Regenersis
Technology Life Cycle Services

Growth
Diversification
People

Interim Report
for six months ended 31 December 2014
Stock Code: RGS

Who We Are

Regenersis provides a suite of product life cycle support services designed to **help companies** and their customers **successfully deploy, protect, sustain, retire and re-use** digital technology.

Our Business

Our Depot Solutions Division operates client oriented electronic repair and refurbishment facilities around the world, being one of the leading operators in this field.

Our Software and Advanced Solutions Division comprises innovative businesses with attractive growth and margin potential, which benefit from Regenersis's global presence and client relationships in Depot Solutions. This currently includes Blancco, a software business which is the global market leader in securely erasing data from devices; Regenersis's Set Top Box diagnostics business, which provides automated functionality testing; Digital Care, which provides smartphone accidental damage insurance programmes in partnership with insurance underwriters; and Xcaliber Technologies, a software business in the area of smartphone issue diagnosis and resolution.

Virgin media · NOKIA Connecting People · LG Life's Good · SAMSUNG · SONY make.believe · htc quietly brilliant

blancco CERTIFIED DATA ERASURE · XCALIBER TECHNOLOGIES · SafeIT Security™

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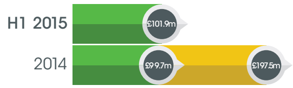
Financial Highlights

Revenue

£101.9m ↑ 2.2%
(12.2%)*

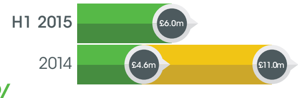
H1 2014: £99.7m



Headline Operating Profit

£6.0m ↑ 30.4%
(45.7%)*

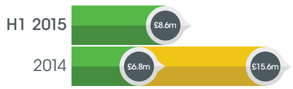
H1 2014: £4.6m



HOP before Corporate Costs

£8.6m ↑ 26.5%
(38.2%)*

H1 2014: £6.8m



HOP Margin Percentage

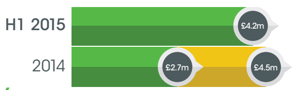
5.9%

H1 2014: 4.6%

Headline Operating Cash Flow

£4.2m ↑ 55.6%

H1 2014: £2.7m



Key:
H1 H2

* Under constant currency

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Chairman's Statement

"The Group made good progress in the first half of the year. Depot Solutions has delivered organic growth following our decision to exit our lower margin mobile operations in the UK, and it is a significant milestone that Software and Advanced Solutions is now the largest, as well as the fastest-growing part of the Group in profit terms, with very exciting market opportunities in prospect. As a result the Group profit margin is tracking upwards, and we expect to be able to deliver steadily improving operating margins over the medium term."

Matthew Peacock
Executive Chairman

I am pleased to report Regenersis's interim results for the six month period to 31 December 2014.

Results

Revenue for the Group in the period was £101.9 million (H1 2014: £99.7 million), an increase of 2.2%, while measured at constant exchange rates the rate of growth was 12.2%. Headline Operating Profit ("HOP") was £6.0 million (H1 2014: £4.6 million) a rise of 30.4%, or 45.7% at constant exchange rates.

Adjusted earnings per share was 7.56p (H1 2014: 7.64p), a decrease of 1.0%. Under constant currency, adjusted EPS grew by 9.7%. It is noted that the balance of funds raised from the Placing of 28,986,000 new ordinary shares to finance the acquisition of Blancco on 17 April 2014, have not yet been fully utilised.

Further details of these results, including the effect of currency movements, are contained in the Group Financial Review.

Trading

Depot Solutions

Our Depot Solutions Division operates client oriented electronic repair and refurbishment around the world, and is one of the leading global operators in this field.

In the last 6 months Depot Solutions has replaced the revenue lost from exiting low margin UK mobile repair work in 2014. In H1 2015, Depot Solutions revenues were £79.5 million (H1 2014: £83.9 million), a decrease of only 5.2% on H1 2014 (increase of 3.5% at constant exchange rates). It is encouraging to note revenue growth over H2 2014 of 18.1% (29.0% at constant exchange rates).

Depot Solutions Divisional Headline Operating Profit of £4.1 million (H1 2014: £4.2 million) followed the same pattern, recording a decrease of 2.4% on H1 2014 (increase of 7.1% at constant exchange rates) and growth of 5.1% over H2 2014 (15.4% at constant exchange rates).

Depot Solutions won significant new business in the period, as previously announced, representing an estimated £32 million of run-rate revenue when implemented and fully operational. This continues a trend over the last two years of rapid organic growth in our non-UK operations albeit set against some clients' declining market shares.

The new facilities opened in 2014 namely Lisbon, Memphis, Teplice and Moscow, are scaling well and made progress towards profitability in the period. The volume of repair work from existing anchor clients increased as well as the introduction of new clients, with progress overall in line with management's expectations. These new facilities were a net drain on profitability in the period but are expected to contribute in the second half. There was also continued investment in advanced technical capabilities and global IT integration to differentiate and protect our future business.

Our Depot Solutions business is now one of the global leaders in repair with a strong international network of facilities and an enviable client list. After several years of rapid organic and acquisitive growth we intend, in the next 12 to 18 months, to consolidate our gains and reduce the costs of growth. This should allow latent profitability to come through more strongly in this Division.

Software and Advanced Solutions

Our Software and Advanced Solutions Division comprises innovative businesses with attractive growth and margin potential, which benefit from Regenersis's global presence and client relationships in Depot Solutions. This includes Blancco, a software business which is the global market leader in securely erasing data from devices; Regenersis's Set Top Box diagnostics business, which provides automated functionality testing; Digital Care, which provides smartphone accidental damage insurance programmes in partnership with insurance underwriters; and Xcaliber Technologies, a software business in the area of smartphone issue diagnosis and resolution.

Divisional revenue of £22.4 million (H1 2014: £15.8 million) showed a year on year increase of 41.8% (58.9% at constant exchange rates). Divisional HOP of £4.5 million (H1 2014: £2.6 million) showed a year on year increase of 73.1% (88.5% at constant exchange rates).

Blancco's performance in the period demonstrated the Group's ability to effectively integrate new businesses, with invoiced sales growing 21% compared to the previous six months, and calendar year 2014 showing 19% growth versus calendar year 2013.

In the Set Top Box and related diagnostics businesses, the financial performance was strong and continues to grow steadily. Regenersis and its client Liberty Global extended their contract from 2016 to 2018. Operations for a new client in Belgium were established. The key priorities and opportunities in the USA and Europe revolve around two large clients' intentions to roll out diagnostic technology within their territories.

During the previous period Digital Care won and started the implementation of accidental damage insurance programmes at three of the top four mobile operators in Poland. During this period the business unit has been loss making, as expected, reaching break even for the first time in December. The Digital Care product is innovative, and development of the market globally is at an early stage. While encouraging demand has emerged in other countries, the focus for the second half of the year is on successfully managing the ramp up in Poland.

Xcaliber Technologies made its first sales with two long-term contracts following trials of its mobile remote diagnostics solution with a range of customers in Europe, USA and India. This was a significant milestone for the business. The contracts are respectively to roll out the Xcaliber product into the retail network of 200 stores of the largest network operator in the USA, and also into the depot production facilities of the top mobile phone manufacturer in India.

