ADVANCED SOLUTIONS. ESTABLISHED STRENGTHS. GROWTH OPPORTUNITIES.

2014 INTERIM REPORT

for six months ended 31 December 2013

Stock Code: RGS

Welcome to Our Interim Report 2014

Regenersis, a strategic outsourcing partner to **many** of the **world's** leading consumer technology companies. The Group has businesses in **15 countries** serving **large** clients in **multiple** geographies.

Contents

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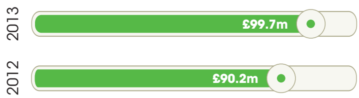
Financial Highlights

The financial performance of the business has once again shown significant forward momentum with revenue of £99.7 million (2012: £90.2 million, growth 11%), headline operating profit (HOP) before corporate costs of £6.8 million (2012: £5.6 million, growth 21%) and HOP margin before corporate costs of 6.8% (2012: 6.2%).

Revenue

£99.7m

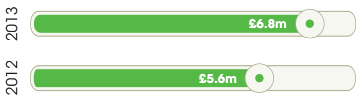
Up from £90.2m in 2012. An increase of 11%



Headline Operating Profit before corporate costs

£6.8m

Up from £5.6m in 2012. An increase of 21%



Headline Operating Profit after corporate costs

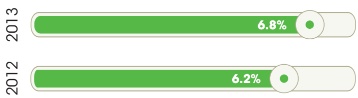
£4.6m

Was £4.6m in 2012.

Headline Operating Margin before corporate costs

6.8%

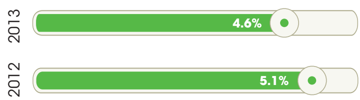
Up from 6.2% in 2012. An increase of 10%



Headline Operating Margin after corporate costs

4.6%

Down from 5.1% in 2012. A decrease of 10%



Business Review

HOP growth before corporate costs has outpaced revenue growth, as this profit growth has come from new, higher margin revenue streams in Advanced Solutions.

Key Financials	6 months ended 31 December 2013 £'million	6 months ended 31 December 2012 £'million
Revenue	99.7	90.2
Headline operating profit before corporate costs	6.8	5.6
Headline operating profit after corporate costs	4.6	4.6
Operating profit	2.9	3.7
Headline operating margin % before corporate costs	6.8%	6.2%
Headline operating margin % after corporate costs	4.6%	5.1%
Operating margin %	2.9%	4.1%

HOP margin before corporate costs increased primarily due to the growth of the Advanced Solutions division. The HOP margin after corporate costs was lower primarily due to planned investment in central resources to manage the anticipated increase in the revenue growth curve. Excluding the investment in corporate costs, these results represent a 4th consecutive year of double-digit sales and profit growth.

Segmental Results

	6 months ended 31 December 2013 £'million	6 months ended 31 December 2012 £'million
Revenue		
Emerging Markets	39.4	25.0
Western Europe	44.5	51.0
Depot Solutions	**83.9**	**76.0**
Advanced Solutions	**15.8**	**14.2**
Total	**99.7**	**90.2**
Headline Operating Profit		
Emerging Markets	3.3	2.8
Western Europe	0.9	1.4
Depot Solutions	**4.2**	**4.2**
Advanced Solutions	**2.6**	**1.4**
Headline Operating Profit before Corporate Costs	**6.8**	**5.6**
Corporate Costs	(2.2)	(1.0)
Total	**4.6**	**4.6**

Business Review continued

In October 2013, we simplified the Group's management structure into two divisions:

- The Depot Solutions division, which is made up of the Emerging Markets segment and the Western Europe segment, and which provides the Group's geographic infrastructure and core repair service. This division will focus on continuous improvement, common operating practices, IT platforms and efficiency.
- The Advanced Solutions division, which is made up of the new products and propositions such as IFT (and other set-top box activities), Recommerce, Digital Care, and mobile diagnostics, is increasingly the new business growth engine of the Company. This division will focus on development and delivery of innovative solutions.

87% of the Group's HOP before corporate costs was generated by the strategically important Emerging Markets and Advanced Solutions Divisions (H1 2012: 75%).

Depot Solutions Division

This division consists of the Emerging Markets and Western Europe segments.

Total revenue rose by 10% to £83.9 million (H1 2012: £76.0 million) during the period and HOP was in line with last year at £4.2 million. HOP margins were slightly lower at 5.0% (H1 2012: 5.5%).

Emerging Markets

Revenue rose by 58% to £39.4 million (H1 2012: £25.0 million) during the period and HOP increased 18% to £3.3 million (H1 2012: £2.8 million).

The HOP margin declined to 8.4% (H1 2012: 11.2%), primarily as a result of activities with one OEM client where we consolidated volumes from other competitors to achieve higher market share at lower margins, and also caused some blending of the margins across Western Europe and Emerging Markets as part of a combined EMEA pricing approach.

