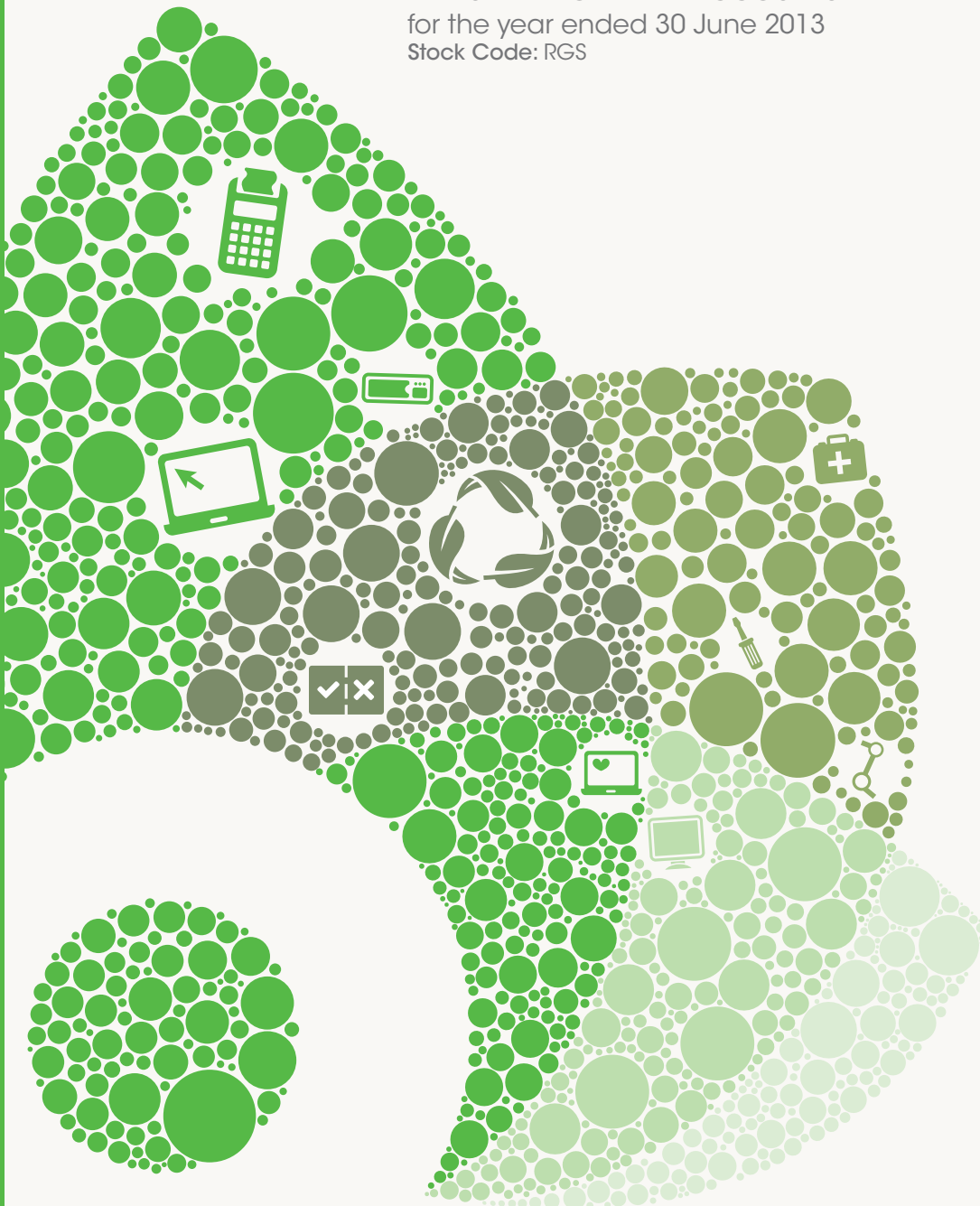


# ADVANCED SOLUTIONS. ESTABLISHED STRENGTHS. GROWTH OPPORTUNITIES.

ANNUAL REPORT AND ACCOUNTS  
for the year ended 30 June 2013  
Stock Code: RGS





## : Welcome to Our Annual Report 2013

Regeneris is a leading outsourcing partner to **many** of the **world's** leading consumer technology companies. The Group has businesses in **13 countries** serving **large** clients in **multiple** geographies.



# TECHNOLOGY REGENERATION

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## Visit us online

[www.regeneris.com](http://www.regeneris.com)



## Key Financial Highlights

The financial performance of the business has once again showed **significant forward momentum**.

### Operating Profit

**£7.1m**  **+238%**  
2012: £2.1m

### Net Debt

**£1.9m**  **-34%**  
2012: £2.9m

### Basic Earnings Per Share

**10.37p**  **+211%**  
2012: 3.33p

### Adjusted Earnings Per Share<sup>†</sup>

**16.64p**  **+20%**  
2012: £13.85m

\* Headline operating profit excludes acquisition costs, exceptional restructuring costs, amortisation and impairment of acquired intangible assets, share-based payments and share of jointly controlled entities.

† Adjusted earnings are stated before amortisation and impairment of acquired intangible assets, exceptional restructuring costs, acquisition costs, share-based payments and unwinding of the discounted deferred consideration.