The expected split of Software and Advanced Solutions profitability between H1 FY15 and H2 FY15 reflects the application to Blancco since acquisition of IFRS revenue recognition (whereby subscription income is recognised over the subscription term rather than upon sale) which has deferred £1.0 million of profit from the period just ended into the second half of the year. Further details are contained in the Group Financial Review.

Chairman's Statement continued

Additionally we note that Recommerce contributed £16.0 million of revenue to the Division in FY14 but made no contribution to H1 FY15 following our decision to exit this business.

Strategy

The Group now has a portfolio of businesses, clustered around the device aftermarket, which is well placed to deliver increasing shareholder value from harnessing further attractive market opportunities. With the high margin parts of the portfolio also expected to be the high-growth areas, the Group should deliver steadily increasing operating profit margins.

We have continued to identify a number of acquisition candidates both in the Depot Solutions Division and the Software and Advanced Solutions Division. Consistent with the Group's acquisition strategy to date, we have a clear focus and will take considered steps supported by strict criteria particularly as regards price.

Acquisition costs for the period amounted to £1.3 million (H1 2014: £1.2 million and H2 2014: £3.8 million) relating to the acquisition of SafeIT and the additional investments in Xcaliber and Blancco sales offices.

Other matters

Exceptional restructuring costs amounted to £0.4 million (H1 2014: £nil and H2 2014: £4.4 million) and relate to finalisation of the restructuring activities carried out in the second half of the previous financial year, which are now completed.

On 25 July 2014 the Group completed the acquisition of 34% of the issued share capital of Xcaliber Technologies LLC for a consideration of $3.3 million (£1.9 million) bringing the Group's share to 49% with an option available to increase this further when the business starts to deliver consistent profits. Xcaliber is addressing an outstanding opportunity for implementing smart device self-help and issue resolution, improving customer satisfaction and saving mobile operators and OEMs very significant costs.

Regenersis also has a commission agreement with Xcaliber which rewards the Group significantly for its involvement in sales activities.

Regenersis announced the retirement of Michael Peacock, Non-executive Director and Senior Independent Director from the Board on 26 November 2014. Michael joined the Board in 2011 and has played an important role in the growth of the Company. On behalf of the Board I would like to express our thanks to Michael Peacock for his valuable contribution during his time with us and wish him well for the future.

On 1 December 2014 Regenersis announced the appointment of Dr Frank Blin CBE as Non-executive Director and Senior Independent Director.

Tom Russell, who joined the Board as an Executive Director in March 2011 to focus on Strategy, particularly within Software and Advanced Solutions, will move to a new role as Non-executive Director with effect from 17 March 2015.

Dividend

The Board is pleased to announce an interim dividend of 1.65 pence per ordinary share. This will be paid on 12 June 2015 to shareholders on the register on 15 May 2015. This is a 25% increase on the same period last year (H1 2014: 1.32 pence per share).

Outlook

The Board expects that full year results will be in line with market expectations and remains confident that the Group's portfolio of businesses will generate further growth in Group profit margins and substantial value for shareholders, and that the strategy being followed presents the opportunity for continued double digit growth in Headline Operating Profit.

Matthew Peacock
Executive Chairman

Global Opportunities

The Group has a footprint of 21 territories, with our rapidly growing Software & Advanced Solutions Division operating in 16 of those territories.

The Operating Matrix shows the combination of territories and service lines in which the Group operates. 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 into action on the ground.

The Operating Matrix

	DEPOT			SOFTWARE AND ADVANCED SOLUTIONS			
Business locations	Repair & Refurbishment	Service Network	B2B niche products	IFT Diagnostics	Digital Care Insurance	Mobile Diagnostics	Data Erasure
1 UK	●		●	●			●
2 Germany	●		●				●
3 Poland	●		●		●		
4 Romania	●						
5 Russia	●		●				●
6 Nordics	●				●		●
7 USA	◆		●	●		◆	●
8 South Africa	●		●				
9 Spain	●	●					●
10 Mexico	●	●					●
11 Argentina	●						
12 India	●	●	●			◆	
13 Portugal	●						
14 Belgium				◆			●
15 France							●
16 Italy							●
17 Canada							●
18 Japan							●
19 Australia							●
20 Czech Republic	◆		●				
21 Malaysia							●

KEY:

● Where we operate

◆ Progress in last 6 months

Group Financial Review

Trading Results

Key financials	6 months ended 31 December 2014 £'m	6 months ended 31 December 2013 £'m
Revenue	101.9	99.7
Headline Operating Profit before corporate costs	8.6	6.8
Headline Operating Profit after corporate costs	6.0	4.6
Operating profit	2.3	2.9
Headline operating margin % before corporate costs	8.4%	6.8%
Headline operating margin % after corporate costs	5.9%	4.6%
Corporate costs % of revenue	2.6%	2.2%
Operating margin % of revenue	2.3%	2.9%

Segmental Results

	6 months ended 31 December 2014 £'m	6 months ended 30 June 2014 £'m	6 months ended 31 December 2013 £'m
Revenue			
Depot Solutions	79.5	67.3	83.9
Software and Advanced Solutions	22.4	30.5	15.8
Total	**101.9**	**97.8**	**99.7**
Headline Operating Profit			
Depot Solutions	4.1	3.9	4.2
Software and Advanced Solutions	4.5	4.9	2.6
Headline Operating Profit before Corporate Costs	**8.6**	8.8	6.8
Corporate Costs	(2.6)	(2.4)	(2.2)
Total	**6.0**	**6.4**	**4.6**

Impact of foreign exchange movements

During H2 2014, we experienced significant headwinds in the translation of the Euro and the Polish Zloty (which together represent approximately 50% of the Group's revenue), and a basket of other Emerging Markets currencies (which together represent approximately 40% of the Group's revenue), due to their weakness relative to the strength of the Sterling. This strength of the Sterling relative to the functional currencies continues during the current period and has worsened slightly.

A reconciliation of actual results for H1 2015 to results restated at expected exchange rates is presented below:

	6 months ended 31 December 2014 Actual Results £'m	6 months ended 31 December 2014 Constant Currency £'m
Revenue	101.9	111.9
Gross profit	25.4	28.0
Group HOP before corporate costs	8.6	9.4
Group HOP after corporate costs	6.0	6.7
Software and Advanced Solutions Revenue	22.4	25.1
Depot Solutions Revenue	79.5	86.8
Software and Advanced Solutions HOP	4.5	4.9
Depot Solutions HOP	4.1	4.5
Adjusted EPS (pence)	7.56	8.38
Basic EPS (pence)	5.87	6.14

The impact of the weakening overseas currencies on the financial statements is detailed in note 16 in the Notes to the Interim Report.

Impact of revenue recognition at Blancco

Blancco grew its invoiced sales by 21% in the period compared to the previous six months. Prior to the acquisition of Blancco, invoiced sales corresponded almost exactly with revenue recognised in a given period. However under the Group's accounting policy (IFRS as adopted by the EU) we are required to translate invoiced sales of software *subscriptions* – which have a defined term even if fully paid up-front – into revenue by spreading them over the term of the contract.