Financial and operational highlights included:

- Poland and Romania are performing well, having won and implemented new and innovative solutions for new and existing customers in the more complicated level repair service.
- The other countries in this segment are South Africa, Turkey, Mexico and Argentina and these continue to perform in line with expectations.
- Russia changed from being a joint venture to a wholly owned subsidiary on 26 December 2013 and will start contributing in H2.
- The most recent addition to the segment, India, has been integrated and is performing in line with the Board's expectations.

There have been a number of significant new business wins during the period which will start to contribute in H2:

- Nokia deciding to use our depot services in South Africa;
- A new contract with a German insurer, supported through Poland;
- A deal to support a major operator in their sizeable German insurance programme through our Romanian facility.

Western Europe

Revenue decreased by 13% to £44.5 million (H1 2012: £51.0 million), and HOP decreased by 36% to £0.9 million (2012: £1.4 million). The division continues to perform in line with expectations, generating a large proportion of the Group's revenue and profit. The decline in revenue is primarily a result of transferring the repairs associated with a particular OEM contract to Poland, which is now reported in the Emerging Markets segment.

A change in the mix of repairs has lead to a higher quantity of component pass through revenue, and this has depressed HOP margin to 2.0% (H1 2012: 2.7%). The operating margin on value-add remains consistent with the prior period.

Financial and operational highlights included:

- The B2B business based largely in Germany continued to perform well.
- The most recent addition to the segment was Bitronic Germany which has been successfully integrated and is performing in line with the Board's expectations. The acquisition so far is delivering on its intended logic which was cost synergy (as it was based alongside our Sommerda operations) and access to new opportunities such as insurance repair and fulfilment.
- Spain is a key country in this segment and is performing well. During the period a new contract was implemented to deliver an innovative solution for a major Spanish insurer in the management and supply of refurbished mobile handsets. Regenersis also won a multi-year, multi-service contract for a global mobile operator covering Iberia, which is the first business for the Group with this client. This started implementation in Spain during December 2013 and as a result, Regenersis also opened its first Portuguese depot facility.
- The business experienced weak volume in the UK and Sweden which remain a focus in the second half.

Advanced Solutions Division

Revenue rose by 11% to £15.8 million (H1 2012: £14.2 million). HOP increased 86% to £2.6 million (H1 2012: £1.4 million), generating a significant improvement in HOP margin to 16.5% (H1 2012: 10%).

The Advanced Solutions division includes:

- The Renew business – which is made up of the Digital Care, Recommerce and Refurbishment activities;
- The set-top box activities in Glenrothes;
- The Remote Diagnostics business – which is made up of the In Field Tester ("IFT") business and new mobile diagnostics capabilities secured through the group's strategic investment in Xcaliber.

Financial and operational highlights included:

- Material profit growth from the Recommerce business, formed in 2012, which offers client led refurbishment, repair and onward disposition of devices.
- Material profit growth from the remote diagnostics business which benefited from the first full period of IFT royalty revenue from Virgin Media. The IFT technology has been deployed for over 12 months and is performing well.
- Following successfully completing the pilot of the "garage tester" variant of the IFT in 2012 with a large US cable TV company, trials have been expanded to include 3 US states and several new product lines. The implementation of a wider full roll out is expected to be several months away.

Business Review continued

There have been a number of significant new business wins during the period that will start to contribute in H2:

- A motherboard and screen refurbishment contract for Nokia, representing an emerging, technically-demanding trend for component-level repair as opposed to component exchange;
- A new contract to deploy the IFT set top box diagnostic technology for a cable TV operator in Western Europe, our first IFT contract outside the UK and North America.
- The Group has won new business with a major global mobile network operator in Germany, where it will manage innovative device trade-in programmes. This contract will commence shortly and is expected to contribute to significant revenue and profit growth in FY 2015.
- The Group has also won several other contracts which will make use of Regenersis' newly developed closed loop refurbishment and insurance fulfilment services. They will be fulfilled by the Group's refurbishment facilities across the world including Romania, Scotland and Sweden.

Corporate Costs

Corporate costs of £2.2 million (H1 2012: £1.0 million) have increased primarily as a result of significant investment in senior management and a larger sales force. This investment is necessary to sustain the continued growth of the business over the longer term.

Currency Hedging Activities and Constant Currency

One of the risks that the Group faces in doing business in overseas markets is currency fluctuations. The Group adopts the following hedging policies:

- We undertake a limited number of forward contracts for specific payments and receipts where they can be forecast with certainty.
- We undertake natural hedging between the cash and loan balances of different currencies.
- We do not undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, as these earnings cannot be assessed with any high degree of accuracy in terms of timings and amounts. However, the Group does have a good mix of business across 15 different geographies and this does provide some degree of smoothing of currency movements in any one country through a portfolio effect.

