

Half Yearly Report

for the Six Months ended 31 December 2015 Stock Code: RGS

Supporting The Life Cycle Of Technology

WHO WE ARE

REGENERSIS IS A GLOBAL PROVIDER OF DIAGNOSTICS, REPAIR AND DATA ERASURE SERVICES TO THE CONSUMER ELECTRONICS INDUSTRY. WE HELP OUR CLIENTS AND THEIR CUSTOMERS SUCCESSFULLY DEPLOY, PROTECT, MAINTAIN, AND RETIRE TECHNOLOGY.

We operate client-oriented electronic repair and refurbishment facilities around the world, being one of the leading operators in this field.

We help our clients' customers test, diagnose, repair and repurpose IT devices with the most proven and certified software. Our clientele consists of equipment manufacturers, mobile network operators, retailers, financial institutions, healthcare providers and government organisations worldwide.

We provide thousands of organisations with an absolute line of defence against costly security breaches, as well as verification of regulatory compliance through a 100% tamper-proof audit trail. Xcaliber Technologies, a division of Blancco Technology Group, is a global innovator in mobile device diagnostics. SmartChk is a multi-channel solution that enables consistent, accurate and measurable diagnostics of smartphones and tablets in all stages of customer care and the reverse supply chain.









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Half Yearly Results for Continuing Group



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EXECUTIVE CHAIRMAN'S STATEMENT



"Blancco has again demonstrated its ability to grow sales at a rapid pace while maintaining strong profit margins and cash flow, testament to the efforts of the Blancco team, and the value of holding a unique competitive position in an exciting growth sector. In the coming weeks, I look forward to completing the Group's transformation into a very exciting software opportunity, unique in the UK publicly quoted market."

Matthew Peacock Executive Chairman

I am pleased to report Regenersis' half yearly results for the six-month period to 31 December 2015.

Group focus over H1 2016 has been on establishing the Group as a pure-play software business focused on Blancco – the global market leader in data erasure software.

Blancco has identified a \$2 billion market opportunity in end-of-life device erasure in the Enterprise and Public Sectors. Blancco is monetising this market for the first time, replacing a patchwork of approaches to data sanitisation characterised by incomplete coverage of devices, ineffective erasure methods, lack of measurement and auditability, standalone systems and workflows, and frequent physical destruction of valuable assets.

Additionally, we believe that Blancco has a large, as yet unquantified, Live Environment Erasure ("LEE") market opportunity. Blancco's historic focus has been on the total erasure of devices at the end of their enterprise life, whereas LEE delivers selective erasure of data residing in virtualised storage environments and clouds. LEE supports recurring processes such as sanitisation of cloud storage space between different users or clients, or implementing the 'destroy' step of an enterprise data lifecycle management policy.

In both areas, our growth is driven by a rising tide of security awareness and data protection legislation.

In the last year Blancco has strengthened our leading position in the data erasure industry in three important ways. Firstly, we built our presence in the heartland of the IT industry, the US, with the relocation of our headquarters to Atlanta and with the acquisition and integration of the US market leader, Tabernus. Scale in this geography is critical for us in terms of access to customers and partners in the broader IT sector. Secondly, we enhanced our technology leadership with awards of industry-first patents for SSD (solid state drive) erasure, and with the successful launch of our integrated Mobile erasure-and-diagnostics solution incorporating Xcaliber technology. Finally, we saw very rapid growth in sales of our unique Live Environment Erasure products.

Results

As announced on 5 February 2016, Regenersis has agreed to sell its Repair Services business to CTDI Repair Services Limited for a cash consideration of €103.5 million. In order to maximise shareholder value, the Group has also decided to market separately its Digital Care business to other interested purchasers. These businesses are both reported under discontinued operations.

The continuing businesses of the Group include Blancco (data erasure) plus the Group's 49% minority stake in Xcaliber Technologies (mobile diagnostics), which is not consolidated below.

Consolidated revenue for the continuing businesses of the Group in the period was £9.9 million (H1 2015: £6.8 million). Headline Operating Profit before corporate costs was £3.5 million (H1 2015: £1.9 million). After corporate costs, Headline Operating Profit was £2.7 million (H1 2015: £1.3 million). Adjusted earnings per share were 2.43p (H1 2015: 0.63p). Further details of these results are contained in the Group Financial Review.

In the half-year period just ended, the Group had PLC corporate operating costs, excluding exceptional costs, of £2.6 million. These costs are incurred at PLC level and arise from the requirement to maintain an AIM listing and central management functions. Following the Repair Services and Digital Care disposals, these functions will reduce and the ongoing central cost base is expected to be approximately £0.75 million per half year, or £1.5 million per annum.

Trading

Revenue

Blancco's revenue increased by 46% to £9.9 million (H1 2015: £6.8 million). On a constant currency basis, revenue increased by 51%, with the majority of revenue generated in currencies depreciating versus Sterling in the period.

As noted at the time, both Revenue and Headline Operating Profit in H1 2015 were suppressed by the impact of transition to IFRS accounting for subscription sales. Underlying trends in business generation are shown below under Invoiced Sales.



Gross profit margin

Blancco's gross profit margin was 89% (H1 2015: 91%). The slight reduction was driven primarily by white-label sales of Xcaliber smartphone diagnostic technology as part of Blancco's integrated mobile erasure-and-diagnostics solution, with an associated cost of goods sold.

Headline Operating Profit ("HOP")

Blancco divisional HOP was £3.5 million (H1 2015: £1.9 million), an increase of 84%. Blancco's HOP margin expanded to 35.4% (H1 2015: 27.9%). These increases were largely driven by operating leverage, with a high fraction of incremental sales dropping through to the HOP line.