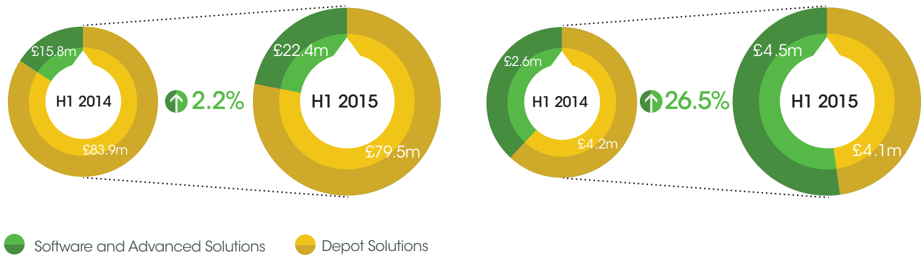
Compared to Blancco's pre-acquisition accounting policy this has resulted in a shift of revenue and profitability from H1 2015 to H2 2015, with H1 2015 profitability reduced by £1.0 million. From H2 2015 onwards, a level of sales activity will have been reached in which deferrals of subscription sales into future periods are offset by corresponding inflows from prior periods.

Group Financial Review continued

A period characterised by a shift to **higher margin** business across all the Group's Divisions.

Revenue

Headline Operating Profit



Highlights

- Revenue of £101.9 million (H1 2014: £99.7 million), an increase of 2.2% (increase of 12.2% at constant exchange rates).
- Group Headline Operating Profit of £6.0 million (H1 2014: £4.6 million), an increase of 30.4% (increase of 45.7% at constant exchange rates).
- HOP margin increased to 5.9% (H1 2014: 4.6%), reflecting the improving quality of the Group's portfolio of businesses.
- Group Headline Operating Cash Flow of £4.2 million (H1 2014: £2.7 million) with cash conversion of 70% (H1 2014: 59%).
- Net cash at period end of £12.1 million (H2 2014: £20.6 million) reflecting acquisitions made during the period.
- Corporate costs of £2.6 million (H1 2014: £2.2 million) have increased to reflect the increased centralisation and control arising as a result of the restructuring completed in the previous financial year.
- Strong organic revenue growth in Depot Solutions, of 18.1% over H2 2014 (29.0% in constant currency terms), replacing revenue from the exit of UK mobile operations in 2014.
- Blancco has been integrated successfully into the Group, maintaining its strong sales growth trajectory.
- Within Advanced Solutions, Set Top Box diagnostics, Digital Care and Xcaliber Technologies all made good progress.

Depot Solutions Division

The Depot Solutions Division, which used to consist of the Emerging Markets segment and the Western Europe segment, is now reported as one Division due to an increasing number of cross border contracts and relationships managed at a Group level.

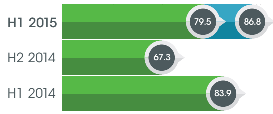
This Division provides the Group's geographic infrastructure and core repair service, focusing on continuous improvement, common operating practices, IT platforms and efficiency. It includes the operations in UK (excluding Glenrothes), Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, India, Portugal (new from January 2014), Russia (acquired in January 2014), USA (new from April 2014), and Czech Republic (new from June 2014).

Significant new business wins during the period, representing £32 million of annualised revenue once contracts are established, were to some extent offset by declining volumes from some customers as their products lost market share in key segments. Our strategy in recent years of diversifying our OEM and Operator customer base where possible has mitigated the impact of specific customer's market share losses.

Revenue

£79.5m

H1 2014: £83.9m



Headline Operating Profit

£4.1m

H1 2014: £4.2m

* Blue bar represents result under constant currency.

Software and Advanced Solutions Division

The Software and Advanced Solutions Division comprises innovative businesses with attractive growth and margin potential, which benefit from Regenersis's global presence and client relationships in Depot Solutions.

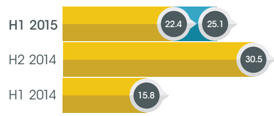
For the current period this Division includes:

- The Set Top Box activities in Glenrothes;
- The Set Top Box Diagnostics business ("IFT") which started in 2011 – including the In-field Tester business in the UK and other remote diagnostics capabilities covering other countries including the USA, South Africa and Belgium;
- The Digital Care Insurance business which started in 2013, with activities principally in Poland;
- From April 2014 the newly acquired Blancco business – providing data erasure software to recycling customers and corporate customers globally.

Revenue

£22.4m

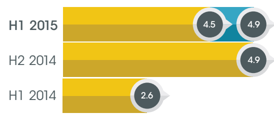
H1 2014: £15.8m



Headline Operating Profit

£4.5m

H1 2014: £2.6m



* Blue bar represents result under constant currency.

The Recommerce business has been wound down and has made no material contribution in the current period.

Cash and Working Capital

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Operating cash flow before movement in working capital and exceptionals	8.2	6.2	14.1
Movement in working capital and exceptionals	(3.7)	(3.5)	(8.6)
Movement in provisions	(0.3)	—	(1.0)
Headline operating cash flow	**4.2**	**2.7**	**4.5**
Net interest payments	—	(0.6)	(0.7)
Tax paid	(0.4)	(0.4)	(0.8)
Acquisition and other exceptional payments	(1.2)	(2.0)	(8.7)
Operating cash flow	**2.6**	**(0.3)**	**(5.7)**
Net capital expenditure	(4.0)	(2.2)	(6.7)
Acquisition of subsidiaries, associates and other investments, net of cash acquired	(4.1)	(5.9)	(51.1)
Net cash flow from share issues, option vesting and dividend payments	(2.1)	(0.9)	89.3
(Repayment)/drawdown of borrowings	(0.7)	12.0	(6.7)
Other movements	(0.4)	(2.9)	(2.8)
Total cash flow	**(8.7)**	**(0.2)**	**16.3**
Net cash/(debt)	**12.1**	**(13.8)**	**20.8**

Headline Operating Cash Flow ("HOCF") was £4.2 million (H1 2014: £2.7 million), with headline cash conversion of 70% (H1 2014: 59%). The cash generation has returned to normal levels and in line with our longer term target of 70% HOP to HOCF conversion.

Operating cash flow was a £2.6 million inflow (H1 2014: £0.3 million outflow).

This improvement in the HOCF and operating cash inflow was achieved in spite of continued pressure due to:

- Larger clients requesting longer credit terms, generally moving from 30 days to as much as 90 days in some cases, and
- An increased mix of Emerging Market country business relative to Western European business which generally has a longer payment cycle since the credit terms are generally not adhered to, typically 180 day actual payment against 60 day contractual payment terms.

The key working capital metrics that are monitored are:

- Debtor days which increased to 55 days (H1 2014: 47 days);
- Stock days which increased to 36 days (H1 2014: 35 days); and
- Creditor days which increased to 39 days (H1 2014: 37 days).

During the period we implemented some limited asset and invoice finance arrangements in some overseas countries to manage some of the above issues.

Tax paid was £0.4 million (H1 2014: £0.4 million), and is in line with the prior period.