During the period, we experienced headwinds in the translation of the South African Rand, the Romania Leu, the Polish Zloty, the Argentinean Peso, and the Indian Rupee.

A reconciliation of actual results for H1 2013 to results restated at 2013 exchange rates is set out below:

	6 months ended 31 December 2013 Actual Results £'million	6 months ended 31 December 2013 Constant Currency £'million
Revenue	99.7	105.2
Gross profit	22.4	23.7
Headline operating profit after corporate costs	4.6	4.8
Operating profit	2.9	3.1
Basic EPS (pence)	2.96	3.38

In constant currency terms, revenue would have been £5.5 million higher, gross profit would have been £1.3 million higher and HOP would have been £0.2 million higher if they had been restated at 2013 effective exchange rates.

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

Cash and Working Capital

Headline operating cash flow was £2.7 million (H1 2012: £4.4 million), with headline cash conversion of 59% (H1 2012: 96%) being lower than previous periods primarily due to working capital investments made in the rapidly growing Advanced Solutions division.

Operating cash flow was a £0.3 million outflow (H1 2012: £2.3 million inflow), primarily as a result of exceptional acquisition costs, as well as some final closure costs at the Glasgow site.

Capital expenditure and R&D increased to £2.2 million (H1 2012: £1.5 million).

Net debt at the end of the period was £13.8 million (FY 2013: £1.9 million and H1 2012: £7.7 million). This increase is as a result of:

- Acquisitions of £5.8 million, and
- Investment in working capital of £4.3 million made in the Advanced Solutions division.

Net debt comprised gross debt of £18.1 million (FY 2013: £6.4 million and H1 2012: £13.5 million) and cash and cash equivalents of £4.3 million (FY 2013: £4.5 million and H1 2012: £5.8 million).

During the period the Group's banking facilities with HSBC were increased from £23 million to £39 million and the term of the facility was extended to October 2016. There was no change in either the loan covenants or costs of borrowing. The costs of amending and extending this facility were £0.5 million. These costs have been capitalised and will be amortised over the remaining life of the facility.

Acquisitions

Acquisition of Digicomp

On 10 September 2013 we completed the acquisition of 80% of the issued share capital of Digicomp Complete Solutions Limited ("Digicomp") for a consideration of INR 451 million (£4.5 million). Key features of Digicomp include:

- High-quality business in India with a 65% market share in approved 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 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 acquired business has been successfully integrated and is performing in line with expectations.

The initial consideration of INR 451 million (£4.5 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 annualised EBIT achieved in the 17 month period 1 August 2013 to 31 December 2014.

In September 2016, Regenersis can acquire the remaining 20% of the issued share capital of Digicomp, based upon a fixed earning multiple applied to the EBIT achieved in the 12 month period ending 31 March 2016.

Investment in Xcaliber

On 21 November 2013 we completed the acquisition of 15% 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). Regenersis also has the option to acquire a further 10% of the issued share capital of Xcaliber.

Xcaliber is a US based software business with a market leading mobile diagnostic technology which adds to our existing diagnostic offering in Europe, the US and globally.

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

Key features of Xcaliber:

- A developer of telecoms solutions primarily focused on remote diagnostics software for smartphones.
- 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.

As well as providing Xcaliber with finance to fund growth, the Group has also assisted by providing access to our global sales resources in the marketing of the SmarkChk application by utilising our existing relationships with OEMs and operators. Regenersis has commenced use of this application within our 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 was funded through the Group's revolving credit facility.

Acquisition of Regenersis Russia

On 26 December 2013 we completed the acquisition of the remaining 50% of the issued share capital of Regenersis Russia for a consideration of £0.44 million plus assets of £0.12 million. This now becomes a wholly-owned subsidiary and benefits from all of the Group's sales resource and efforts to grow further into this potentially significant emerging market.

The consideration was funded through the Group's revolving credit facility.

The Operating Matrix

The Group now has a footprint of 21 depot sites, runs 211 "retail units" in 15 countries and employs over 4,300 people. Two of these countries were opened in the last 6 months. We have continued to fill the operating matrix with 15 new product/service line combinations in the last 6 months, achieving a total of 60 combinations.

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.

Post balance sheet events

On 14 January 2014, all the share options under the ISP2 long term incentive arrangement vested and were exercised. The details of the ISP2 scheme have been previously outlined in the financial statements for the year end 30 June 2013. If the vesting had occurred on 31 December 2013, the total number of shares in issue at that date would have been approximately 49.8 million.

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.

