per share or would otherwise be in the best interests of shareholders generally

No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares

As at the latest practicable date prior to publication of this Notice there were no outstanding options to subscribe for Ordinary Shares

# Notice of Annual General Meeting

## Explanatory Notes to the Notice of Meeting

**Entitlement to appoint proxies**

1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder A proxy need not be a shareholder of the Company Shareholders who return the form(s) of proxy will still be able to attend the AGM, speak and vote in person if they so wish Shareholders or their duly appointed proxies are requested to bring proof of identity with them to the AGM in order to confirm their identity for security reasons A shareholder may only appoint a proxy or proxies

(a) In hard copy form (together with any power of attorney or other written authority under which it is signed or a copy of such authority notarially certified or certified in some other way by the Directors) by post, courier or by hand to the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, or

(b) In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

**Appointing Proxies**

2 A shareholder wishing to appoint a proxy should complete the accompanying form(s) of proxy and return it/them to the Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE Alternatively, you may submit your proxy electronically by using the CREST proxy service CREST members may appoint a proxy or proxies electronically via Computershare (ID number 3RA50) in accordance with note 4 below To appoint more than one proxy, you may either photocopy the form(s) of proxy accompanying this Notice or contact Computershare on 0870 889 4099 to request additional personalised form(s) or proxy If more than one proxy appointment is returned in respect of the same holding of shares, the proxy last received by Computershare before the latest time for the receipt of proxies will take precedence To be valid, any proxy form or other instrument appointing a proxy must be deposited with Computershare or lodged via the CREST proxy service (in each case) no later than noon on Monday 18 November 2013

**Electronic proxy appointment through CREST**

3 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

## Notice of Annual General Meeting

Explanatory Notes to the Notice of Meeting (continued)

4 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by noon on Monday 18 November 2013 For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

5 CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

6 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Un-certificated Securities Regulations 2001

**Joint holders**

7 In the case of joint holdings, only one holder may sign and the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, seniority for this purpose being determined by the order in which the names stand on the register of members in respect of joint holdings

**Entitlement to attend and vote**

8 In accordance with Regulation 41 of the Un-certificated Securities Regulations 2001, only those members registered in the register of members of the Company as at close of business on Monday 18 November 2013 or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time Changes to entries in the register of members after close of business on Monday 18 November 2013 or, in the event of the meeting being adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting

**Corporate Representatives**

9 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

## Notice of Annual General Meeting

Explanatory Notes to the Notice of Meeting (continued)

**Voting Rights**

10 As at 27 September 2013 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 49,715,386 ordinary shares, carrying one vote each Therefore, the total voting rights in the Company as at 27 September 2013 are 49,715,386 of which 1,419,481 are classified as treasury shares

**Communicating with the Company in relation to the AGM**

11 Except as provided above, shareholders wishing to communicate with the Company in relation to the AGM should write to the Company Secretary, Regenersis Plc, 4th Floor, 32 Wigmore Street, London W1U 2RP

12 You may not use any electronic address provided either in this Notice or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated

**Inspection of documents**

13 Copies of the Executive Directors' service contracts and Non-executive Directors' letters of appointment will be available for inspection during normal business hours at the offices of Regenersis Plc, 4th Floor, 32 Wigmore Street, London W1U 2RP (excluding weekends and public holidays) They will also be available for inspection at the place of the annual general meeting from 11 45 a m on the day of the meeting until the conclusion of the meeting

**Voting Results**

14 The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on our website www regenersis com

**Data Protection Statement**

15 Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Shareholder Reference Number (attributed to you by the Company) The Company determines the purposes for which and the manner in which your personal data is to be processed The Company and any third party to whom it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling, fulfilling its legal obligations and processing the shareholder rights you exercise