Blancco has continued to invest in its organisation and operations, in particular with several senior management appointments since H1 2015 to drive further sustainable growth. Blancco's overhead (sales, general and administration) costs were £5.3 million (H1 2015: £4.3 million), an increase of 23%. Continued expansion of the Blancco organisation is planned over the next 12 months across the full range of business functions.

Cash flow

Headline Operating Cash Flow for continuing operations was ± 3.2 million (H1 2015: ± 4.2 million), a decrease of 24%, due to the removal of discontinued cash flows in the current period. On a like for like basis, Headline Operating Cash Flow increased by 60% as a result of the growth in sales.

Cash conversion from Headline Operating Profit to Headline Operating Cash Flow was 119% (H1 2015: 154% on a like for like basis), which is above 100% due to cash generally being collected in advance of recognition of revenue. Cash conversion in H1 2015 was impacted by the mix of subscription sales in the period, which suppressed Headline Operating Profit relative to cash flow.

In the period, £0.9 million of exceptional M&A costs were incurred principally on the acquisition of Tabernus (H1 2015: £1.3 million).

Capital expenditure by Blancco was £1.0 million (H1 2015: £0.7 million), an increase of 43%, relating mainly to the ongoing development of the Blancco product portfolio.

Operating KPIs: Invoiced Sales

In order to provide investors with a clear view of underlying business growth, Blancco will in future report a set of *Invoiced Sales* KPIs.

Blancco has two main pricing models: *volume-based pricing*, where clients purchase erasure licenses; and *subscription pricing*: where clients purchase a time-bound right of use of Blancco products. From a commercial and cash flow point of view there is little difference between these two models, but from a revenue perspective, absent of any other significant deliverables, *volume-based* sales are recognised at the point of invoice, whereas *subscription* sales are recognised monthly over the term of the subscription (even if the subscription is invoiced as an up-front payment). The *Invoiced Sales* measure recognises both volume-based and subscription business in the same way, at the point of invoice, and is the main internal management measure of sales performance.

As well as reporting Invoiced Sales KPIs in GBP, we have also reported them in constant currency, which we believe provides the most meaningful measure of underlying performance.

Invoiced Sales

	H1 2016 £'m	H1 2015 £'m	Growth £'m	Growth CC*
Live Environment Erasure	0.9	0.2	350%	350%
Mobile	1.8	1.2	50%	50%
IT and other	7.9	6.4	23%	28%
Total	10.6	7.8	36%	40%
North America	3.9	2.0	95%	95%
Europe	3.9	3.9	0%	8%
Asia and ROW	2.8	1.9	47%	47%
Total	10.6	7.8	36%	40%

* At constant currency exchange rates, calculated by applying average exchange rates from H1 2015 to local currency sales in H1 2016, because exchange rate fluctuations can have a significant impact on growth rates measured in a single currency such as GBP.

The difference between the Invoiced Sales above and the reported sales represents the net deferral for the period. The Invoiced Sales can be reconciled to reported sales as follows:

	H1 2016 £'m	H1 2015 £'m
Invoiced Sales	10.6	7.8
Net revenue deferral of subscription sales	(0.7)	(1.0)
Reported revenue	9.9	6.8

In H1 2016, Blancco's Invoiced Sales in constant currency increased by 40% versus H1 2015.

We experienced exceptionally strong growth in Live Environment Erasure products (primarily Blancco LUN, Blancco Virtual Machine and Blancco File – sold by Blancco under licence prior to the acquisition of SafelT in September 2014), which grew Invoiced Sales to £0.9 million (an increase in constant currency of 350%). LEE products are used by organisations on a regular basis in their networked storage environments, whereas Blancco's other products are used primarily at the point of exit of a device from an organisation. We see two main factors driving growth: firstly, a strong client interest in the technology; and secondly, full integration of the former SafelT business into Blancco enabling a step up in marketing and sales performance. We also experienced very strong growth in Mobile products which grew Invoiced Sales to £1.8 million (an increase in constant currency of 50%). This growth has been driven by both the new in-house developed Mobile erasure product launched in December 2014, and by the new mobile diagnostics product launched in July 2015, incorporating Xcaliber technology. Blancco now provides a unique integrated diagnostics-and-erasure proposition for clients preparing high volumes of smartphones for resale.

We experienced strong growth in IT products and services, which grew Invoiced Sales of £7.9 million (an increase in constant currency of 28%). In this category Blancco supports erasure of a wide range of IT equipment including PCs, laptops, servers, and loose drives.



Geographically, sales growth was strongest in North America, which grew Invoiced Sales to £3.9 million (an increase in constant currency of 95%). North America benefited from significant investment in new management and sales personnel, from strong LEE sales, and from the acquisition of Tabernus.

Europe grew Invoiced Sales to £3.9 million (an increase in constant currency of 8%). Europe sales have been relatively weaker in new categories of Mobile and LEE than in the other geographies. Relative weakness in growth in Europe compared to other geographies also reflects significant changes in personnel, roles and focus associated with the transition from Finnish to American leadership and headquarters. Increasing growth in Europe, specifically the new product categories, is an important management focus going forward.

Asia and Rest of World grew Invoiced Sales to £2.8 million (an increase in constant currency of 47%). The majority of sales in this category are in Japan, where Mobile sales growth was particularly strong and Blancco made its first large-scale deployment of the integrated mobile erasureand-diagnostics solution.

Other operating KPIs

Blancco has implemented three new additional KPIs to monitor its success in retaining, expanding and monetising its client relationships.