21 depot sites and 211 retail units in 15 countries

		UK (1)	Germany (2)	Poland (3)	Romania (4)	Russia (5)	Nordics (6)	USA (7)	Turkey (8)	South Africa (9)	Spain (10)	Mexico (11)	Argentina (12)	India (13)	Portugal (14)	Belgium (15)
MOBILE AND TABLET	Repair	●	●	●	●	●	●			●	●	●	●	○	○	
	Vendor Management Outsourcing/BPO	●							●		●	●				
	Retail										○	○		○		
MEDIA & ENT	STB Repair	●			●					●						○
	TV, Sat Nav, Laptops	●	●	○	●					○	●			●		
B2B NICHE PRODUCTS	Cash & Payment	●	●	●		●		○						○		
	Medical & Industrial	●	●			●										
ADVANCED SOLUTIONS	Recommerce	●		●			●		●	●	○	●		●		
	Digital Care			●			●									
	Remote Diagnostics	●						●								○
	Refurbishment	●	○	○	●		●				●	●		○		

○ Progress in the last 6 months ● Countries where we operate

Dividend

The Board is pleased to announce an interim dividend of 1.32 pence per ordinary share. This will be paid on 13 June 2014 to shareholders on the register on 16 May 2014. This is a 97% increase on the same period last year (H1 2012: 0.67 pence per share).

Outlook

We expect trading for the year ending 30 June 2014 to be in line with market expectations. Profit growth in H2 is expected to come primarily from the Emerging Markets and Advanced Solutions divisions.

The opportunities to grow both organically and by acquisition remain strong and growth continues to accelerate.

Matthew Peacock, Executive Chairman, said:

"Our focus on Advanced Solutions and Emerging Markets has led to a powerful combination of geographies and service lines, which is becoming a source of considerable competitive advantage, as well as an opportunity for growth. This underpins our expectation for a strong H2, as well as adding further confidence to the Board's expectations for continued good growth next financial year.

My expectation is that over the next 12-18 months we will emerge as an Advanced Solutions-led business, seen as the trusted partner to our multi-national, blue chip clients, increasingly integrated into their strategic initiatives.

I expect this next stage of growth to be as exciting and rewarding as the last, as we complete the roll-out of our depot network and the transition of the business to one which has a greater proportion of its earnings from the Advanced Solutions division."

Matthew Peacock

Executive Chairman

Condensed Consolidated Income Statement
for the six months ended 31 December 2013

	Note	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Group revenue	2	**99,701**	**90,190**	**179,714**
Headline operating profit	3	**4,554**	**4,563**	**9,507**
Acquisition costs	3	(1,205)	(673)	(1,874)
Amortisation of acquired intangible assets		(140)	(34)	(90)
Share-based payments		(241)	(194)	(471)
Group operating profit		**2,968**	**3,662**	**7,072**
Share of results of jointly controlled entity		(165)	23	6
Profit on disposal of jointly controlled entity	8	99	–	–
Operating profit from continuing operations		**2,902**	**3,685**	**7,078**
Finance income		24	13	30
Unwinding of deferred consideration		(851)	(198)	(539)
Other finance costs		(471)	(306)	(898)
Finance costs		(1,322)	(504)	(1,437)
Profit before tax		**1,604**	**3,194**	**5,671**
Taxation	3	(176)	(662)	(978)
Profit for the period (attributable to equity holders of the Company)		**1,428**	**2,532**	**4,693**

Earnings per share

Basic	4	2.96p	5.88p	10.53p
Diluted	4	2.94p	5.62p	10.46p
Adjusted	4	7.64p	8.32p	16.80p
Diluted adjusted	4	7.59p	7.96p	16.69p

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2013

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Profit for the period	1,428	2,532	4,693
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Exchange differences arising on translation of foreign entities	(526)	98	(94)
Total comprehensive income for the period (attributable to the equity holders of the Company)	**902**	**2,630**	**4,599**

Condensed Consolidated Balance Sheet
as at 31 December 2013

	Note	31 December 2013 (unaudited) £'000	31 December 2012 (unaudited) £'000	30 June 2013 (audited) £'000
Assets				
Non-current assets				
Goodwill		55,172	38,067	40,441
Other intangible assets		5,030	3,032	4,588
Investments		664	136	100
Property, plant and equipment		4,645	4,311	4,381
Deferred tax		4,687	2,020	3,447
		70,198	**47,566**	**52,957**
Current assets				
Inventory		10,209	8,703	7,924
Trade and other receivables		28,633	26,758	26,054
Cash	6	4,345	5,750	4,519
		43,187	**41,211**	**38,497**
Total assets		**113,385**	**88,777**	**91,454**
Current liabilities				
Trade and other payables		(35,288)	(28,902)	(32,949)
Current tax liability		(70)	(1,714)	(496)
Provisions		(698)	(1,164)	(871)
		(36,056)	**(31,780)**	**(34,316)**
Non-current liabilities				
Borrowings	6	(18,127)	(13,495)	(6,423)
Deferred consideration		(17,416)	(6,824)	(7,777)
Provisions		(2,606)	(2,922)	(3,540)
		(38,149)	**(23,241)**	**(17,740)**
Total liabilities		**(74,205)**	**(55,021)**	**(52,056)**
Net assets		**39,180**	**33,756**	**39,398**
Equity				
Ordinary share capital		994	908	994
Share premium		26,592	20,219	26,592
Merger reserve		3,088	3,088	3,088
Translation reserve		(452)	266	74
Retained earnings		8,958	9,275	8,650
Total equity		**39,180**	**33,756**	**39,398**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2013