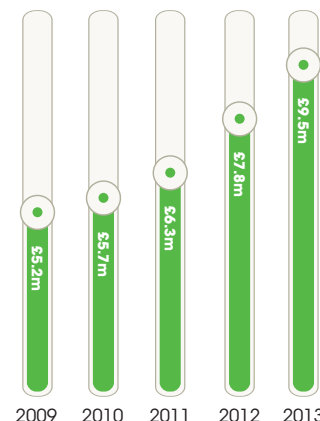
### Revenue

**£179.7m** **+28%**  
2012: £139.9m



### Headline Operating Profit\*

**£9.5m** **+22%**  
2012: £7.8m



### Headline operating profit by Segment (£m)



**£5.9m**  
2012: £4.6m

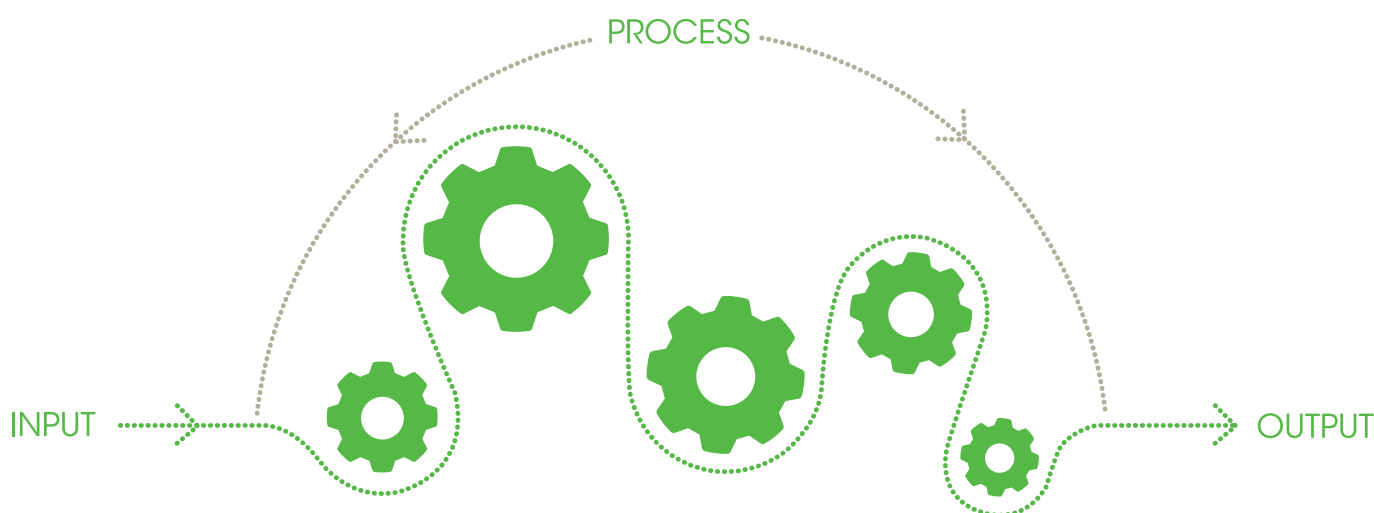
**£2.2m**  
2012: £2.1m

**£3.6m**  
2012: £2.9m

## Our Business Model

Delivering market leading and innovative **cost-effective aftermarket solutions** to blue-chip consumer and B2B electronics businesses to help **keep products sold**.

**“Our job is important. We protect the reputations of the leading brands we serve”**



### Input

Global consumer electronics businesses and national retailers have a need to maintain and enhance brand while repairing faults/offering support.

There is a demand for efficient service and support businesses to follow these OEMs around the globe and consolidate this fragmented market.

### Process

#### Customer Facing

- Be the brand
- Providing reverse logistics
- Fast & efficient diagnostics and repair
- First class customer service

### Output

- Client's brand is maintained or enhanced
- Faults are fixed for consumers quickly
- Our clients have saved money
- Learning and continuous improvement increases efficiency

### Value Capture & Sustainability

- Volume repair efficiency
- Global learning & leveraging cost-saving
- Growing sales & margin
- Reduced risk through expanded portfolio
- Diverse service R&D
- Multi-cultural know-how

## Global Opportunities

Our clients are increasingly seeking **partners** who can deliver **cost-effective** and **innovative** aftermarket **solutions** on a global basis. **Ongoing investment** in **new geographies**, **products** and **services** will allow us to exploit the **outstanding opportunities** in this rapidly evolving and consolidating sector.

# 25 facilities in 13 countries

### Global growth opportunities



To our clients we are Regeneris, to their customers we are...





# : Our Opportunity

## Emerging Markets

Continued focus on organic and acquisitive routes into fast growing markets.

### Revenue

**£55,425m**

2012: £41,316m

↑ **34.1%**

## Western Europe

Increasing territories and solutions to provide full client support across all their geographies.

### Revenue

**£96,059m**

2012: £79,734m

↑ **20.5%**

## Advanced Solutions

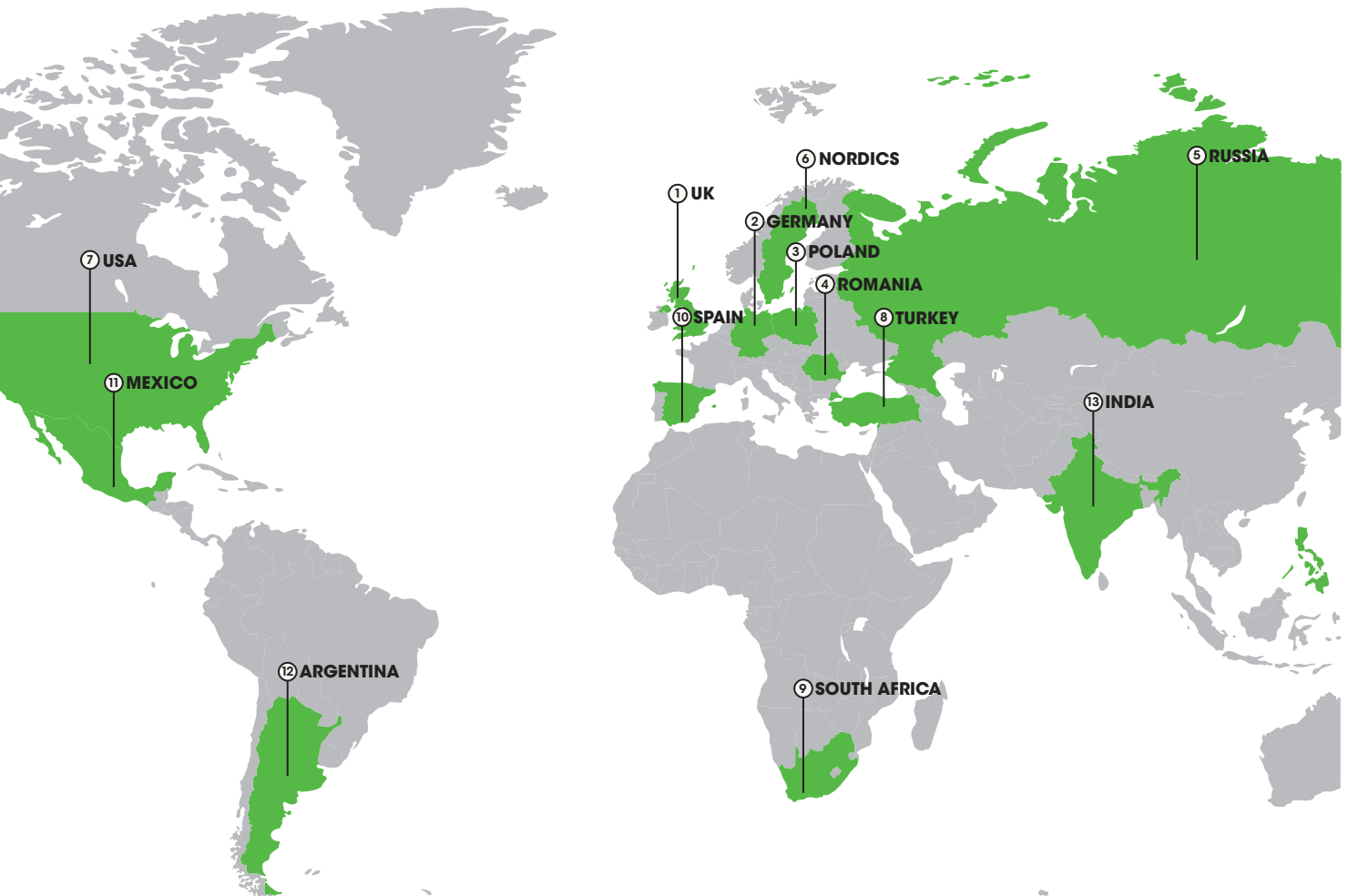
Identifying and delivering high margin aftermarket solutions for OEMs, insurance companies, network operators and retailers.