Trailing 12 month client retention rate at end December 2015 was 88% (December 2014: 77%). This metric measures the proportion of clients from the prior 12 month period (here: calendar year 2014) who purchased again from Blancco in the last 12 months (here: calendar year 2015). While the retention rate is high, we believe there is room for improvement here and initiatives to redesign and improve client support processes were undertaken in H1 2016, with encouraging initial feedback from clients.

Trailing 12 month Invoiced Sales repeat rate at end December 2015, on a constant currency basis, was 126% (December 2014: 94%). This metric takes our Invoiced Sales in the prior 12 month period (here: calendar year 2014) and compares Invoiced Sales from the same group of clients in the last 12 months (here: calendar year 2015), providing a measure of the observed rate of recurrence and expansion of Blancco sales from one period to the next. Blancco has continued to benefit from good growth in volumes within its installed base of clients, and significant large sales in December caused this metric to rise above its trend level.

Trailing 12 month average revenue per client at end

December 2015 was £47,960 (December 2014: £43,154), an increase of 11.1%. However, on a constant currency basis, this metric increased by 23.3%.

These metrics are all measured on a base of clients with Invoiced Sales over €10,000 per annum, which covers 88% of Blancco's trailing 12 month Invoiced Sales.

Technology and **Development update** Blancco's unique proposition

The Blancco proposition is unique in a number of ways that broaden our scope market:

1. Permanent – Blancco provides fully permanent data erasure, whereby data becomes irretrievable following the erasure process. We have one of the broadest sets of certifications and approvals for our solution, including those from the US and Swedish militaries.

2. Auditable – It is important that our clients have an audit trail to prove that erasure has taken place from an IT security perspective. Blancco provides digitally signed, tamper-proof erasure certificates which come from a central management console and tell clients exactly which hard drive was erased and when.

3. Centrally managed – Many of our customers are global businesses and therefore need one centrally managed system that works across all geographies. Our solution is run from a centrally managed console and stretches from device to data centre – a critical hygiene requirement to sell to demanding enterprise customers.

4. Non-destructive – Blancco does not physically destroy any asset values in the data erasure process. Instead, our solution realises value as organisations are able to reuse or sell surplus equipment.

5. Live Environment & End of Life – There is an increasing shift from device lifecycle management to data lifecycle management. Our solution has the additional ability to track data throughout its lifecycle and destroy it throughout.

Legislative drivers

Legislation and regulatory change is driving the need for digital data destruction globally. The EU Global Data Protection Regulation ("GDPR") and the 'Right to be forgotten' is calling for data erasure in a number of ways and reaches beyond Europe to North America and APAC. The International Organisation for Standardisation ("ISO") standards ISO 27001, 27018 and 27040 include specific call-outs for the erasure of digital data for the protection of customers. We are also seeing spot regulation within specific industries, including banking and finance, the payment card industry ("PCI"), federal government and healthcare.

Blancco development update

Blancco focused in the first half of the year on a range of development projects across its product portfolio. Notable activities included the integration of Tabernus' product suite and development team, and the integration of Xcaliber diagnostic technology into Blancco's mobile erasure product.

At December 2015, Blancco has a US patent pending for its SSD erasure technology, which follows on from the award of a European patent in July 2015. This patent addresses the problem of reliably erasing a very wide range of different OEM SSDs, which generally block hardware access and store redundant copies of data in unaddressable locations. This patent positions Blancco at the forefront of the rapidly growing SSD erasure market and will oblige competitors entering this space to find a different method for reliable pan-OEM SSD erasure, which may prove difficult or even impossible.

While the growth trends in the business are strong, Blancco needs to continually evolve its product set and go-to-market approach to keep abreast of market and technology trends. Emerging priorities include partnership with a broader range of enterprise software and service providers, who control numerous erasure occasions or opportunities as part of the wider scope they deliver, and access to new categories of erasure, especially erasure in the live network environment, and erasure of the very broad spectrum of devices which comprise the 'Internet of Things'. I expect to update on strategy further with the year end results in September.

Acquisition of Tabernus

In September 2015, Regenersis acquired 100% of the share capital of Tabernus LLC and Tabernus Europe Limited, a privately owned provider of software erasure. With the majority of its revenue in the USA, Tabernus is the USA market leader. The consideration was \$12 million (£7.6 million) comprising cash payment of \$10 million (£6.6 million) funded through the Group revolver facility and \$2 million (£1.3 million) in deferred cash consideration payable after three years.

The acquisition of Tabernus has boosted Blancco in the key US market, where Tabernus had larger sales than Blancco and a strong local management team. The Tabernus business has been fully integrated into Blancco and several former Tabernus people have taken on key leadership roles in the combined organisation. Tabernus also brings a set of hardware-based erasure products deployed for high-volume erasure in large data centres, filling a gap in Blancco's previous product portfolio.

Xcaliber Technology

Xcaliber, in which the Group holds a 49% stake, is not consolidated by the Group. The results are included within loss from equity accounted investments.

In H1 2016, Xcaliber has built on its first contracts won in the previous years, and is now generating a revenue stream with a number of key strategic customers, based on trial or pilot schemes which are expected to grow over the coming months and help turn the business to profitability.

The new business with a major US carrier won in the previous financial year has increased in value over the current year. This business provides a key strategic footprint in the US market for the SmartChk product which was previously not known in the marketplace. It is anticipated that this initial business will lead to further significant wins over the next 18 months.



Repair Services disposal

The repair services disposal is expected to complete during the second quarter of the calendar year conditional on competition clearance being provided in Germany, Poland and Russia, and will include deal costs and settlement of contingent liabilities of approximately £7.8 million. Some of these have been incurred already during H1 in preparing the business for sale.

Following completion, the Group expects to return a significant portion of the net sales proceeds to shareholders, expected to be around £50 million.