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Balance at the start of the period	**39,398**	**30,929**	**30,929**
Total comprehensive income for the period	902	2,630	4,599
Equity settled share-based payments	(236)	144	(2,319)
Issue of shares related to business combination	–	529	6,988
Dividends paid	(884)	(476)	(799)
Balance at the end of the period	**39,180**	**33,756**	**39,398**

Consolidated Cash Flow Statement

for the six months ended 31 December 2013

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Profit for the period	**1,428**	**2,532**	**4,693**
Adjustments for:			
Net finance expenses	1,298	491	1,407
Tax expense	176	662	978
Depreciation on property, plant and equipment	943	706	1,536
Amortisation of intangible assets	677	313	798
Amortisation of acquired intangible assets	140	34	90
Share of JV loss/(profit)	165	(23)	(6)
Profit on disposal of JV	(99)	–	–
Acquisition costs	1,205	673	–
Other exceptional costs (restructuring costs)	–	821	–
Loss on disposal of property, plant and equipment	(7)	–	(2)
Share-based payments expense	241	194	471
Operating cash flows before movement in working capital	**6,167**	**6,403**	**9,965**
(Increase) in inventories	(2,321)	(1,566)	(706)
(Increase)/decrease in receivables	(3,131)	(2,501)	294
Increase in payables, accruals and provisions	1,979	2,064	1,462
Headline cash flows from operating activities	**2,694**	**4,400**	**11,015**
Interest received	24	13	30
Interest paid	(628)	(194)	(398)
Tax paid	(362)	(426)	(795)
Acquisition fee payments	(1,405)	(673)	–
Other exceptional payments (restructuring costs)	(649)	(821)	–
Net cash (outflow)/inflow from operating activities	**(326)**	**2,299**	**9,852**
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,292)	(818)	(1,764)
Purchase and development of intangible assets	(918)	(668)	(2,479)
Proceeds from sale of property, plant and equipment	7	–	62
Acquisition of investment	(750)	–	–
Acquisition of subsidiaries, net of cash acquired	(5,090)	(5,216)	(7,488)
Net cash used in investing activities	**(8,043)**	**(6,702)**	**(11,669)**
Cash flows from financing activities			
Proceeds from issue of share capital (net)	–	–	6,470
Dividends paid	(884)	(476)	(799)
Payment on vesting of share options	–	–	(2,405)
Drawdown of borrowings	11,985	7,780	186
Net cash inflow from financing activities	**11,101**	**7,304**	**3,452**

Consolidated Cash Flow Statement

For the six months ended 31 December 2013

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Net increase in cash and cash equivalents	**2,732**	**2,901**	**1,635**
Other non cash movements – exchange rate and other changes	(2,906)	122	157
Cash and cash equivalents at the beginning of period	4,519	2,727	2,727
Cash and cash equivalents at end of period	**4,345**	**5,750**	**4,519**
Bank borrowings	(18,127)	(13,495)	(6,423)
Net debt	**(13,782)**	**(7,745)**	**(1,904)**

Notes to the Interim Report
for the six months ended 31 December 2013

1. Basis of preparation

This interim report has been prepared on the basis of the accounting policies expected to be adopted for the year ended 30 June 2014. These are in accordance with the Group's accounting policies as set out in the latest audited annual financial statements for the year ended 30 June 2013. The Group's accounting policies can also be found on the Group's website.

All International Financial Reporting Standards ('IFRS'), International Accounting Standards ('IAS') and interpretations currently endorsed by the International Accounting Standards Board ('IASB') and its committees as adopted by the EU and as required to be adopted by AIM listed companies have been applied. AIM listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

The financial information in this interim report does not constitute statutory accounts for the six months ended 31 December 2013 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2013. Financial information for the year ended 30 June 2013 has been derived from the consolidated audited accounts for that period which were unqualified.

The condensed consolidated interim financial statements for the six months to 31 December 2013 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

This unaudited interim report was approved by the Board of Directors on 14 March 2014.

2. Segmental reporting

Internal reporting uses two divisions, the Depot Solutions Division and the Advanced Solutions Division, which reflects the way the business is managed and reviewed.

The Depot Solutions Division includes the Emerging Markets and Western Europe segments. Emerging Markets includes Poland, Romania, Turkey, South Africa, Argentina, Mexico and, new for the period, India. Western Europe includes the UK (excluding Glenrothes), Spain, Sweden and Germany.