### Revenue

**£28,230m**

2012: £18,807m

↑ **50.0%**



**NOKIA**  
Connecting People

**O<sub>2</sub>**

**SAMSUNG**

**SONY**  
make.believe

**telenor group**

**WINCOR  
NIXDORF**

## : Our People

Investing in **people** to build the **stand-out team** in the sector.



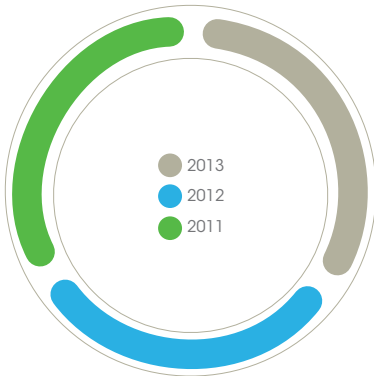
"The Group's employees are our greatest asset"

"Several of the Groups operations have implemented Kaizen... every employee is **encouraged** to come up with improved suggestions on a regular basis"



"We aim to be  
a responsible partner  
in the communities  
in which we operate  
around the world"

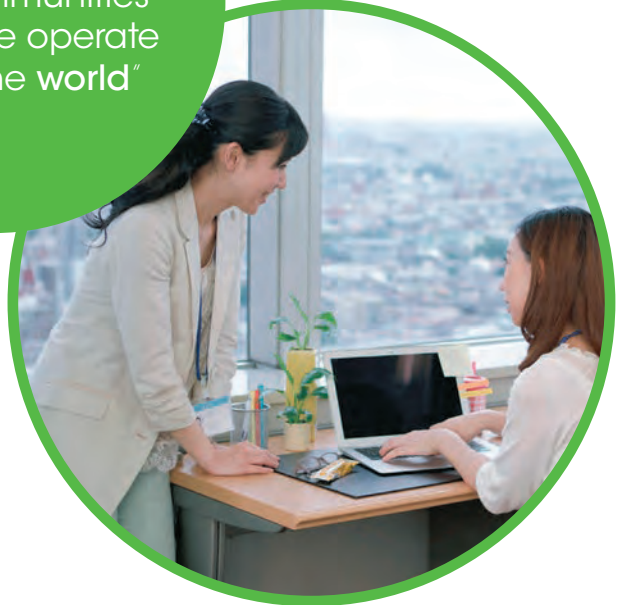
## Average Number of Employees



2,681

2,401

2,524



## Executive Chairman's Statement

Entering the **third year of the strategy** we set out in April 2012, to deliver **double digit** sales and earnings **growth** through a focus on Emerging Markets and Advanced Solutions, our strategy **remains firmly on track**.



**Matthew Peacock**  
Executive Chairman

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. Regeneris 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 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 Regeneris 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.

### 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 Regeneris 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 Regeneris 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, homogeneous 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 Regeneris. 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.

## Headline Operating Profit

**£9.5m**   
2012: £7.8m

## Operating Profit

**£7.1m**   
2012: £2.1m

## Net Debt

**£1.9m**   
2012: £2.9m

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.

For our partners in these ventures, Regeneris 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 marketplace.

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 Regeneris 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.



## Executive Chairman's Statement continued

- 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 Regeneris' 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 Regeneris 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 focused 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 Regeneris — be they clients, partners or acquisition targets. To my mind, this is demonstrably beginning to happen at Regeneris, 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.
- 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



## Virgin Case Study

Our IFT Diagnostics Tools can take millions out of the reverse supply chain by **eliminating unnecessary logistics**.

When a product malfunctions, customers want it fixed quickly and in the home, wherever possible. We have invented and patented technology that enables just this. It can reduce returns for repair by up to 60% by effectively diagnosing problems at the customer's home, and providing the engineer with all the information he needs to resolve it.

"We have worked with Regeneris for many years. They consistently deliver services that are aligned to support our objectives, and we have found their proactive approach to problem resolution to be market leading. In particular, their developments of technical test solutions deliver cost savings and improvements to the customer experience.

These have brought significant benefit to Virgin Media, and we look forward to working with them to enjoy the benefits of their future developments. I have found Regeneris to demonstrate true commitment to adding value in the reverse logistics supply chain."

For more information on our IFT diagnostics tools visit us at: [www.regeneris.com](http://www.regeneris.com)





# Our Performance





## Our Performance

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For more information on  
our performance  
visit us at:  
[www.regeneris.com](http://www.regeneris.com)



## Business and Financial Review

We continue 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.

### 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

### 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.

### 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 Regeneris 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 Vasteras 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:

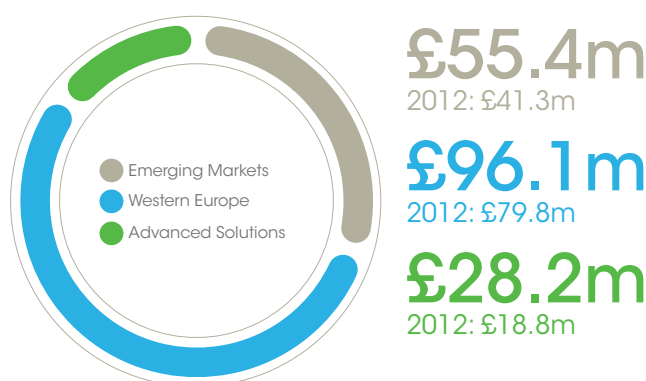
- We implemented a significant contract for the supply of the IFT product to Virgin Media to all of its field engineers. The technology has been deployed for nearly 9 months and is performing well. This has contributed to the profit growth in this division.
- Following successfully completing the pilot 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 £0.6 million 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.
  - 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.

## Revenue by Segment (£m)



## Headline operating profit by Segment (£m)



## : Business and Financial Review continued

We have had considerable **success** winning larger multi-country **contracts**.

### Constant currency

During the year, we experienced significant headwinds in the translation of the South African Rand, the Swedish Krona and the Romanian 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.

We have had considerable success winning larger multi-country contracts. Of particular note is a Europe-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-free 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 €6.5 million 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		Indicative Acquisition Cost				
FY15 HDM EBIT	Multiple	FY15 HDM EBIT	Initial Consideration	Earn-Out	Total Consideration	Multiple
€0-2m	0.0x	€2.0m	€6.5m	€0.0m	€6.5m	3.3x
€2-3m	4.0x	€3.0m	€6.5m	€4.0m	€10.5m	3.5x
€3m and above	2.5x	€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.