Net interest paid was £nil (H1 2014: £0.6 million) and is lower than the prior period due to the repayment of borrowings during H2 2014.

Net cash is £12.1 million (H1 2014: net debt of £13.8 million) and is higher than the prior period as a result of the share Placing which occurred during H2 2014 and generated net cash of £50.4 million, after payment for the acquisition of Blancco.

There has been a reduction in net cash from £20.6 million at 30 June 2014 despite operating cash inflow of £2.6 million due to cash outflows from investment in additional capital, M&A activity and payment of the final dividend for the 2014 financial year.

Capital expenditure and R&D increased to £4.0 million (H1 2014: £2.2 million). This investment was split 59% (H1 2014: 42%) on R&D activities and 41% (H1 2014: 58%) on capital expenditure. The R&D activities have become a greater proportion of our spending, and consist of:

- Mobile – predominantly in the continued development of screen re-lamination / lamination technology of mobile phone screens for use with larger displays and other OEM device types. These activities are carried out in Romania.
- Set Top Box - predominantly in the continued development of the In-field Tester and customising it for use in other countries, and other customers; as well as developing for continued improvements in video transmission technology – e.g. the move towards 4K transmission. These activities are carried out in Glenrothes.
- Software – predominantly in the Blancco business and the continued development of the range of products to accommodate newer device types, and new software operating platforms. We launched a new mobile erasure product during the period and also re-launched the latest version of the Blancco desktop erasure software called Blancco 5.0.

Pictured:
The 'Oktra system': part of the Set Top Box diagnostic development in Glenrothes

Other movements of £0.4 million (H1 2014: £2.9 million) represent changes in the value of overseas cash held on deposit when translated back into Sterling at the exchange rates prevailing at the end of the period.

Net cash comprised gross debt of £nil (H2 2014: £0.2 million and H1 2014: £18.1 million) and cash and cash equivalents of £12.1 million (H2 2014: £20.8 million and H1 2014: £4.3 million).

Group Financial Review continued

Merger and Acquisition activity

The Group has continued actively pursuing M&A opportunities. Most recently these have been predominantly within the Software and Advanced Solutions business.

Acquisition of SafeIT

On 2 September 2014 the Group completed the acquisition of 100% of the issued share capital of SafeIT Security Sweden AB ("SafeIT") for a consideration of €1.8 million (£1.4 million).

SafeIT, a company headquartered in Stockholm, Sweden, is the world's leading provider of technology for managed data erasure in live storage environments. Marketed and sold via Blancco, a Regenersis subsidiary, SafeIT's live environment data erasure solutions ensure irrevocable erasure of data on file, logical and virtual levels in all leading storage environments. SafeIT is a technology and development partner of VMware, Microsoft, IBM and HP. Blancco and SafeIT products have been used together for the past ten years by organisations around the world as a central element of their data retention practices and data security policies to ensure complete data destruction with legally auditable reporting.

Investment in Xcaliber

On 25 July 2014 the Group completed the additional acquisition of 34% of the issued share capital of Xcaliber Technologies LLC ("Xcaliber") for a consideration of $3.3 million (£1.9 million) bringing the Group's share to 49%.

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

Acquisition of non-controlling interest in Blancco Sweden and Blancco US

On 2 September 2014, the Group acquired the remaining 25% of the share capital of Blancco Sweden SFO which it did not already own for an initial cost of SEK 2.8 million (£0.2 million). The acquisition also includes an earn-out for the period to March 2016 and March 2017 based upon some growth metrics above a pre-agreed target revenue. The estimated cash outflow at the time of settlement is difficult to predict but has been estimated at £1.8 million.

On 30 September, the Group acquired the remaining 40% of the share capital of Blancco US LLC which it did not already own for a cost of $1.2 million (£0.7 million). There is no earn-out.

Exceptional acquisition and restructuring costs

Acquisition costs amounted to £1.3 million (H1 2014: £1.2 million and H2 2014: £3.8 million) with the most significant costs relating to the acquisition of SafeIT and the additional investments in Xcaliber and Blancco sales offices. These have reduced in line with the reduced M&A activity.

Exceptional restructuring costs amounted to £0.4 million (H1 2014: £nil and H2 2014: £4.4 million) and relate to finalisation of the restructuring activities carried out in the second half of the previous financial year.

Amortisation of internally generated intangible assets

Included within Headline Operating Profit are charges of £0.4 million (H1 2014: £0.4 million) for the amortisation of internally generated intangible assets. The Group's policy is to amortise internally capitalised costs over their useful economics lives, generally between three and five years. During the period, internal development costs that were capitalised amounted to £1.3 million. The amount capitalised is greater than the amortisation charge for the period due to the increased investment in development activities over the last 2 years relative to the years preceding that.

Amortisation of acquired intangible assets

Other costs excluded from Headline Operating Profit are the amortisation of acquired intangible assets amounting to £1.1 million (H1 2014: £0.1 million), the increase being due to the amortisation of the new intangibles acquired with the Blancco Group in April 2014.

Share based payments

Share based payments amounting to £0.6 million (H1 2014: £0.2 million) were also excluded from Headline Operating Profit. These increased in the year due to the new share option schemes which commenced during H2 2014, details of which are disclosed in the annual report for the year ended 30 June 2014.

Net financing income

Net financing income was £1.2 million (H1 2014: £1.3 million net charge). A net income has arisen in the period from a reduction in the estimated pay out of the HDM deferred consideration, which reduced from £4.1 million to £1.9 million.

Total finance costs in the period were £1.1 million (H1 2014: £1.3 million). In the current period the Group has made some limited use of invoice and asset financing facilities for which the charges incurred were £0.2 million (H1 2014: £nil).

Taxation

The total tax credit was £0.8 million (H1 2014: £0.2 million charge). This is due to the reassessment of deferred tax provisions on brought forward tax losses.

Earnings per share

Adjusted earnings per share was 7.56p (H1 2014: 7.64p), a decrease of 1.0%. Under constant currency, adjusted EPS grew by 9.7%. It is noted that the excess funds raised from the Placing of 28,986,000 new ordinary shares on 17 April 2014, have not been fully utilised yet.

Basic EPS increased by 98.3% to 5.87p (H1 2014: 2.96p). Under constant currency, basic EPS grew by 107.4%. The increase is due to a one off non-cash benefit due to a reassessment of the deferred consideration as outlined in note 4 in the Notes to the Interim Report.

Subsequent events

Legal entity rationalisation

As part of a rationalisation of the legal entity structure of the Group, during April 2015 the Group is expected to complete the disposal of its 100% interest in Regenersis Recommerce Limited and Regenersis Sweden AB. The Regenersis Recommerce Limited, and Regenersis Sweden AB legal entities were no longer needed since the Recommerce activities ceased in June 2014.

EBT share buy back

On 15 and 16 January 2015, following a recommendation by the Company and with the intention that they could be used to satisfy employee share option awards in the future, the Employee Benefit Trust purchased a total of 1,000,000 Shares, by way of the purchase of:-

- 800,000 Shares, at an average price of 230.8 pence per Share and at a total price of £1.8 million, on 15 January 2015; and
- 200,000 shares, at an average price of 241.5 pence per Share and at a total price of £0.5 million, on 16 January 2015.