The financial results for this business and the comparative results for prior periods are presented as discontinued operations.

Digital Care disposal

We continue to have encouraging discussions with a number of parties in relation to a possible sale of Digital Care. We will provide shareholders with a further update as and when appropriate.

This business is also presented as discontinued in our financial statements.

Dividend

The Board is pleased to announce an interim dividend of 0.66 pence per ordinary share. This will be paid on 17 June 2016 to shareholders on the register on 13 May 2016. The ex-dividend date will be 12 May 2016.

The Board intends to adopt a progressive dividend policy which reflects the long-term earnings and cash flow potential of the Group. The full year dividend will be split approximately 1/3 interim dividend and 2/3 final dividend, subject to the retention of funds needed to fund the future growth of the Group's business and its strategic aims.

Conclusions and outlook

Blancco performed strongly in the first half across its financial and operating KPIs. It additionally saw growth in the right places – its new product areas, especially LEE, and in the strategically important North American market. Based on a strong first half performance and continued strong growth trends at the beginning of the second half, the Board anticipates a full year result in line with market expectations.

Matthew Peacock Executive Chairman



DURING THE PERIOD, THE GROUP HAS OPERATED UNDER TWO DIVISIONS:

Software

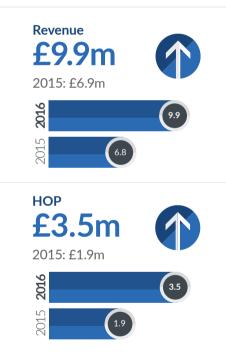
Our Software Division includes Blancco – our software business which is the global market leader in securely erasing data from devices, the partial data erasure offering of SafeIT and the new US-focused Tabernus business.

Our partnership with Xcaliber Technologies, a software business in the areas of smartphone issue diagnosis and resolution, enhances the software capabilities of the Group.

The Group is moving towards a pure-play global software business, following agreement to sell the Aftermarket Services business.

Operational highlights

- Acquisition of Tabernus, which further enhances the Group's market footprint both geographically, through its strong position in the US market, and through the addition of new product lines to the Group's portfolio
- Strong growth in the strategically important North American region, with Invoiced Sales growing in constant currency by 95%
- For the first time in the period, sales of integrated data erasure and mobile diagnostics solutions, integrating Xcaliber diagnostics technology into the Blancco Mobile erasure product
- European patent for our SSD erasure method was granted on July 2015, plus a US patent for the same technology is currently pending



Aftermarket Services

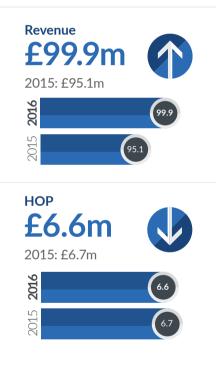
This Division provides the Group's geographic infrastructure and core repair service, including the Group's previous Depot Solutions and Advanced Solutions.

It includes client-oriented electronic repair, refurbishment and logistics through an international network of repair centres as well as the innovative diagnostic testing solutions, both in-house and direct to customer.

On 5 February 2016 an agreement was reached to sell the Aftermarket Services business to a third party and this business is therefore discontinued.

Key highlights

- Disposal for a cash consideration of €103.5 million
- Purchaser is CTDI a privately owned repair and logistics company, headquartered in Pennsylvania, USA
- Net proceeds to be used to return to shareholders an estimated £50 million, and repayment of Group's net debt, allowing the go forward business to be cash positive, and free to invest further in acquisitions and growth
- Digital Care disposal process under way with interest from a number of third parties



OVERVIEW

KPIs

	6 months ended 31 December 2015	6 months ended 31 December 2014	Year ended 30 June 2015	Commentary
Invoiced Sales (£'m)	10.6	7.8	15.5	Invoiced Sales is the measure of business generated in the period, prior to any IFRS deferral of revenues.
Geography				
North America	37%	26%	25%	North America is a strategically
Europe	37%	50%	49%	important location for the Group and
Asia and ROW	26%	24%	26%	focus is on growing our presence in this location.
Product type				
LEE	8%	3%	5%	The Group is expanding its product
Mobile	17%	15%	16%	range through the acquisition and
IT and Other	75%	82%	79%	development of new services, most notably LEE (through SafeIT).
Trailing 12 month client retention rate*	88%	77%	81%	While retention rate is high, further initiatives to improve client support processes are under way.
Trailing 12 month sales repeat rate*	126%	94%	103%	The Group continues to benefit from good growth in volumes within its installed base of clients.
Average annual spend per customer* (£'000)	48.0	43.2	44.1	The average spend per client is increasing over time as we add a greater range of products and more sophisticated technology to our portfolio.
Headcount				
Admin	19	21	24	The majority of the workforce work in
R&D	34	30	30	sales, to generate new business and revenue growth. This is underpinned
Sales	92	80	81	by a strong technical R&D team who work on new product development and relationship management.

 * for customers spending over €10k per year

OVERVIEW

Segmental Results

The Software Group has seen expansion of **Headline Operating Profit** in the period to **35.4%**, an increase of **750** basis points.