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 Regeneris 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-free 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 Regeneris. 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 Regeneris' 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 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 smartphones — 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, Regeneris 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.

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

Key features of Xcaliber:

- A developer of telecoms solutions primarily focused 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 OEMs 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 Regeneris is already working with, particularly in the US.

As well as providing Xcaliber with finance to fund growth, Regeneris will assist by providing access to our global sales resources in the marketing of the SmartChk application by utilising our existing relationships with OEMs and operators. Regeneris 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.

## : Business and Financial Review continued

We have continued to be **successful** in rolling existing relationships into **other territories**.

### 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 (see Global Opportunities on page 4). nine 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.

### Acquisition costs

Acquisition 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.

### 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.

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 euros (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.

## : Business and Financial Review continued

Regeneris **manages the risks** inherent in its operations.

### Risks and uncertainties

Regeneris 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:

#### Risk

##### Commercial contract risks

Given the potential for onerous terms in customer contracts it is essential that Regeneris 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 disaster recovery planning.

##### 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 licences to manage the collection, treatment and export of electrical waste. In addition, Regeneris 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.

## Risk

### 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 the 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, Regeneris 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.

## 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 Regeneris 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



# Corporate Social Responsibility

Regeneris recognises that **environmentally responsible business practices** are **cost-effective**, **build employee and customer loyalty** and drive **new business** for the Group.

At Regeneris, our job is important — protecting the reputations of the leading brands we serve. As a result, we place Corporate Social 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, Regeneris has implemented Group-wide policies and training of all staff, along with several Group-wide programmes. 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 and 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 and 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. Regeneris 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 manufacturers' 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.

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 ISO 14001. 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 maintains our regulatory compliance;
- Assesses the environmental performance of key suppliers, and co-operates 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 ongoing training.

The Group's average number of employees during the year increased to 2,681 (an increase of almost 12% from the previous year's 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.

# Our Governance







## Our Governance

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For more information on  
our governance  
visit us at:  
[www.regenersis.com](http://www.regenersis.com)



## : Directors and Advisers

The Board expects to extend the delivery of **ongoing, double digit sales** and **profit growth** for at least another two to three years.



**Matthew Peacock**  
Executive Chairman

Matthew Peacock is the founder partner of Hanover Investors Management LLP which is a significant shareholder of Regeneris. 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 Regeneris, 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.

## Advisers

#### Registered office

4th Floor  
32 Wigmore Street  
London W1U 2RP  
**T** +44 (0)20 3657 7000  
**F** +44 (0)20 3657 7019

#### Company number

05113820

#### Auditors

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

#### Nominated adviser and joint broker

Panmure Gordon PLC  
One New Change  
London EC4M 9AF

#### 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  
Bridgwater Road  
Bristol BS99 7NH

#### Lawyers

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

Pinsent Masons  
3 Colmore Circus  
Birmingham B4 6BH

#### 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

Regeneris 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-effectively 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 makes us unique in our marketplace. As a result, our clients choose Regeneris to manage (i) the life-cycle 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 redeployment 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 8 to 10 and the Business and Financial Review on pages 14 to 21 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 45 to 86. 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 32 to 35.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on pages 36 to 40.

The interests of the Directors in the shares of the Company are set out on page 40.

Full biographical details of the Company's Directors are given on pages 26 and 27.

## 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, comprising 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 87 to 92.

## 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.

## 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 14 to 21. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facilities is described in the Business and Financial Review on pages 14 to 21. 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 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 30 June 2013 the Group has acquired 80% of the issued share capital of 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 87 to 92.

## Auditors

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 a resolution concerning their appointment will be put to the forthcoming AGM of the Company.



## Directors' Report continued

### Disclosure of information to the auditors

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.

### 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 58.

By order of the Board

### Jog Dhody

Chief Financial Officer

Regeneris Plc

4th Floor

32 Wigmore Street

London W1U 2RP

27 September 2013



## LG case study

LG were keen to move away from a typical call centre environment of 'call taking' to a solution that would deliver a far **greater level of support**.

The solution we delivered was more than just a call centre service. This solution was designed around the entire customer experience — before a call was made, during the call, and their post-call experience. We also recognised the value of using the latest technical tools to provide better customer service and repair avoidance.

We were able to demonstrate that by encouraging customers to use the website and its Live Chat and customer enquiry emails, or the integrated enquiry portal available on a Smart TV, we could provide product advice and guidance — resulting in call reduction and repair avoidance, and reduced product returns. This had the added benefit of improving the customer's experience with LG products, delivering better results more cost effectively.

To ensure that LG and its customers remain satisfied, we have very clear KPIs against which we are measured on a monthly basis. We strive for continuous improvement.

Within a ranking of LG call centres in Europe the UK is consistently ranked one of the highest in terms of SLA adherence. In fact, the call centre was ranked first by Maia Consulting, scoring a massive 70% (15% above our competitors like Apple, IBM, and HP).

"We selected Regeneris over the more typical call centre providers because they understood the total cost of after sales and could deliver not only the high quality of service we required, but an excellent understanding of our requirement to deliver the best customer experience all underpinned by a high level of integrated technical expertise."

For more information on how we can help you to deliver the best customer experience visit us at: [www.regeneris.com](http://www.regeneris.com)





# Corporate Governance

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

## 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 the 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 pages 26 and 27.

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

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.

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 includes:

- 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.

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.

# Corporate Governance continued

## Reappointment 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).

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 auditors.  
In addition, at its meeting in September 2012 the Audit Committee received a report on 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 Whistle-blowing 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 36 to 40.

### 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;
- 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 misstatement or loss.

Regeneris 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.

## Audit independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditors 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 auditors 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 auditors, without management being present, on the adequacy of controls and on any judgemental 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.regeneris.com](http://www.regeneris.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.

## 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 33.

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 calibre 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 on 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.

### 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 39.



## 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 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 Regeneris 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.

The purpose of ISP1 was to incentivise key members of the management team by granting rights to acquire shares or a cash equivalent 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%.

# Directors' Remuneration Report continued

## 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.

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.

## 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 reappointment being conditional upon endorsement by the Board. On termination, no compensation is payable other than outstanding fees.

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.

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

Michael Peacock	8 February 2011
Rob Woodward	1 June 2013

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

	Salary, fees, benefits 2013 £'000	Bonus 2013 £'000	Pension contributions 2013 £'000	Total 2013 £'000	Total 2012 £'000
<b>Executive</b>					
Matthew Peacock <sup>1,2</sup>	350	300	–	650	250
Jag Dhody	172	96	26	294	86
Tom Russell <sup>1</sup>	35	–	–	35	35
	557	396	26	979	371
<b>Non-executive</b>					
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
<b>Total</b>	<b>629</b>	<b>396</b>	<b>26</b>	<b>1,051</b>	<b>426</b>

<sup>1</sup> Matthew Peacock's 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.