Having completed the purchasing of the shares, the EBT now holds 1,827,831 shares.

Further details of these events are shown in note 15 in the Notes to the Interim Report.

Jog Dhody
Chief Financial Officer

Condensed Consolidated Income Statement

for the six months ended 31 December 2014

	Note	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Group revenue	2	**101,938**	**99,701**	**197,482**
Headline operating profit	2	**6,012**	**4,554**	**10,965**
Acquisition costs	6	(1,300)	(1,205)	(5,044)
Exceptional restructuring costs	7	(415)	—	(4,351)
Amortisation of acquired intangible assets		(1,091)	(140)	(589)
Share-based payments		(586)	(241)	(658)
Group operating profit		**2,620**	**2,968**	**323**
Share of results of associates and jointly controlled entities		(289)	(165)	(100)
Profit on disposal of jointly controlled entity		—	99	240
Operating Profit		**2,331**	**2,902**	**463**
Revaluation of contingent consideration		2,244	—	4,695
Other finance income		54	24	86
Finance income		2,298	24	4,781
Unwinding of contingent consideration		(447)	(851)	(1,063)
Other finance costs		(680)	(471)	(1,311)
Finance costs		(1,127)	(1,322)	(2,374)
Profit before tax		**3,502**	**1,604**	**2,870**
Taxation	3	779	(176)	381
Profit for the period	5	**4,281**	**1,428**	**3,251**
Attributable to:				
Equity holders of the Company		4,588	1,428	2,975
Non-controlling interest		(307)	—	276
Profit for the period		**4,281**	**1,428**	**3,251**
Earnings per share				
Basic	4	5.87p	2.96p	5.45p
Diluted	4	5.87p	2.94p	5.41p

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2014

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Profit for the period	4,281	1,428	3,251
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Exchange differences arising on translation of foreign entities	(1,857)	(526)	(3,403)
Total comprehensive income/(expense) for the period	**2,424**	**902**	**(152)**
Attributable to:			
Equity holders of the Company	2,731	902	(428)
Non-controlling interests	(307)	—	276
Total comprehensive income/(expense) for the period	**2,424**	**902**	**(152)**

Condensed Consolidated Balance Sheet

as at 31 December 2014

	Note	31 December 2014 (unaudited) £'000	31 December 2013 (unaudited) £'000	30 June 2014 (audited) £'000
Assets				
Non-current assets				
Goodwill		83,147	55,172	81,791
Other intangible assets		28,734	5,030	28,479
Investments in jointly controlled entities and associates		2,303	664	10
Other investments		75	—	745
Property, plant and equipment		5,697	4,645	5,341
Deferred tax		2,215	4,687	1,182
		122,171	**70,198**	**117,548**
Current assets				
Inventory		9,951	10,209	10,137
Trade and other receivables		38,643	28,633	37,742
Cash	8	12,060	4,345	20,795
		60,654	**43,187**	**68,674**
Total assets		**182,825**	**113,385**	**186,222**
Current liabilities				
Trade and other payables		(42,779)	(35,288)	(44,330)
Current tax liability		(2,159)	(70)	(1,476)
Provisions		(634)	(698)	(792)
		(45,572)	**(36,056)**	**(46,598)**
Non-current liabilities				
Borrowings		—	(18,127)	(194)
Contingent consideration	13	(5,906)	(17,416)	(6,358)
Provisions		(2,323)	(2,606)	(2,659)
		(8,229)	(38,149)	(9,211)
Total liabilities		**(53,801)**	(74,205)	(55,809)
Net assets		**129,024**	**39,180**	**130,413**
Equity				
Ordinary share capital	14	1,581	994	1,581
Share premium	14	51,737	26,592	121,737
Merger reserve		4,034	3,088	4,034
Translation reserve		(5,186)	(452)	(3,329)
Retained earnings		76,554	8,958	5,820
Total equity attributable to equity holders of the Company		**128,720**	**39,180**	**129,843**
Non-controlling interest reserve		304	—	570
Total equity		**129,024**	**39,180**	**130,413**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2014

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Balance at the start of the period	**130,413**	**39,398**	**39,398**
Total comprehensive income for the period	2,424	902	(152)
Equity settled share-based payments	586	(236)	(4,275)
Acquisition of non-controlling interest without a change in control	(2,281)	—	—
Issue of share capital	—	—	96,678
Dividends paid	(2,118)	(884)	(1,530)
Non-controlling interest reserve created on acquisition of part owned subsidiary	—	—	294
Balance at the end of the period	**129,024**	**39,180**	**130,413**

Consolidated Cash Flow Statement

for the six months ended 31 December 2014

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Profit for the period	**4,281**	**1,428**	**3,251**
Adjustments for:			
Net finance (income)/charges	(1,171)	1,298	(2,407)
Tax (credit)/expense	(779)	176	(381)
Depreciation on property, plant and equipment	1,206	943	1,619
Amortisation of intangible assets	1,036	677	1,563
Impairment of intangible assets	—	—	5
Amortisation of acquired intangible assets	1,091	140	589
Share of losses of joint ventures and associates	289	165	100
Profit on disposal of JV	—	(99)	(240)
Gain on disposal of property, plant and equipment	(1)	(7)	(5)
Share-based payments expense	586	241	658
Operating cash flow before movement in working capital	**6,538**	**4,962**	**4,752**
Acquisition costs	1,300	1,205	5,044
Exceptional restructuring costs	415	—	4,351
Operating cash flow before movement in working capital and exceptional and acquisition costs	**8,253**	**6,167**	**14,147**
Increase/(decrease) in inventories	204	(2,321)	(2,725)
Increase in receivables	(1,016)	(3,131)	(9,227)
(Decrease)/increase in payables and accruals	(2,440)	1,130	4,025
Decrease in provisions	(294)	—	(1,049)
Cash generated from/(used in) operations	**2,992**	**640**	**(4,224)**
Acquisition costs payments	775	1,405	4,679
Exceptional restructuring payments	441	649	4,024
Headline operating cash flow	**4,208**	**2,694**	**4,479**
Interest received	289	24	86
Interest paid	(318)	(628)	(792)
Tax paid	(428)	(362)	(816)
Net cash inflow/(outflow) from operating activities	**2,535**	**(326)**	**(5,746)**

Cash flows from investing activities	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Purchase of property, plant and equipment	(1,648)	(1,292)	(2,814)
Purchase and development of intangible assets	(2,340)	(918)	(3,874)
Proceeds from sale of property, plant and equipment	8	7	231
Acquisition of investment in an associate	(1,912)	(750)	(745)
Acquisition of subsidiaries, net of cash acquired	(2,187)	(5,090)	(50,484)
Net cash used in investing activities	**(8,079)**	**(8,043)**	**(57,686)**
Cash flows from financing activities			
Proceeds from issue of share capital (net)	—	—	95,732
Dividends paid	(2,118)	(884)	(1,530)
Payment on vesting of share options	—	—	(4,924)
(Repayment)/drawdown of borrowings	(655)	11,985	(6,724)
Net cash (outflow)/inflow from financing activities	**(2,773)**	**11,101**	**82,554**
Net (decrease)/increase in cash and cash equivalents	**(8,317)**	**2,732**	**19,122**
Other non-cash movements – exchange rate changes	(418)	(2,906)	(2,846)
Cash and cash equivalents at the beginning of period	20,795	4,519	4,519
Cash and cash equivalents at end of period	**12,060**	**4,345**	**20,795**
Bank borrowings	—	(18,127)	(194)
Net cash/(debt)	**12,060**	**(13,782)**	**20,601**

Notes to the Interim Report

for the six months ended 31 December 2014

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 2015. 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 2014. 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 2014 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2014. Financial information for the year ended 30 June 2014 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 2014 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 17 March 2015.