	6 months ended 31 December 2015 £'m	6 months ended 31 Decemeber 2014 £'m	Year ended 30 June 2015 £'m
Revenue – continued operations			
Software	9.9	6.8	15.0
Revenue – discontinued operations			
Aftermarket Services	99.9	95.1	187.6
Total Revenue	109.8	101.9	202.6
Headline Operating Profit – continued operations			
Software	3.5	1.9	5.4
Headline Operating Profit – discontinued operations			
Aftermarket Services	6.6	6.7	15.2
Headline Operating Profit before corporate costs	10.1	8.6	20.6
Corporate costs (continuing operations)	(0.8)	(0.6)	(1.4)
Corporate costs (discontinued operations)	(1.8)	(2.0)	(3.8)
Total Headline Operating Profit	7.5	6.0	15.4
Group Headline Operating Profit – continuing operations	2.7	1.3	4.0
Group Headline Operating Profit – discontinued operations	4.8	4.7	11.4
Total Headline Operating Profit	7.5	6.0	15.4

Software (continuing operations)

The Software segment includes Blancco, the global market leader in data erasure software, and Xcaliber Technologies, a smartphone diagnostics software business. The Group holds a 49% stake in Xcaliber Technologies and it is currently not consolidated. SafeIT, acquired in September 2014, and Tabernus, acquired in September 2015, have been fully integrated into Blancco.

Financial and operational highlights include:

- Acquisition of Tabernus, which further enhances the Group's market footprint both geographically, through its strong position in the US market, and through the addition of new product lines to the Group's portfolio.
- A new distribution agreement signed in the United Arab Emirates, opening new sales channels to the technology centre of the Middle East.
- Strong growth in the Live Environment Erasure product sales, which represents a more sophisticated erasure method in customers' networked storage environments, allowing real time and 'live' data erasure in addition to the end of life erasure offered by the business' existing product range.
- For the first time in this period, sales of integrated data erasure and mobile diagnostics solutions, integrating Xcaliber diagnostics technology into the Blancco Mobile erasure product.
- Growth in Invoiced Sales under constant currency of 40%, representing amounts billed to clients in the period.
- Strong growth in the strategically important North American region, with Invoiced Sales growing in constant currency by 95%. This is expected to further benefit from the addition of the Tabernus US business.
- European patent for our SSD erasure method was granted in July 2015, plus a US patent for the same technology is currently pending.

Impact of revenue recognition

Under the Group's accounting policy and in compliance with International Financial Reporting Standards (IFRS), we are required to convert 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.

This results in the reported revenue being less than the actual closed sales in the period, reflecting the fact that revenue billed on a subscription basis accrues evenly over the contract term. While this results in a reduction to the reported revenue in the current period, it gives a guaranteed revenue stream for future periods before any new business is contracted.

Deferred income is recognised on the balance sheet, where contracted revenue has been invoiced on a subscription basis but the term of the contract not yet finished. At 31 December 2015, this balance was £3.1 million FY15: £2.4 million), of which £1.6 million will be recognised as revenue during the second half of the financial year. The majority of this deferred revenue will already have been collected in cash at this date.

Blancco grew its Invoiced Sales by 42% in the period compared to the previous six months on a constant currency basis.



Aftermarket Services (discontinued operations)

This division has been treated as discontinued in the current period following the Group's announcement of its disposal of the Repair Services business and its intention to dispose of the Digital Care business. Accordingly, the results of these operations have been separately presented in the financial statements.

Repair Services (discontinued operations)

This business operates the client-oriented electronic repair and refurbishment and includes the Group's previous Depot Solutions and Advanced Solutions divisions. It includes the operations in the UK, Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, India, Portugal, Russia, the USA, Czech Republic and the Netherlands (opened August 2015).

Notwithstanding the disposal of the Repair Services business, the business has continued to generate strong profitability for the Group. Financial and operational highlights include:

- Growth in LCD recovery and polishing work using our developed technology in Romania.
- Significant wins and implementations of new business which is already starting to generate profit, particularly new insurance business in Germany and Romania, securing a contract for Europe-wide repair volumes with one of our largest customers, and new mobile repair volumes in Mexico following new OEM accreditations gained in the period.
- Growth in our US business with additional mobile repair volumes as well as new contracts for payment terminal repairs which expands this business which was previously conducted primarily from Germany.
- Reduction in business with OEMs with declining market share, which has been replaced by new business wins across a number of sites, particularly in South Africa where we have secured a contract for Samsung repairs for the whole country.
- Opening of a new facility in the Netherlands to service European set top box volumes for Liberty Global, which has successfully progressed beyond the initial trial phase.

Digital Care (discontinued operations)

This business operates in the mobile phone insurance market and provides smartphone accidental damage insurance programmes in partnership with insurance underwriters and is based in Poland.

Digital Care has grown its portfolio base across its operating partners in Poland, increasing by 50% in the period to over one million policies, with this growth expected to continue over H2.

Corporate costs

Total Group corporate costs of £2.6 million (H1 2015: £2.6 million) remain stable compared to the prior period. The corporate costs have been allocated between continuing and discontinued operations, with costs of £0.8 million having been incurred in H1 2016 to support the continuing Software business. This amount principally reflects the costs associated with being an AIM listed public company.

The annualised central cost for continuing operations for FY16 is expected to be £1.5 million, which will be the cost base following a disposal of Repair Services and Digital Care.

Impact of foreign exchange movements

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

The Group implements forward contracts for 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.

However, the Group does not undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, specifically the conversion of its largely non-Sterling generated income into the Group's reporting currency, Sterling. 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 and are usually denominated in a country's own currency in order to create a natural hedge against currency movements.

For the continuing operations, overseas earnings are earned in Euros (representing approximately 22% of Invoiced Sales), US Dollars (28%) and Japanese Yen (20%). The movement on these exchange rates are summarised below:

	Average rate H1 2016	Average rate H1 2015	Movement
Euro	1.38	1.27	8.8%
US Dollar	1.53	1.62	(5.6%)
Japanese Yen	184.95	178.28	3.7%

The actual revenue and HOP for continuing operations in the period would have been higher by £0.4 million and £0.3 million if the exchange rates ruling during H1 2015 had been held constant for the current period.