<sup>2</sup> 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 in 2013:

Director	Vesting Date	Award Basis	Number of shares vested	Vesting price of options
Matthew Peacock	14 March 2013	Share Price increase	*	£1.90
	30 May 2013	Share Price increase	*	£2.16
Jag 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
<b>Executive</b>		
Matthew Peacock	*	*
Tom Russell	*	*
Jag Dhody	316,285	–
<b>Non-executive</b>		
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 judgements 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.





# Our Financials



## Financial Statements

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For more information on  
our financial statements  
visit us at:  
[www.regenersis.com](http://www.regenersis.com)



# : Independent Auditors' Report

## To the members of Regeneris Plc

We have audited the financial statements of Regeneris Plc for the year ended 30 June 2013 set out on pages 45 to 86. 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 41, 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 (APB'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 website at [www.frc.org.uk/auditscopeukprivate](http://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 matters 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.

### 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.

**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
<b>Group revenue</b>	4	<b>179,714</b>	<b>139,857</b>
<b>Headline operating profit</b>		<b>9,507</b>	<b>7,754</b>
Exceptional restructuring costs	8	–	(4,945)
Acquisition costs	7	(1,874)	–
Amortisation of acquired intangible assets	17	(90)	(239)
Share-based payments		(471)	(281)
<b>Group operating profit</b>		<b>7,072</b>	<b>2,289</b>
Share of results of jointly controlled entity	19	6	(163)
<b>Operating profit from continuing operations</b>		<b>7,078</b>	<b>2,126</b>
Finance income	11	30	110
Finance costs	11	(1,437)	(552)
<b>Profit before tax</b>		<b>5,671</b>	<b>1,684</b>
Taxation	12	(978)	(261)
<b>Profit for the year (attributable to the equity holders of the Company)</b>		<b>4,693</b>	<b>1,423</b>
<b>Earnings per share</b>			
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
<b>Profit for the year</b>	<b>4,693</b>	<b>1,423</b>
<b>Other comprehensive income – amounts that may be reclassified to profit or loss in the future:</b>		
Exchange differences arising on translation of foreign entities	(94)	(1,454)
<b>Total comprehensive income/(expense) for the year attributable to the equity holders of the Company</b>	<b>4,599</b>	<b>(31)</b>



# Consolidated Balance Sheet

as at 30 June 2013

	Note	2013 £'000	2012 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
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
		<b>52,957</b>	<b>33,613</b>
<b>Current assets</b>			
Inventory	20	7,924	6,556
Trade and other receivables	21	26,054	18,608
Cash	22	4,519	2,727
		<b>38,497</b>	<b>27,891</b>
<b>Total assets</b>		<b>91,454</b>	<b>61,504</b>
<b>Current liabilities</b>			
Trade and other payables	23	(32,949)	(20,825)
Provisions	28	(871)	(816)
Income tax payable		(496)	(60)
		<b>(34,316)</b>	<b>(21,701)</b>
<b>Non-current liabilities</b>			
Borrowings	25	(6,423)	(5,604)
Deferred Consideration	14	(7,777)	–
Provisions	28	(3,540)	(3,270)
<b>Total liabilities</b>		<b>(52,056)</b>	<b>(30,575)</b>
<b>Net assets</b>		<b>39,398</b>	<b>30,929</b>
<b>Equity</b>			
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
<b>Total equity</b>		<b>39,398</b>	<b>30,929</b>

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
<b>Balance as at 30 June 2011</b>	<b>896</b>	<b>19,702</b>	<b>3,088</b>	<b>1,622</b>	<b>5,502</b>	<b>30,810</b>
<b>Comprehensive income:</b>						
Profit for the year	-	-	-	-	1,423	1,423
<b>Other comprehensive income:</b>						
Exchange differences arising on translation of foreign entities	-	-	-	(1,454)	-	(1,454)
<b>Transactions with owners recorded directly in equity:</b>						
Recognition of share-based payments	-	-	-	-	150	150
<b>Balance as at 30 June 2012</b>	<b>896</b>	<b>19,702</b>	<b>3,088</b>	<b>168</b>	<b>7,075</b>	<b>30,929</b>
<b>Comprehensive income:</b>						
Profit for the year	-	-	-	-	4,693	4,693
<b>Other comprehensive income:</b>						
Exchange differences arising on translation of foreign entities	-	-	-	(94)	-	(94)
<b>Transactions with owners recorded directly in equity:</b>						
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)
<b>Balance as at 30 June 2013</b>	<b>994</b>	<b>26,592</b>	<b>3,088</b>	<b>74</b>	<b>8,650</b>	<b>39,398</b>

# Consolidated Cash Flow Statement

for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
<b>Profit for the year</b>		<b>4,693</b>	<b>1,423</b>
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
<b>Operating cash flow before movement in working capital</b>		<b>9,965</b>	<b>5,706</b>
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
<b>Headline cash flow from operating activities</b>		<b>11,015</b>	<b>5,864</b>
Interest received		30	111
Interest paid		(398)	(259)
Tax paid		(795)	(775)
<b>Net cash inflow from operating activities</b>		<b>9,852</b>	<b>4,941</b>
<b>Cash flow from investing activities</b>			
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)	–
<b>Net cash used in investing activities</b>		<b>(11,669)</b>	<b>(3,323)</b>
<b>Cash flow from financing activities</b>			
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)	(799)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,452</b>	<b>(1,236)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,635</b>	<b>382</b>
Other non-cash movements — exchange rate changes		157	(531)
Cash and cash equivalents at beginning of year		2,727	2,876
<b>Cash and cash equivalents at end of year</b>	22	<b>4,519</b>	<b>2,727</b>
<b>Cash and cash equivalents at end of year</b>		<b>4,519</b>	<b>2,727</b>
Bank borrowings	25	(6,423)	(5,604)
<b>Net debt</b>	26	<b>(1,904)</b>	<b>(2,877)</b>

# Notes to the Accounts

## for the year ended 30 June 2013

### 1. General information

Regeneris Plc is a company incorporated in the United Kingdom under the Companies Act 2006. Details of its registered office are published on page 93, whilst the nature of the Group's operations and principal activities are set out in the Business and Finance Review on pages 14 to 21. 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 are presented from page 79.

#### 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 reclassified 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 that 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.

#### 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 14 to 21. 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.



# : Notes to the Accounts continued

## for the year ended 30 June 2013

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, it continues 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 Regeneris 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. Regeneris (Bucharest) SRL, Regeneris Rus and Regeneris 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.