2. Segmental reporting

As outlined in the Group Financial Review, the Group's management structure is reported in two distinct Divisions:

- The Depot Solutions Division which used to consist of the Emerging Markets segment and the Western Europe segment is now reported as one Division. The Division operates client oriented electronic repair and refurbishment. It includes the operations in UK (excluding Glenrothes), Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, India, Portugal (new from January 2014), Russia (acquired in January 2014), USA (new from April 2014), and Czech Republic (new from June 2014).
- The Software and Advanced Solutions Division focuses on development and delivery of innovative solutions, and includes:
  - The Set Top Box activities in Glenrothes;
  - The Set Top Box Diagnostics business ("IFT") which started in 2011 – including the In-field Tester business in the UK and other remote diagnostics capabilities covering other countries including the USA, South Africa and Belgium;
  - The Digital Care Insurance business which started in 2013, with activities principally in Poland; and
  - From April 2014 the newly acquired Blancco business – providing data erasure software to recycling customers and global corporate customers around the world.

2. Segmental reporting continued

Revenue from external customers	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Total Depot Solutions	79,549	85,013	151,641
Less: share of jointly controlled entity	—	(1,136)	(446)
Depot Solutions	**79,549**	**83,877**	**151,195**
Total Software and Advanced Solutions	22,389	15,824	46,287
Less: share of jointly controlled entity	—	—	—
Software and Advanced Solutions	**22,389**	**15,824**	**46,287**
Total	**101,938**	**99,701**	**197,482**
Headline segmental operating profit			
Depot Solutions	4,077	4,177	8,112
Software and Advanced Solutions	4,508	2,550	7,453
Headline operating profit before corporate costs	**8,585**	**6,727**	**15,565**
Corporate costs	(2,573)	(2,173)	(4,600)
Headline operating profit	**6,012**	**4,554**	**10,965**
Exceptional Restructuring Costs	(415)	—	(4,351)
Acquisition costs	(1,300)	(1,205)	(5,044)
Amortisation of acquired intangible assets	(1,091)	(140)	(589)
Share-based payments	(586)	(241)	(658)
Group operating profit	**2,620**	**2,968**	**323**
Share of results of jointly controlled entity	(289)	(165)	(100)
Profit on disposal of jointly controlled entity	—	99	240
Operating profit	**2,331**	**2,902**	**463**
Finance income	54	24	86
Revaluation of contingent consideration	2,244	—	4,695
Unwinding of contingent consideration	(447)	(851)	(1,063)
Other finance expense	(680)	(471)	(1,311)
Net finance income/(expense)	1,171	(1,298)	2,407
Profit before tax	**3,502**	**1,604**	**2,870**

3. Taxation

The tax charge for the six months to 31 December 2014 is based on the estimated tax rate for the full year in each jurisdiction.

In the current period there was a net tax credit due to the reassessment of deferred tax provisions on brought forward tax losses.

Notes to the Interim Report continued

for the six months ended 31 December 2014

4. Earnings per share (EPS)

Adjusted earnings per share was 7.56p (H1 2014: 7.64p), a decrease of 1.0%. Under constant currency, adjusted EPS grew by 9.7%. It is noted that the excess funds raised from the Placing of 28,986,000 new ordinary shares on 17 April 2014, have not yet been fully utilised.

Basic EPS increased by 98.3% to 5.87p (H1 2014: 2.96p). Under constant currency, basic EPS grew by 107.4%. The increase is due to a one off non-cash benefit due to a reassessment of the deferred consideration.

	6 months ended 31 December 2014 (unaudited) Pence	6 months ended 31 December 2013 (unaudited) Pence	Year ended 30 June 2014 (audited) Pence
EPS Summary			
Basic earnings per share	5.87	2.96	5.45
Diluted earnings per share	5.87	2.94	5.41
Adjusted earnings per share	7.56	7.64	16.16
Diluted adjusted earnings per share	7.56	7.59	16.06

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Profit for the period	**4,281**	**1,428**	**3,251**
Loss/(profit) attributable to non-controlling interests	**307**	**—**	**(276)**
Profit attributable to equity holders of the Company	**4,588**	**1,428**	**2,975**
Reconciliation to adjusted profit:			
Unwinding of discount on contingent consideration	447	851	1,063
Acquisition costs	1,300	1,205	5,044
Amortisation of acquired intangible assets	1,091	140	589
Amortisation of bank fees	124	99	495
Share-based payments	586	241	658
Exceptional restructuring costs	415	—	4,351
Disposal of jointly controlled entity	—	(99)	(240)
Adjustment to fair value of contingent consideration	(2,244)	—	(4,695)
Tax impact of above adjustments	(400)	(175)	(1,418)
Adjusted profit for the period	**5,907**	**3,690**	**8,822**

4. Earnings per share (EPS) continued

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Number of shares	**'000s**	**'000s**	**'000s**
Weighted average number of shares used to calculate earnings per share			
—Basic	78,171	48,296	54,584
—Diluted	78,171	48,661	54,943

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Depreciation of property, plant and equipment – owned	1,206	943	1,619
Profit on disposal of property, plant and equipment	(1)	(7)	(5)
Amortisation of intangible assets	2,127	817	2,152
Cost of inventories recognised as an expense	49,741	52,857	100,406
Staff costs	32,379	28,313	59,142
Net foreign exchange losses	131	145	241

6. Acquisition costs

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Acquisition costs, aborted deal costs and other M&A related costs	1,300	1,205	5,044

Acquisition costs relate to the M&A activity within the year, with the most significant costs relating to the acquisition of SafeIT and the additional investments in Xcaliber and Blancco sales offices.

Notes to the Interim Report continued

for the six months ended 31 December 2014

7. Exceptional restructuring costs

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Redundancies and restructuring	415	—	3,610
Onerous lease and dilapidation provision	–	—	741
	415	—	**4,351**

Exceptional redundancy and restructuring costs relate to the finalisation of the restructuring activities that were carried out and completed in the previous financial year.

8. Net cash

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Cash	12,060	4,345	20,795
Bank borrowings	—	(18,127)	(194)
Net cash/(debt)	**12,060**	**(13,782)**	**20,601**

The total facility available to the Group is £39 million (30 June 2014: £39 million; 31 December 2013: £39 million). The facility expires on 31 October 2016, and all banking covenants are well covered.

9. Acquisition of SafeIT

On 2 September 2014 the Group completed the acquisition of 100% of the issued share capital of SafeIT Security Sweden AB for a consideration of €1.8 million (£1.4 million), which was funded through the Group's cash reserves.