OVERVIEW

Cash and Working Capital

	6 months ended 31 December 2015 (unaudited) £'m	6 months ended 31 December 2014 (unaudited, restated) £'m	Year ended 30 June 2015 (unaudited, restated) £'m
Headline Operating Cash Flow before movement in working capital and exceptionals	3.0	1.4	4.2
Movement in working capital and exceptionals	0.3	0.8	0.3
Movement in provisions	(0.1)	(0.2)	(0.4)
Headline Operating Cash Flow	3.2	2.0	4.1
Net interest payments	(0.3)	(O.1)	(0.4)
Tax paid	(0.4)	(0.3)	(0.6)
M&A payments	(0.9)	(0.8)	(1.4)
Exceptional payments	_	(0.1)	(O.1)
Net cash from operating activities – continuing operations	1.6	0.7	1.6
Net capital expenditure	(1.0)	(0.8)	(1.8)
Acquisition of subsidiaries, associates and other investments, net of cash acquired	(6.6)	(4.1)	(4.4)
Net cash flow from share issues, option vesting and dividend payments	(2.6)	(2.1)	(6.9)
Other movements	(0.8)	(1.0)	(2.0)
Cash flow on discontinued operations	(7.3)	(1.4)	0.7
Total cash flow	(16.7)	(8.7)	(12.8)
Net (debt)/cash	(8.9)	12.1	7.8

Group review

The cash flows of the discontinued operations have been removed from the cash flow statement and are presented separately.

Headline Operating Cash Flow ("HOCF") was £3.2 million (H1 2015: £2.0 million), with headline cash conversion of 119% (H1 2015: 154%). The conversion for the prior period was higher due to the mix of sales, with a number of subscription sales deferring revenue into H2 2015 and suppressing the reported HOP in that period.

Tax paid was £0.4 million (H1 2015: £0.3 million), and is higher than the prior period driven by the continued year on year growth in Blancco profits.

Net interest paid was £0.3 million (H1 2015: £0.1 million) and is higher than the prior period due to the drawdown of borrowings during H1 2016.

Net debt for the total Group is £8.9 million (FY15: net cash of £7.8 million; H1 2015: net cash of £12.1 million). There has been a reduction in net cash from £7.8 million at 30 June 2015 despite operating cash inflow of £1.6 million due to cash outflows from investment in additional capital, M&A activity, including significant costs incurred in the Aftermarket Services disposal, and payment of the final dividend for the 2015 financial year.

Capital expenditure and R&D was £1.0 million (H1 2015: £0.8 million). Of this capital expenditure, £0.7 million (H1 2015: £0.5 million) was incurred in the ongoing development of the Blancco product range. During the period we developed an integrated data erasure and diagnostics tool as well as further developments on the LEE product.

Other movements of £0.8 million (H1 2015: £1.0 million) include 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 debt of £8.9 million (FY15: net cash of £7.8 million; H1 2015: net cash of £12.1 million) comprised gross debt of £20.1 million (FY15: £4.4 million; H1 2015: £nil), and cash and cash equivalents of £11.2 million (FY15: £12.1 million; H1 2015: £12.1 million).

Merger and Acquisition activity

The Group has continued actively pursuing M&A opportunities.

Acquisition of Tabernus

In September 2015, Regenersis acquired 100% of the share capital of Tabernus LLC and Tabernus Europe Limited, a privately owned provider of software erasure. With the majority of its revenue in the USA, Tabernus is the USA market leader. The consideration was \$12 million (£7.6 million) comprising cash payment of \$10 million (£6.6 million) funded through the Group revolver facility and \$2 million (£1.3 million) in deferred cash consideration payable after three years.

Exceptional acquisition costs

Acquisition costs amounted to ± 0.9 million (H1 2015: ± 1.3 million), with the most significant costs relating to the acquisition of Tabernus.

In addition, £1.9 million of fees have been incurred in the discontinued Aftermarket Services business, predominantly for disposal-related costs. Further costs are expected during the second half of the year as the disposal process is completed.

Amortisation of intangible assets and R&D expenditure

Other costs excluded from HOP are the amortisation of intangible assets amounting to £1.3 million (H1 2015: £1.0 million), being the amortisation of intangibles in the Blancco business, and, since September 2015, the intangibles acquired in the Tabernus business.

Share-based payments

Share-based payments amounting to £0.4 million (H1 2015: £0.5 million) were also excluded from HOP. The current period includes the impact of the new Software LTIP, full details of which are provided in the Annual Report and Accounts for the year ended 30 June 2015.

Net financing income

Net financing cost was £0.5 million (H1 2015: £0.4 million). The costs in both periods include the unwind of deferred consideration on the Tabernus (H1 2016 only) and Blancco Sweden contingent consideration balances. In addition, finance costs are incurred for the use of the Group's revolving credit facility.



Taxation

The total tax charge was £0.4 million (H1 2015: £0.3 million charge). The increase in the period is a result of the higher profits generated by the Software group, which are generated in higher tax jurisdictions than the profits generated in the prior period.

Earnings per share

The continuing business has shown strong adjusted EPS growth to 2.43p (H1 2015: 0.63p) driven by the growth in Blancco revenues and margins. The negative basic earnings per share of (1.18p) (H1 2015: (2.83p)) is a result of the costs of investment in Tabernus, for which the Group will get the benefit of future profitability.

Subsequent events Sale of Regenersis (Depot) Services Limited

On 5 February 2016, Regenersis entered into a conditional sale and purchase agreement to dispose of its Aftermarket Services business (excluding Digital Care) to CTDI Repair Services Limited, a wholly owned subsidiary of Communications Test Design, Inc., for a cash consideration of €103.5 million.

The disposal is expected to complete during the second quarter of the calendar year.