The Advanced Solutions division includes:

- The Renew business – which is made up of the Digital Care, Recommerce and Refurbishment activities;
- The set-top box activities in Glenrothes;
- The Remote Diagnostics business – which is made up of the In Field Tester ("IFT") business and new mobile diagnostics capabilities secured through the group's strategic investment in Xcaliber.

The Group continues to deliver world class services to its customers in the fields of service and repair of smart phones and other consumer devices, along with the continued focus on innovation and associated services.

Notes to the Interim Report continued
for the six months ended 31 December 2013

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Revenue from external customers			
Total Emerging Markets	40,549	25,620	56,568
Less: share of jointly controlled entity	(1,136)	(598)	(1,143)
Total Western Europe	44,464	54,895	100,471
Less: share jointly controlled entity	–	(3,893)	(4,412)
Emerging Markets	39,413	25,022	55,425
Western Europe	44,464	51,002	96,059
Depot Solutions	**83,877**	**76,024**	**151,484**
Advanced Solutions	15,824	14,166	28,230
Total	**99,701**	**90,190**	**179,714**
Headline segmental operating profit			
Emerging Markets	3,298	2,769	5,859
Western Europe	879	1,403	2,227
Depot Solutions	**4,177**	**4,172**	**8,086**
Advanced Solutions	2,550	1,351	3,617
Headline operating profit before corporate costs	**6,727**	**5,523**	**11,703**
Corporate costs	(2,173)	(960)	(2,196)
Headline operating profit	**4,554**	**4,563**	**9,507**
Acquisition costs	(1,205)	(673)	(1,874)
Amortisation of acquired intangible assets	(140)	(34)	(90)
Share-based payments	(241)	(194)	(471)
Group operating profit	**2,968**	**3,662**	**7,072**
Share of results of jointly controlled entity	(165)	23	6
Profit on disposal of jointly controlled entity	99	–	–
Operating profit from continuing operations	**2,902**	**3,685**	**7,078**
Finance income	24	13	30
Unwinding of deferred consideration	(851)	(198)	(539)
Other finance expense	(471)	(306)	(898)
Net finance expense	(1,298)	(491)	(1,407)
Profit before tax	**1,604**	**3,194**	**5,671**

3. Taxation

The tax charge for the six months to 31 December 2013 is based on the estimated tax rate for the full year in each jurisdiction. The reduction in the tax rate for the period is due to the changing mix of the Group's international operations and the application of Patent box regime.

4. Earnings per share (EPS)

The basic EPS was 2.96p (2012: 5.88p). The reduction in the basic EPS is as a result of higher interest charges through unwinding of deferred consideration on the acquisitions of HDM and Digicomp.

The adjusted EPS was 7.64p (2012: 8.32p). The slight reduction in adjusted EPS is as a result of the increase in number of shares.

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Profit for the period	**1,428**	**2,532**	**4,693**
Reconciliation to adjusted profit:			
Unwinding of discount on deferred consideration	851	198	539
Acquisition costs	1,205	673	1,874
Amortisation of acquired intangible assets	140	34	90
Share-based payments	241	194	471
Tax impact of above adjustments	(175)	(49)	(177)
Adjusted profit for the period	**3,690**	**3,582**	**7,490**
EPS Summary			
Basic earnings per share	2.96	5.88	10.53
Diluted earnings per share	2.94	5.62	10.46
Adjusted earnings per share	7.64	8.32	16.80
Diluted adjusted earnings per share	7.59	7.95	16.69
Number of shares	`000s	`000s	`000s
Weighted average number of shares used to calculate earnings per share			
— Basic	48,296	43,060	44,590
— Diluted	48,661	45,070	44,874

On 14 January 2014, all the share options under the ISP2 long term incentive arrangement vested and were exercised. The details of the ISP2 scheme have been previously outlined in the financial statements for the year end 30 June 2013. If the vesting had occurred on 31 December 2013, the total number of shares in issue at that date would have been approximately 49.8 million.

Notes to the Interim Report continued
for the six months ended 31 December 2013

5. Dividends

The Group will pay an interim dividend of 1.32 pence per ordinary share in respect of the six months to 31 December 2013 (H1 2013: 0.67 pence) on 13 June 2014 to shareholders on the register on 16 May 2014.

6. Net debt

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Cash	4,345	5,750	4,519
Bank borrowings	(18,127)	(13,495)	(6,423)
Net debt	**(13,782)**	**(7,745)**	**(1,904)**

The total facility available to the Group is £39 million (30 June 2013: £23.25 million; 31 December 2012: £23.25 million). The facility expires on 31 October 2016.

7. Acquisition of Digicomp

On 10 September 2013, the Group acquired 80% of the issued share capital of Digicomp Complete Solutions Limited ("Digicomp") for an initial cash consideration of INR 451 million (£4.5 million), which was funded through the Group's existing revolving credit facility.