In the four months to 31 December 2014, this acquisition has contributed total revenue of £21,000, Headline Operating Profit of £20,000, and operating profit of £19,000.

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 2014 would have been £32,000, the benefit to consolidated Headline Operating Profit would have been £31,000, and the benefit to consolidated operating profit would have been £29,000.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 July 2014.

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

	Book Value £'000	Fair Value adjustments and IFRS alignment £'000	Fair Value £'000
Intangible assets arising on consolidation	—	197	197
Property, plant and equipment	3	(3)	—
Deferred tax	(11)	18	7
Cash	153	—	153
Trade and other receivables	29	(27)	2
Trade and other payables	(55)	(310)	(365)
Net assets acquired	**119**	**(125)**	**(6)**
Goodwill			1,410
Total consideration			**1,404**

Satisfied by:	
Cash paid in H1 2015	1,404
Total consideration	**1,404**

Notes to the Interim Report continued

for the six months ended 31 December 2014

10. Acquisition of Blancco

During the previous financial year, the Group completed the acquisition of 100% of the issued share capital of Blancco Oy Limited and controlling stakes in its major sales office (together comprising "Blancco").

During the period, and in accordance with IFRS 3, "Business Combinations", management has revisited the fair value adjustments provisionally estimated at the time of acquisition and which were reflected in the latest audited annual financial statements for the year ended 30 June 2014.

The book value and revised 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 arising on consolidation	—	—	22,120	22,120
Goodwill recognised in subsidiaries' books	1,899	(1,899)	—	—
Property, plant and equipment	69	—	(27)	42
Investments in associates	134	(21)	(103)	10
Cash	3,205	—	—	3,205
External borrowings	(142)	—	—	(142)
Inventory	57	—	(57)	—
Trade and other receivables	2,480	(395)	(145)	1,940
Trade and other payables	(1,294)	(2,211)	(2,423)	(5,928)
Deferred tax	(147)	—	(3,227)	(3,374)
Total net assets	**6,261**	**(4,526)**	**16,138**	**17,873**
Net assets attributable to non-controlling interests				(294)
Net assets acquired				**17,579**
Goodwill				31,931
Total consideration				**49,510**

Satisfied by:	
Cash	48,558
Equity instruments issued	952
Total consideration	**49,510**

Under IFRS 3 "Business Combinations" separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to product development valued at £11,872,000, customer contracts and relationships valued at £7,360,000 and the Blancco brand name, valued at £2,888,000. The intangible assets were valued by an external valuer, Global View Advisors.

11. Acquisition of non-controlling interests in Blancco

On 2 September 2014, the Group acquired the remaining 25% of the share capital of Blancco Sweden SFO which it did not already own for an initial cost of SEK 2.8 million (£0.2 million). The acquisition also includes an earn-out for the period to March 2016 and March 2017 based upon some growth metrics above a pre-agreed target revenue. The estimated cash outflow at the time of settlement is difficult to predict but has been estimated as £1.8 million. A deferred liability of £1.3 million has been established which represents the fair value at the acquisition date, using a discount rate of 13.1%. At 31 December 2014, the deferred liability had increased to £1.4 million. The earn-out is payable partly in Euros and partly in Swedish Krone.

On 30 September, the Group acquired the remaining 40% of the share capital of Blancco US LLC which it did not already own for a cost of $1.2 million (£0.7 million). There is no earn-out.

The buy outs of non-controlling interests do not require a fair value assessment as both companies were already under control of the Group when the initial Blancco acquisition was completed on 16 April 2014. The fair value assessment performed for the Blancco Group can be found in note 10.

In accordance with IFRS 10, "Consolidated Financial Statements", the purchase prices for each acquisition have been taken directly to the P&L reserve, in addition to the non-controlling interest in the balance sheet attributable to Blancco Sweden SFO and Blancco US LLC as at the respective acquisition dates.

12. Investment in Xcaliber

On 25 July 2014 the Group completed the acquisition of an additional 34% of the issued share capital of Xcaliber Technologies LLC for a consideration of $3.3 million (£1.9 million) bringing the Group's share to 49%.

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

The consideration of $3.3 million (£1.9 million) cash was funded through the Group's cash reserves.

13. Contingent consideration

	Digicomp £'000	HDM £'000	Blancco Sweden £'000	Total £'000
At 1 July 2014	**2,425**	**3,933**	**—**	**6,358**
Created on acquisition	—	—	1,345	1,345
Unwinding of discount factor on contingent consideration	192	211	44	447
Revaluation of contingent consideration	—	(2,244)	—	(2,244)
At 31 December 2014	**2,617**	**1,900**	**1,389**	**5,906**

13. Contingent consideration continued

The HDM contingent consideration is payable in September 2015 based on the EBIT in the year to 30 June 2015. The amount payable varies depending on reaching certain thresholds of EBIT for the period. As at 31 December 2014, the EBIT forecast for the year ending 30 June 2015 was reviewed and the earn-out recalculated based on the current earnings projection. As a result, the fair value of the contingent consideration assessed at 31 December 2014 fell from £4.1 million to £1.9 million and the resulting movement of £2.2 million is shown in the Consolidated Income Statement.

14. Called up share capital

Allotted, called up and fully paid shares	6 months ended 31 December 2014 (unaudited)	6 months ended 31 December 2013 (unaudited)	Year ended 30 June 2014 (audited)
Number of shares ('000)	79,023	49,715	79,023
Ordinary shares of 2p (£'000)	1,581	994	1,581

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 17 April 2014, the Group raised £100 million (before expenses of £4.3 million) through a Placing of 28,986,000 new ordinary shares at a price of 345 pence per share.

Additional share capital was issued in a smaller placing, and as part of the consideration for the acquisition of Blancco, both during H2 2014.

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.

On 19 December 2014, the High Court approved the special resolution to reduce the Company's share premium account by £70,000,000. As a result, a transfer from the share premium account to the retained earnings reserve for this value has taken place during the period. The total equity of the Group was not impacted by this transaction.

15. Subsequent events

Legal entity rationalisation

As part of a rationalisation of the legal entity structure of the Group, during April 2015 the Group is expected to complete the disposal of its 100% interest in Regenersis Recommerce Limited and Regenersis Sweden AB. The Regenersis Recommerce Limited, and Regenersis Sweden AB legal entities were no longer needed since the Recommerce activities ceased in June 2014.

EBT share buy back

The Regenersis Employee Benefit Trust ("EBT"), which was established on 21 June 2007, is independently operated by the Trustees of the EBT, Regenersis Trustees Limited. At appropriate times, the Remuneration Committee of the Group makes recommendations to the Trustees to purchase, sell or transfer shares in the Regenersis Plc in order to satisfy awards made to Directors and employees of the Regenersis Group under the Group's various historic and current employee share schemes. Full details of the schemes in operation as at 30 June 2014 were disclosed in the Company's annual report for the year ended on that date.

On 15 and 16 January 2015, following a recommendation by the Company and with the intention that they could be used to satisfy employee share option awards in the future, the EBT purchased a total of 1,000,000 Shares, by way of the purchase of:-

- 800,000 Shares, at an average price of 230.8 pence per Share and at a total price of £1.8 million, on 15 January 2015; and
- 200,000 shares, at an average price of 241.5 pence per Share and at a total price of £0.5 million, on 16 January 2015.