### 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.

## 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.

## 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 Board's 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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

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.

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 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.

## 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 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 on 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, prorated 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.

## 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.



# Notes to the Accounts continued

## for the year ended 30 June 2013

### 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 considers 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 and share-based payments, and unwinding of the discounted deferred consideration.

## 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 the cash flows. 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.

### 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.

## 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 includes 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
<b>Revenue from external customers</b>						
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
<b>Depot Solutions</b>	157,039	(5,555)	151,484	126,256	(5,206)	121,050
<b>Advanced Solutions</b>	28,230	–	28,230	18,807	–	18,807
	<b>185,269</b>	<b>(5,555)</b>	<b>179,714</b>	<b>145,063</b>	<b>(5,206)</b>	<b>139,857</b>

Within Emerging Markets and Western Europe, there are three customers which individually account for more than 10% of the 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.

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

# Notes to the Accounts continued

for the year ended 30 June 2013

	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
<b>Depot Solutions</b>	<b>63,598</b>	<b>38,897</b>	<b>22,354</b>	<b>15,249</b>
<b>Advanced Solutions</b>	<b>20,139</b>	<b>18,393</b>	<b>7,186</b>	<b>4,803</b>
	<b>83,737</b>	<b>57,290</b>	<b>29,540</b>	<b>20,052</b>
Corporate	7,717	4,214	22,516	10,523
	<b>91,454</b>	<b>61,504</b>	<b>52,056</b>	<b>30,575</b>

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

## Geographical information

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

	2013 £'000	2012 £'000
<b>Revenue from external customers</b>		
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
	<b>185,269</b>	<b>145,063</b>
Less: share of jointly controlled entity	(5,555)	(5,206)
	<b>179,714</b>	<b>139,857</b>

	2013 £'000	2012 £'000
<b>Inter-location revenue</b>		
UK	7	98
Poland	325	2
Rest of World	20	71
	<b>352</b>	<b>171</b>

	2013 £'000	2012 £'000
<b>Non-current assets</b>		
UK	44,861	30,674
Non-UK	7,983	2,939
	<b>52,844</b>	<b>33,613</b>

## 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
<b>Total audit fees</b>	<b>254</b>	<b>151</b>
Non-audit fees		
Taxation compliance services	34	35
Taxation advisory services	88	-
Other assurance services	9	-
Transaction services	262	37
<b>Non-audit fees</b>	<b>393</b>	<b>72</b>
	<b>647</b>	<b>223</b>

## 6. Operating profit

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

## 7. Acquisition costs

	2013 £'000	2012 £'000
Acquisition costs	<b>1,874</b>	-

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
	<b>-</b>	<b>4,945</b>

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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

### 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
Government grant income	—	—
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

### 10. Staff costs

	2013 Number	2012 Number
<b>Average numbers employed</b>		
Production	2,214	2,067
Sales and business development	83	15
Administration	384	319
	<b>2,681</b>	<b>2,401</b>

	2013 £'000	2012 £'000
<b>Aggregate employment costs</b>		
Wages and salaries	42,490	39,269
Social security costs	5,471	4,423
Share-based payments	521	281
Pension and other staff costs	1,477	1,046
	<b>49,625</b>	<b>45,019</b>

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
<b>Key management personnel costs</b>		
Short-term employee benefits	2,571	2,036
Post-employment benefits	102	68
Share-based payments	258	150
	<b>2,931</b>	<b>2,254</b>

The remuneration of individual Directors is detailed in the Remuneration Report on page 39.



## 11. Finance costs and finance income

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

## 12. Tax

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

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)
	<b>978</b>	<b>261</b>

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

The 2013 Budget in 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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

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.

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 affect 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
	<b>16.80p</b>	<b>13.85p</b>	<b>7,490</b>	<b>5,912</b>

	2013 '000	2012 '000
Number of shares		
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)	<b>44,874</b>	<b>43,005</b>

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 Tecnológica S.A. and Plataforma HDM Tecnológica S.A. de C.V and the trade and assets of HDM Plataforma Logística S.L., HDM Soluciones Integrales de Reparación S.L. and HDM Moviltech Servicio Técnico S.L. together comprising the entire operations of the HDM Group of Companies ("HDM").

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 Regeneris' 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 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)
<b>Net assets acquired</b>	<b>3,200</b>	<b>3,806</b>
Goodwill		9,630
<b>Total consideration</b>		<b>13,436</b>
<b>Satisfied by:</b>		
Cash		6,282
Equity Instruments issued		529
Deferred cash		6,625
<b>Total consideration</b>		<b>13,436</b>

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 licences, £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.

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 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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

### 15. Other acquisitions within the year

On 25 April 2013 Regeneris acquired all of the issued share capital of Landela Electronics (Proprietary) Ltd ("Landela"); on 1 November 2012 Regeneris acquired the remaining 50% shareholding in Digital Care Sweden; and on 14 May 2013 Regeneris acquired the trade and specific assets of Bitronic European Service Centre GmbH and Bitronic Soemmerda 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 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)
<b>Net assets acquired</b>	<b>(1,867)</b>	<b>(1,373)</b>
Goodwill		3,379
<b>Total consideration</b>		<b>2,006</b>
<b>Satisfied by:</b>		
Cash		1,459
Deferred cash		547
<b>Total consideration</b>		<b>2,006</b>

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 Regeneris' 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 £3,379,000 can be attributed to the anticipated profitability through the growth of the enlarged Group and synergistic benefits.

## 16. Goodwill

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

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 consider 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
<b>Total Goodwill</b>	<b>40,441</b>	<b>26,936</b>

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 continued

for the year ended 30 June 2013

## 17. Other intangible assets

	Customer contracts £'000	Development expenditure £'000	Software licences £'000	Total £'000
<b>Cost</b>				
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
<b>At 30 June 2013</b>	<b>3,465</b>	<b>2,381</b>	<b>4,028</b>	<b>9,874</b>
<b>Accumulated amortisation</b>				
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
<b>At 30 June 2013</b>	<b>2,695</b>	<b>550</b>	<b>2,041</b>	<b>5,286</b>
<b>Net book value at 30 June 2013</b>	<b>770</b>	<b>1,831</b>	<b>1,987</b>	<b>4,588</b>
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.