In the four months to 31 December 2013, this acquisition has contributed total revenue of £2.0 million, headline operating profit of £0.2 million, and operating profit of £0.2 million. If the acquisition had been completed on the first day of the financial year, management estimates that the benefit to consolidated revenue for the six month period to 31 December 2013 would have been £3.5 million, the benefit to consolidated headline operating profit would have been £0.3 million, and the benefit to consolidated operating profit would have been £0.3 million.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 July 2013.

The Digicomp business is performing in line with the Board's expectations.

The provisional book value and fair value of the assets acquired and liabilities assumed were as follows:

	Book Value £'000	IFRS alignment £'000	Fair Value adjustments £'000	Fair Value £'000
Intangible assets	252	(213)	–	39
Intangible assets – customer contracts	–	–	242	242
Property, plant and equipment	793	(429)	(253)	111
Deferred tax (liability)/asset	(93)	565	678	1,150
Overdraft	(493)	–	–	(493)
Inventory	597	(404)	(131)	62
Trade and other receivables	1,641	(488)	(229)	924
Trade and other payables	(654)	(25)	(1,507)	(2,186)
Other long term liabilities	(113)	–	–	(113)
Net assets acquired	**1,930**	**(994)**	**(1,200)**	**(264)**
Goodwill				13,569
Total consideration				**13,305**

Satisfied by:	
Cash paid in H1 FY14	4,517
Deferred cash	
— Earn out — to be paid in March 2015	4,936
— Phase 2 buy out – to be paid in September 2016	3,852
Total consideration	**13,305**

Deferred cash consideration

The acquisition includes an earn-out based on the annualised EBIT for the period 1 August 2013 to 31 December 2014, and to be paid in March 2015. The estimated cash outflow at the time of settlement is expected to be INR 635 million (£6.3 million). A deferred liability of INR 499 million (£4.9 million) has been established which represents the fair value at the acquisition date, using a discount rate of 15.5%. At 31 December 2013 the deferred liability had increased to INR 525 million (£5.2 million).

In September 2016, Regenersis can acquire the remaining 20% of the issued share capital of Digicomp based upon a fixed earning multiple applied to the EBIT achieved in the 12 month period ending 31 March 2016. The estimated cash outflow at the time of settlement is expected to be INR 592 million (£5.9 million). A deferred liability of INR 390 million (£3.9 million) has been established which represents the fair value at the acquisition date, using a discount rate of 15.5%. At 31 December 2013, the deferred liability has increased to INR 407 million (£4.0 million).

Notes to the Interim Report continued
for the six months ended 31 December 2013

In accordance with IFRS3, "Business Combinations", the acquisition has been treated as a 100% acquisition from the 10 September 2013 and as such no non controlling interest has been recognised.

Under IFRS 3, "Business Combinations" the only separately identifiable intangible asset arising from the acquisition relates to customer contracts and relationships valued at £0.2 million. The remaining goodwill of £13.6 million can be attributed to the anticipated profitability through the growth of the enlarged group, synergistic benefits and workforce in place.

8. Acquisition of Regenersis Russia

On 26 December 2013, the Group acquired the 50% shareholding in Regenersis Russia which it did not already own. Prior to this acquisition it was an equity accounted joint venture with an investment value of £0.02 million.

The group has treated the acquisition date as 31 December 2013 and therefore the business has contributed no revenue or operating profit to the group at this date. There is not considered to be a material difference in the result had the subsidiary been consolidated from 26 December 2013.

Due to the difficulties in obtaining information on the accounts of the subsidiary at this date, and the time restrictions in analysing information received due to proximity of acquisition to the reporting date, it has not been possible to perform a fair value exercise at this time.

The provisional book value of the assets and liabilities acquired were as follows:

	Book value £'000
Intangible assets	15
Property, plant and equipment	61
Other long term assets	89
Cash	324
Inventory	170
Trade and other receivables	462
Trade and other payables	(1,239)
Net liabilities acquired	**(118)**
Goodwill	682
Total Consideration	**564**

Satisfied by:

Cash	404
Deferred cash consideration	40
Fair value of equity interest disposed	120
Total Consideration	**564**

A gain of £0.1 million was recognised on the disposal of the 50% equity interest on 31 December 2013.

9. Investment in Xcaliber

On 21 November 2013, the Group acquired 15% (plus the option to acquire a further 10%) of 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 initial consideration of USD 1.2 million cash was funded through the Group's revolving credit facility.

The investment has been recorded at initial cost value.