Having completed the above share purchases, the EBT now holds 1,827,831 shares.

The figure of 79,022,599 ordinary shares should therefore continue to be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of Regenersis under the FSA's Disclosure and Transparency Regime.

The figure of 77,194,768 ordinary shares may therefore be used by Shareholders in the basic EPS calculations.

16. Foreign Currency

One of the risks that the Group faces in doing business in overseas markets is currency fluctuations.

The continued strength of Sterling has resulted in ongoing pressure (on translation of foreign earnings into Sterling) in the first half of the financial year and this is expected to continue in the second half of the financial year.

The Group's hedging policy is the responsibility of the Board.

In order to manage the Group's currency fluctuations, the CFO conducts a quarterly review of the Group's currency hedging activities and a formal recommendation for any changes is made to the Board every half year.

16. Foreign Currency continued

The Group undertakes a limited number of forward contracts for some payments and receipts, where the amounts are large, are not denominated in the local country's functional currency, where the timing is known in advance, and where the amount can be predicted with certainty. In addition the Group undertakes natural hedges by structuring and paying future earn-outs on acquisitions in the target company's local currency.

The Group has a good mix of business across 21 different territories and this does provide some degree of smoothing of currency movements in any one country through a portfolio effect. The cash and loan balances held in different currencies provide a natural hedge.

No other hedging activities are undertaken in respect of tangible and intangible fixed assets, working capital (such as stock, debtors, or creditors), or other balance sheet items, as these are generally small in nature in any one individual country.

Neither does the Group undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, as the earnings cannot be assessed with a sufficiently high degree of accuracy in terms of precise timings and amounts.

The main currencies in which the Group's overseas subsidiaries transact are the Euro and the Polish Zloty (which together represent approximately 50% of the Group's revenue), and a basket of other Emerging Markets currencies (which together represent approximately 40% of the Group's revenue).

The Euro and the Polish Zloty have shown a considerable weakening compared to the value of the Sterling over the current and prior period, depreciating by 10.4% and 12.2% respectively over the previous 18 months. The other currencies in which the Group transacts have depreciated by 9.1% on average.

The Group has incurred foreign exchange cash losses of £0.1 million from individual subsidiaries transacting in foreign currencies (recorded through the Consolidated Income Statement) and has incurred a non cash loss of £1.9 million when translating the net assets of overseas subsidiaries from their reporting currencies into Sterling (recorded through the Consolidated Statement of Other Comprehensive Income).

17. Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and businesses of Regenersis plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend 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.

18. Copies of the interim report

Further copies of the interim report are available from the registered office, 190 High Street, Tonbridge, Kent, TN9 1BE, or on the Company's website – www.regenersis.com

Glossary

Adjusted Earnings Per Share: Basic earnings per share excluding amortisation or impairment of acquired intangible assets, amortisation of bank fees, exceptional restructuring costs, acquisition costs, share based payments, losses on disposal of investments and jointly controlled entities, unwinding of the discounted contingent consideration, adjustments to estimates of contingent consideration, and tax impacts of the above. 'Adjusted earnings per share' is the key earnings per share measure used by the Board.

Asset Financing: A mechanism for borrowing cash against stock from lenders, typically banking institutions.

Basic Earnings Per Share: Profit after tax attributable to the equity holders of the Company, stated per share.

Capital Expenditure: Expenditure on property, plant and equipment, intangible assets and capitalised R&D.

Contingent Consideration: A future cash payment for vendors of acquired companies, contingent on that company's performance in a pre-determined period after acquisition. This is recorded within the balance sheet and reassessed at each reporting period.

Corporate Costs: Costs incurred centrally for the benefit of the Group as a whole and which cannot be allocated to specific Divisions or subsidiaries.

Depot Solutions (Division): This Division operates client oriented electronic repair and refurbishment around the world, and is one of the leading global operators in this field. This includes locations in UK (excluding Glenrothes), Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, India, Portugal (new from January 2014), Russia (acquired in January 2014), USA (new from April 2014), and Czech Republic (new from June 2014).

Digital Care: Part of the Software and Advanced Solutions Division which operates in the mobile phone insurance market.

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.

Earn-out: See 'Contingent Consideration'.

ERP: 'Enterprise Resource Planning'. This is in relation to the Group's IT systems for managing operations.

Forward Contracts (currency hedging): A mechanism for fixing the future exchange rates for known and committed cash flows in order to mitigate the exposure of the Group to movements on exchange rates for these cash flows.

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

Headline Cash Conversion: Headline Operating Cash Flow stated as a percentage of Headline Operating Profit.

Glossary continued

Headline Operating Cash Flow: Operating cash flow excluding taxation, interest payments and receipts, acquisition costs, and exceptional restructuring costs. 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 restructuring costs, share based payments, share of results of associates and jointly controlled entities and profits/losses on disposal 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.

Invoice Financing: A mechanism for borrowing cash against trade debtors from lenders, typically banking institutions.

Live Environment (data erasure): Data erasure within active computer applications, including servers and networks of computers. The main application is for data that has expired on systems or where unnecessary duplication of data exists, and to provide selective erasure of that data.

M&A: Mergers and acquisitions. This is the Group's activity in acquisitions of other companies, both to full and part ownership.

Net Cash/Debt: Cash stated after offsetting gross debt against cash reserves.

Non-controlling interest: Regenersis does not fully own some of its subsidiaries, and for those in which the ownership is shared, the other party is the 'non-controlling interest'. This is relevant for all subsidiaries in which Regenersis owns (directly or indirectly) between 50% and 99% of the share capital; in the current and prior period these are only some Blancco sales offices. At the end of each reporting period, the Group must allocate the non-controlling interest its share of profits and net assets in the subsidiary in which ownership is shared, which are recorded through the Consolidated Income Statement and Consolidated Balance Sheet respectively.

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. This matrix of geographies and products is important, firstly, because it is how the Group leverages and builds on its strengths, assets and relationships and, secondly, it is how the Group translates its strategy for growth into action on the ground.

Patent Box: A tax scheme whereby profits earned from patented technology are taxed at a lower rate than normal corporation tax.

Placing: The issue of additional share capital in Regenersis PLC, specifically with reference to the share issue on 16 April 2014.

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

Recommerce: The business offered client led refurbishment, repair and onward disposition of devices.

Software and Advanced Solutions (Division): The Division focuses on development and delivery of innovative solutions, and includes:

- The Set Top Box activities in Glenrothes;
- The Set Top Box Diagnostics business ("IFT") which started in 2011 – including the In-field Tester business in the UK and other remote diagnostics capabilities covering other countries including the USA, South Africa and Belgium;
- The Digital Care Insurance business which started in 2013, with activities principally in Poland;
- From April 2014 the newly acquired Blancco business – providing data erasure software to recycling customers and corporate customers globally.

Subscription (revenue steam – Blancco): Contracts with customers which are for a fixed term, typically one to three years.

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.

Shareholder Notes

Shareholder Notes

Shareholder Notes

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