## 18. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>						
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
<b>At 30 June 2013</b>	<b>4,343</b>	<b>8,508</b>	<b>5,479</b>	<b>83</b>	<b>2,910</b>	<b>21,323</b>
<b>Accumulated depreciation</b>						
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
<b>At 30 June 2013</b>	<b>2,472</b>	<b>7,383</b>	<b>4,824</b>	<b>48</b>	<b>2,215</b>	<b>16,942</b>
<b>Net book value at 30 June 2013</b>	<b>1,871</b>	<b>1,125</b>	<b>655</b>	<b>35</b>	<b>695</b>	<b>4,381</b>
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 continued

## for the year ended 30 June 2013

### 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
<b>Held directly by the Company</b>			
Regeneris (Glasgow) Ltd	Technical repair, repair avoidance, customer support services for mobile phones	100%	Scotland
Regeneris (Bucharest) SRL*	Technical repair, customer support services and product end of life management for mobile phones and electronic equipment	100%	Romania
Regeneris (Group) Ltd	Intermediate Holding Company	100%	England and Wales
Regeneris (South Africa) (PTY) Ltd	Technical repair, repair avoidance, customer support services for mobile phones	100%	South Africa
Regeneris Istanbul Teknoloji Danışmanlığı Limited Şirketi	Customer support services for mobile phones	100%	Turkey
Regeneris (Nederland) BV	Intermediate Holding Company	100%	Netherlands
Regeneris Recommerce Ltd	Offers client led buy back, repair and onward resale of devices	100%	England and Wales
<b>Held indirectly by the Company</b>			
Regeneris (Glenrothes) Ltd	Technical repair, repair avoidance, diagnostic testing services and software development	100%	England and Wales
Regeneris (Warsaw) Sp. z o.o.	Technical repair, customer support services and product end of life management for mobile phones and electronic equipment	100%	Poland
Regeneris (Sommerda) GmbH	Technical repair, customer support services and product end of life management for electronic equipment	100%	Germany
Regeneris Inc	Customer support and diagnostic testing services	100%	USA
Regeneris Digital Care Sp. z o.o.	Extended warranty and insurance services	100%	Poland
Regeneris Rus*	Jointly controlled entity — technical repair of electronic equipment	50%	Russia
Regeneris Sweden AB	Technical repair and recycling of mobile phones	100%	Sweden
Regeneris Spain 1, S.L.	Technical repair and repair avoidance	100%	Spain
Regeneris 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 Regeneris Rus and Regeneris Sweden Ltd. The Group's share of joint venture assets, liabilities, income and expenses are as follows:

	Regeneris (Sweden) Ltd 7 months 2013 £'000	Regeneris 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)
<b>Net assets/liabilities</b>	<b>(1,933)</b>	<b>103</b>	<b>(1,830)</b>	<b>91</b>
Income	4,412	1,143	5,555	5,207
Expense	(6,251)	(1,137)	(7,388)	(5,467)
<b>Net income/(expense) of joint ventures</b>	<b>(1,839)</b>	<b>6</b>	<b>(1,833)</b>	<b>(260)</b>

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 Regeneris Nordic AB on 15 February 2013, its investment holding company Regeneris (Sweden) Limited ceased trading in the year.

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

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

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
<b>Total</b>	<b>185</b>	<b>179</b>

## 20. Inventories

	2013 £'000	2012 £'000
Raw materials	6,038	3,947
Work in progress	1,091	907
Finished goods	795	1,702
	<b>7,924</b>	<b>6,556</b>

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

## 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
	<b>26,054</b>	<b>18,608</b>

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

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

## 22. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and in hand	<b>4,519</b>	<b>2,727</b>

## 23. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	11,549	7,563
Other taxes and social security	1,773	625
Other payables	4,138	3,437
Accruals and deferred income	15,489	9,200
	<b>32,949</b>	<b>20,825</b>

## 24. Dividends

	2013 £'000	2013 Pence per share	2012 £'000	2012 Pence per share
Previous year final dividend	489	1.10	-	-
Current year interim dividend	310	0.67	-	-
	<b>799</b>	<b>1.77</b>	<b>-</b>	<b>-</b>



## 25. Bank borrowings

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

The bank borrowing is secured on the majority of the Group's assets for the duration of the revolving credit facility. 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). In the previous year the revolving credit facility was increased to £23.25 million to support the future acquisition activity of the Group. The facility expires on 31 October 2015, and borrowing costs of £203,000 (2012: £396,000) are set off against the amount owing at year end.

## 26. Net (debt)/cash

	2013 £'000	2012 £'000
Cash	4,519	2,727
Bank borrowings (non-current)	(6,423)	(5,604)
	<b>(1,904)</b>	<b>(2,877)</b>

## 27. Reconciliation of movement in net debt

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

## 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
<b>At 30 June 2013</b>	<b>4,037</b>	<b>374</b>	<b>4,411</b>

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
	<b>4,411</b>

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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

### 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.

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)	<b>0.05 : 1</b>	<b>0.09 : 1</b>

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
<b>Loans and receivables</b>		
Trade and other receivables	26,054	18,608
Cash	4,519	2,727
<b>Financial assets</b>	<b>30,573</b>	<b>21,335</b>

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

#### 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 marketplace.

#### 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		EUR denominated		USD denominated	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Monetary assets	–	–	1,632	1,905	2,162	334
Monetary liabilities	(1,358)	–	(8,781)	(753)	(442)	(6)
<b>Net monetary (liabilities)/assets</b>	<b>(1,358)</b>	<b>–</b>	<b>(7,149)</b>	<b>1,152</b>	<b>1,720</b>	<b>328</b>

### 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		EUR denominated		USD denominated	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Profit before tax — gain/(loss)						
10% appreciation of ZAR/EUR/USD	(136)	–	(715)	115	172	33
10% depreciation of ZAR/EUR/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 ageing 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.

# Notes to the Accounts continued

## for the year ended 30 June 2013

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

	2013 £'000	2013 %	2012 £'000	2012 %
<b>Neither past due nor impaired</b>	<b>17,452</b>	<b>90%</b>	<b>13,785</b>	<b>94%</b>
<b>Past due but not impaired</b>				
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	–
	<b>19,375</b>	<b>100%</b>	<b>14,664</b>	<b>100%</b>

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 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.

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
	<b>–</b>	<b>34,316</b>	<b>10,822</b>	<b>–</b>	<b>21,701</b>	<b>10,347</b>

## 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
	<b>1,543</b>	<b>(53)</b>	<b>1,953</b>	<b>4</b>	<b>3,447</b>

	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
	<b>972</b>	<b>605</b>	<b>(34)</b>	<b>1,543</b>

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 £0.6 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
<b>Authorised:</b>				
Ordinary shares of 2p	59,760,350	1,195	59,760,350	1,195
<b>Allotted, called up and fully paid:</b>				
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; shares 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 Trust (EBT)

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.

### 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 Regeneris 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 40.



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

## 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	–	–	–
<b>At 30 June 2013</b>	<b>375,000</b>	<b>–</b>	<b>66,668</b>

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.

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 ISPI 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 ISPI.

	£'000
Liability created on vesting	6,468
Cash settled	(2,405)
Equity settled	(3,860)
<b>Liability remaining at 30 June 2013</b>	<b>203</b>

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 2013	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-
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
	<b>471</b>	<b>281</b>

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).