10. Cash flow — Acquisition of subsidiaries, net of cash acquired

Within the consolidated cash flow statement, the cash flow relating to acquisition of subsidiaries, net of cash acquired is reconciled as per the table below:

	£'000
Digicomp acquisition – initial cash consideration	4,517
Digicomp acquisition – overdraft acquired	493
Russia acquisition – cash consideration	404
Russia acquisition – cash acquired	(324)
Net cash flow – acquisition of subsidiaries, net of cash acquired	**5,090**

11. Banking facilities

In December 2013, the Group increased its banking facilities with HSBC from £23 million to £39 million, to support Regenersis' growth plans both organically and through acquisitions. The term of the facility has been extended from October 2015 to October 2016, which gives Regenersis clear certainty of funding over the next three years. The costs of borrowing and the covenants remain unchanged.

12. Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and businesses of Regenersis plc. These statement and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause the actual result or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

13. Copies of the interim report

Further copies of the interim report are available from the registered office, Regenersis Plc, 4th Floor, 32 Wigmore Street, London, W1U 2RP or on the Company's website — www.regenersis.com.

Glossary

Adjusted Earnings Per Share: Basic earnings per share stated before amortisation or impairment of acquired intangible assets, unwinding of deferred consideration, exceptional restructuring costs, acquisition deal costs, share-based payments and tax arising on these. 'Adjusted earnings per share' is the key earnings per share measure used by the Board.

Advanced Solutions (division): This division includes:

- The Renew business – which is made up of the Digital Care, Recommerce and Refurbishment activities;
- The set top box activities in Glenrothes;
- The Remote Diagnostics business – which is made up of the In Field Tester ("IFT") business and new mobile diagnostics capabilities secured through the group's strategic investment in Xcaliber.

B2B: Business to business transactions.

Basic Earnings Per Share: Operating profit stated per share.

Capital Expenditure: Expenditure on property plant and equipment.

Closed Loop Refurbishment: Refurbishment services offered to clients which operate solely with that client, ie devices are received from, and subsequently returned back to, the same client.

Corporate Costs: Costs incurred by central departments for the benefit of the group as a whole and which cannot be allocated to specific business segments.

Depot Solutions (division): Is made up of the Emerging Markets segment and the Western Europe segment, and which provides the Group's geographic infrastructure and core repair service. This division will focus on continuous improvement, common operating practices, IT platforms and efficiency.

Digital Care: Part of the Advanced Solutions Division which operates in insurance activities.

Diluted Adjusted Earnings Per Share: Adjusted earnings per share stated after adjustments to the number of shares for convertible share options.

Diluted Earnings Per Share: Basic earnings per share stated after adjustments to the number of shares for convertible share options.

EMEA: The combined regions of Europe, the Middle East and Africa.

Emerging Markets (segment): This includes the following countries: Argentina, India, Mexico, Romania Poland, Turkey, Russia and South Africa.

Gross Debt: The total external borrowings of the Group, net of capitalised bank fees.

Headline Cash Conversion: Headline operating profit stated as a percentage of headline operating profit.

Headline Operating Cash Flow: Net cash flow from operating activities stated before payments relating to exceptional costs, acquisition related costs, interest and tax. This is the key operating cash flow measure used by the board to assess the underlying cash flow of the Group.

Headline Operating Margin: Headline operating profit stated as a percentage of revenue.

Headline Operating Profit: Operating profit stated before amortisation or impairment of acquired intangible assets, acquisition costs, exceptional costs, share-based payments and share of results of jointly controlled entities. This 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.

IFT: 'In Field Tester' business which offers a diagnostic hardware which is used by field engineers to test set top box devices in the end customer's home.

I**nsurance Fulfilment Services:** Fulfilment of out of warranty repairs in partnership with Insurance companies.

Net Debt: Gross debt stated after offsetting cash holding.

OEM: An 'Original Equipment Manufacturer'.

Operating Cash Flow: Cash flows originating from transactions in the core operational activities of the Group, for example cash flows resulting from revenues earned and expenditure paid. This excludes cash flows relating to investing or financing activities.

Operating Margin: Operating profit stated as a percentage of revenue.

Operating Matrix: The combination of territories and service lines in which the group operates.

R&D: Research and development into new technologies to improve client service, reduce costs or enhance revenue.

Recommerce: Part of the Advanced Solutions Division and offers client led refurbishment, repair and onward disposition of devices.

Refurbishment: Part of the Advanced Solutions Division and offers client led component level repair of screens, motherboards, and other items, to make them as good as new.

Remote Diagnostics Business: Part of the Advanced Solutions Division which operates in field testing solutions. Is made up of the In Field Tester ("IFT") business and new mobile diagnostics capabilities secured through the group's strategic investment in Xcaliber.

Western Europe (segment): This includes the following countries: UK, Germany, Sweden, and Spain.

Working Capital: A measure of the Group's current liquidity by showing how much cash has been invested in day to day trading. Working capital is the sum of stock, current debtors, accrued income, current creditors and accrued payments.

Value Add: Revenue stated after material costs and freight, but before labour costs.

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