Jog Dhody

Chief Financial Officer

	Note	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Continuing operations revenue	2	9,918	6,801	15,014
Divisional operating profit	2	3,514	1,911	5,382
Corporate costs		(777)	(603)	(1,359)
Headline Operating Profit	2	2,737	1,308	4,023
Acquisition costs	6	(852)	(1,300)	(2,414)
Exceptional restructuring costs	7	_	(67)	(67)
Amortisation of intangible assets		(1,296)	(1,009)	(2,026)
Share-based payments		(372)	(457)	(371)
Group operating profit/(loss)		217	(1,525)	(855)
Share of results of associates and jointly controlled entities		(46)	(289)	(746)
Operating profit/(loss)		171	(1,814)	(1,601)
Revaluation of contingent consideration		_	_	_
Other finance income		44	22	48
Finance income		44	22	48
Unwinding of contingent consideration		(148)	(44)	(171)
Other finance costs		(369)	(397)	(672)
Finance costs		(517)	(441)	(843)
Loss before tax		(302)	(2,233)	(2,396)
Taxation	3	(378)	(287)	(869)
Loss for the period	5	(680)	(2,520)	(3,265)
Discontinued operations				
Post-tax results from discontinued operations	8	1,102	6,801	8,382
Profit for the period		422	4,281	5,117
Attributable to:				
Equity holders of the Company		201	4,588	5,404
Non-controlling interests		221	(307)	(287)
Profit for the period		422	4,281	5,117
Earnings per share				
Continuing Operations:				
Basic	4	(1.18p)	(2.83p)	(3.84p)
Diluted	4	(1.18p)	(2.83p)	(3.84p)
Discontinued Operations:		(pp)	(F)	· · P/
Basic	4	1.44p	8.70p	10.81p
Diluted	4	1.44p	8.70p	10.81p
Total Group:				
Basic	4	0.26p	5.87p	6.97p
Diluted	4	0.26p	5.87p	6.97p



	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Profit for the period	422	4,281	5,117
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Exchange differences arising on translation of foreign entities	(138)	(1,857)	(3,786)
Total comprehensive income for the period	284	2,424	1,331
Attributable to:			
Equity holders of the Company	63	2,731	1,618
Non-controlling interests	221	(307)	(287)
Total comprehensive income for the period	284	2,424	1,331

		31 December 2015	31 December 2014	30 June 2015
	Note	(unaudited) £'000	(unaudited) £'000	(audited) £'000
Assets				
Non-current assets				
Goodwill		40,885	83,147	83,157
Other intangible assets	12	22,761	28,734	27,041
Equity accounted investments	14	1,804	2,303	1,850
Other investments	14	61	75	61
Property, plant and equipment	13	298	5,697	6,355
Deferred tax		-	2,215	622
		65,809	122,171	119,086
Current assets				
Inventory		228	9,951	9,480
Trade and other receivables		4,407	38,643	34,556
Cash	9	11,173	12,060	12,143
Assets held for sale	8	103,709	_	_
		119,517	60,654	56,179
Total assets		185,326	182,825	175,265
Current liabilities				
Trade and other payables		(9,298)	(42,779)	(40,471)
Contingent consideration	15	(786)	_	(1,734)
Current tax liability		(598)	(2,159)	(642)
Provisions		(347)	(634)	(372)
Liabilities held for sale	8	(28,413)	_	-
		(39,442)	(45,572)	(43,219)
Non-current liabilities		• • •	• • •	
Borrowings	9	(20,098)	_	(4,357)
Contingent consideration	15	(2,206)	(5,906)	(3,994)
Deferred tax		(1,917)	_	-
Provisions		(906)	(2,323)	(1,029)
		(25,127)	(8,229)	(9,380)
Total liabilities		(64,569)	(53,801)	(52,599)
Net assets		120,757	129,024	122,666
		,	,	,
Equity				
Ordinary share capital		1,581	1,581	1,581
Share premium		51,737	51.737	51.737
Merger reserve		4,034	4,034	4,034
Translation reserve		(7,253)	(5,186)	(7,115)
Retained earnings		70.199	76,554	72,191
Total equity attributable to equity holders of the Compan	V	120,298	128,720	122,428
Non-controlling interest reserve	1	459	304	238

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2015



	6 months	6 months	Year
	ended	ended	ended
	31 December	31 December	30 June
	2015	2014	2015
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Balance at the start of the period	122,666	130,413	130,413
Total comprehensive income for the period	284	2,424	1,331
Equity-settled share-based payments	372	586	914
Acquisition of non-controlling interest without a change in control	-	(2,281)	(2,938)
Purchase of Company's own shares	-	_	(3,673)
Dividends paid	(2,565)	(2,118)	(3,381)
Balance at the end of the period	120,757	129,024	122,666

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 31 December 2015

No	6 months ended 31 December 2015 (unaudited) te £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Profit for the period	422	4,281	5,117
Adjustments for:			
Results of discontinued operations	(1,102)	(6,801)	(8,382)
Net finance charges	473	419	795
Tax expense	378	287	869
Depreciation on property, plant and equipment	67	59	29
Amortisation of intangible assets	237	17	195
Amortisation of acquired intangible assets	1,296	1,009	2,026
Share of losses of joint ventures and associates	46	289	746
Share-based payments expense	372	457	371
Operating cash flow before movement in working capital	2,189	17	1,766
Acquisition costs	852	1,300	2,414
Exceptional restructuring costs	-	67	67
Operating cash flow before movement in working capital and exceptional and acquisition costs	3,041	1,384	4,247
Increase in inventories	(52)	(14)	(19)
Increase in receivables	(975)	(493)	(250)
Increase in payables and accruals	1,322	1,792	1,462
Decrease in provisions	(148)	(186)	(373)
Cash generated from continuing operations	2,336	1,116	2,586
Acquisition costs payments	910	775	1,436
Exceptional restructuring payments	-	67	67
Headline Operating Cash Flow	3,246	1,958	4,089
Interest received	45	22	48
Interest paid	(368)	(124)	(424)
Tax paid	(437)	(266)	(569)
Net cash inflow from operating activities – continuing operations	1,576	748	1,641
Net cash (outflow)/inflow from operating activities – discontinued operations	8 (4,109)	1,787	5,279
Net cash (outflow)/inflow from operating activities – continuing and discontinued operations	(3,528)	2,535	6,920