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

## 33. Commitments

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	<b>3,783</b>	<b>2,650</b>

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
	<b>14,105</b>	<b>10,048</b>

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 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 smartphones — 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, Regeneris 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. Regeneris will also become Xcaliber's route to market around the world, with exclusivity in EMEA. This will build Regeneris' share of the economics of Xcaliber significantly beyond our equity stake.

Key features of Xcaliber:

- A developer of telecoms solutions primarily focused 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 OEMs 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 Regeneris is already working with, particularly in the US.

As well as providing Xcaliber with finance to fund growth, Regeneris will assist by providing access to our global sales resources in the marketing of the SmartChk application by utilising our existing relationships with OEMs and operators. Regeneris 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 Regeneris' 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.



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

### 35. Related party transactions

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

During the year to June 2010, Regeneris Plc advanced a loan of €100,000 to its jointly controlled entity Regeneris 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 40 and also in the key management personnel disclosures in note 10.



# Company Balance Sheet

as at 30 June 2013

	Note	2013 £'000	2012 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Goodwill	4	6,075	6,918
Tangible assets	5	1,016	401
Investments in subsidiaries	6	16,148	19,188
		<b>23,239</b>	<b>26,507</b>
<b>Current assets</b>			
Debtors	7	36,019	16,272
		<b>36,019</b>	<b>16,272</b>
<b>Creditors:</b>			
Amounts falling due within one year	9	(16,023)	(6,513)
Provisions	12	(636)	(645)
<b>Net current assets</b>		<b>19,360</b>	<b>9,114</b>
<b>Total assets less current liabilities</b>		<b>42,599</b>	<b>35,621</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	10	(6,423)	(5,604)
Provisions	12	(2,519)	(2,526)
<b>Amounts falling due after more than one year</b>		<b>(8,942)</b>	<b>(8,130)</b>
<b>Net assets</b>		<b>33,657</b>	<b>27,491</b>
<b>Equity</b>			
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
<b>Equity shareholders' funds</b>		<b>33,657</b>	<b>27,491</b>

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

## 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 14 to 21. Further information on the financial position of the Group, its cash flows, 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 has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues 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.

### 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 the 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.

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.

# Notes to the Company Accounts continued

## 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. 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 is 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 36 to 40.

## 4. Goodwill

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

## 5. Tangible assets

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

## 6. Fixed asset investments

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

The additions within the year relate to investment in share capital of Regeneris (Nederland) BV and Regeneris Sweden AB.

The impairment recognised within the year is in relation to reorganisation of business around the Group.

# : Notes to the Company Accounts 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
	<b>36,019</b>	<b>16,272</b>

## 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
<b>At 30 June 2013</b>	<b>37</b>	<b>252</b>	<b>289</b>

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
	<b>16,023</b>	<b>6,513</b>

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

	2013 £'000	2012 £'000
Bank loans and other borrowings	<b>6,423</b>	<b>5,604</b>

## 11. Bank and other borrowings

	2013 £'000	2012 £'000
<b>Due after more than one year:</b>		
Secured bank loan	6,423	5,604
<b>Repayable:</b>		
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 £'000	Dilapidations £'000	Total £'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)
<b>At 30 June 2013</b>	<b>2,781</b>	<b>374</b>	<b>3,155</b>

Provisions are analysed between current and non-current as follows:

	2013 £'000
Current	636
Non-current	2,519
	<b>3,155</b>

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

## 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.

# : Notes to the Company Accounts continued

## 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
<b>At 30 June 2013</b>	<b>26,592</b>	<b>3,088</b>	<b>2,983</b>	<b>32,663</b>

# Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of Regeneris 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 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.
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:
  - (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.

## : Notice of Annual General Meeting continued

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% 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.

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% 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 36 to 40 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 reappointment 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 auditors 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 27 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% 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% of shareholders' votes cast must be in favour.

#### 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 10% 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.



# : Notice of Annual General Meeting continued

## Explanatory Notes to the Resolutions

### 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 resell 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.

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.
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 Uncertificated 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.

# : Notice of Annual General Meeting continued

## Explanatory Notes to the Notice of Meeting

### Entitlement to attend and vote

8. In accordance with Regulation 41 of the Uncertificated 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.

### 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, Regeneris 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 Regeneris 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.regeneris.com](http://www.regeneris.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.

# Locations

## Registered Office

Regeneris Plc  
4th Floor  
32 Wigmore Street  
London  
W1U 2RP

## UK

James Watt Avenue  
Westwood Park  
Glenrothes, Fife  
KY7 4UA

Kingfisher Way  
Hinchingbrooke Business Park  
Huntingdon  
Cambridgeshire  
PE29 6FN

Waindyke Way  
Normanton  
Wakefield West  
Yorkshire  
WF6 1TF

## Argentina

California 2082  
Central Park, C1289AAN  
Capital Federal  
Buenos Aires

## Germany

An der Gehespitz 90  
D-63263 Neu-Isenburg

Bahndamm 39  
D-33758 Schloß  
Holte-Stukenbrock

Erfurter Höhe 10a  
99610 Sömmerda

## India

80/1, 1st Floor, 1st Main Road, 3rd Cross  
New Timber Yard Layout  
Mysore Road  
Bangalore  
560 026

## Mexico

MexTres Anegas  
425 Bodega 7 Col.  
Nueva Industrial Vallejo  
CP 07700  
Delegación Gustavo A Madero

## Poland

Janki  
Ul. Falencka 1B  
05-090 Raszyn

Janki  
Al Krakowska 38  
05-090 Raszyn

Ul. 19 Kwietnia 31  
05-090 Raszyn

## Romania

92 Timisoara Bvd  
Bucharest – 6  
061327

## Russia

Lavochkina Street  
House #19  
Moscow  
125502

## South Africa

Unit C, Alphen Square West  
338 George Street  
Ranjerspark  
Midrand  
Gauteng  
1682

Marpless Business Park  
65 Landmarks Ave  
Unit 4  
Kosmosdal  
Pretoria

## Spain

Av. Leonardo Da Vinci, 13  
Parque Empresarial "La Carpetania"  
28906

## Sweden

Smedjegatan 6 3tr  
13154 Nacka

Vevgatan 18  
SE-504 64 Borås

## Turkey

Ruzgarlibahce Mah. Kavak Sokak Impa Is  
Merkezi No:12 34805 Kavacik  
Beykoz  
Istanbul

## United States

1228 East 7th Avenue  
Tampa  
Florida  
33605



**Regeneris Plc**

4th Floor  
32 Wigmore Street  
London  
W1U 2RP

**T:** +44 (0)20 3657 7000  
**F:** + 44 (0)20 3657 7019

**Company Number**  
05113820

**Visit us online**  
[www.regeneris.com](http://www.regeneris.com)

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