Note	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Cash flows from investing activities			
Purchase of property, plant and equipment	(92)	(52)	(145)
Purchase and development of intangible assets	(951)	(703)	(1,651)
Acquisition of investment in an associate	-	(1,912)	(1,912)
Acquisition of subsidiaries, net of cash acquired	(6,565)	(2,187)	(2,450)
Net cash used in investing activities – continuing operations	(7,608)	(4,854)	(6,158)
Net cash used in investing activities – discontinued operations 8	(3,151)	(3,225)	(4,551)
Net cash used in investing activities – continuing and discontinued operations	(10,759)	(8,079)	(10,709)
Cash flows from financing activities			
Dividends paid	(2,565)	(2,118)	(3,381)
Payment on vesting of share options	-	-	(80)
Drawdown/(repayment) of borrowings	15,534	(655)	4,066
Repurchase of shares	-	-	(3,550)
Net cash used in financing activities	12,969	(2,773)	(2,945)
Net cash used in financing activities – discontinued operations	-	-	-
Net cash used in financing activities – continuing and discontinued operations	12,969	(2,773)	(2,945)
Net decrease in cash and cash equivalents	(323)	(8,317)	(6,734)
Other non-cash movements – exchange rate changes	(647)	(418)	(1,918)
Cash and cash equivalents at the beginning of period	12,143	20,795	20,795
Cash and cash equivalents at end of period	11,173	12,060	12,143
Bank borrowings	(20,098)	-	(4,357)
Net (debt)/cash	(8,925)	12,060	7,786

1. Basis of preparation

This Half Yearly report has been prepared on the basis of the accounting policies expected to be adopted for the year ended 30 June 2016. 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 2015. 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.

In preparing the Half Yearly report, certain lines of business have been reclassified as discontinued and the primary statement adjusted accordingly, and in line with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Where prior period information has been restated, this has been extracted from the full Group results in the audited Annual Report and Accounts for the year ended 30 June 2015, and the full Group results for the six-month period to 31 December 2014 being unaudited.

The financial information in this Half Yearly report does not constitute statutory accounts for the six months ended 31 December 2015 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2015.

The condensed consolidated Half Yearly financial statements for the six months to 31 December 2015 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Half Yearly Financial Information.

This unaudited Half Yearly report was approved by the Board of Directors on 8 March 2016.

2. Segmental reporting

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

- The Software Division represents the continuing business and focuses on development and delivery of innovative solutions, and includes:
 - Blancco, the global market leader in data erasure software.
 - SafelT, acquired in September 2014, the leading specialist cloud and networked data erasure business.
 - Tabernus, acquired in September 2015, the US market leader of software erasure products.
 - Xcaliber Technologies, a smartphone diagnostics software business. The Group holds a 49% stake in this business.

Both SafeIT and Tabernus have been integrated into Blancco.

The Aftermarket Services Division represents the discontinued business and operates client-oriented electronic repair and refurbishment and includes the Group's previous Depot Solutions and Advanced Solutions divisions. It includes the operations in the UK, Germany, Poland, Romania, Turkey, South Africa, Spain, Argentina, Mexico, India, Portugal, Russia, the USA, Czech Republic and the Netherlands (opened August 2015). This division has been treated as discontinued in the current period following the Group's announcement of its disposal of the Repair Services business and its intention to dispose of the Digital Care business.

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2. Segmental reporting continued

Continuing operations	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Software revenue	10,207	6,801	15,150
Less: share of jointly controlled entity	(289)	-	(136)
Software revenue	9,918	6,801	15,014
Software divisional operating profit	3,514	1,911	5,382
Corporate costs	(777)	(603)	(1,359)
Headline operating profit	2,737	1,308	4,023
M&A costs	(852)	(1,300)	(2,414)
Exceptional restructuring costs	-	(67)	(67)
Amortisation of intangible assets	(1,296)	(1,009)	(2,026)
Share-based payments	(372)	(457)	(371)
Group operating profit/(loss)	217	(1,525)	(855)
Share of results of equity accounted investments	(46)	(289)	(746)
Operating profit/(loss)	171	(1,814)	(1,601)
Finance income	44	22	48
Unwinding of discount factor on contingent consideration	(148)	(44)	(171)
Other finance costs	(369)	(397)	(672)
Net finance cost	(473)	(419)	(795)
Loss before tax	(302)	(2,233)	(2,396)

Discontinued operations	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Aftermarket services revenue	99,915	95,140	187,550
Aftermarket services divisional operating profit	6,550	6,674	15,201
Corporate costs	(1,800)	(1,970)	(3,798)
Headline operating profit	4,750	4,704	11,403
M&A costs	(1,875)		(627)
Exceptional restructuring costs	(246)	(348)	(611)
Amortisation of intangible assets	(240)	(82)	(1,323)
Share-based payments	(377)	(129)	(160)
Group operating profit before disposal of subsidiaries	2,012	4,145	8,682
Loss on disposal of subsidiaries	-		(1,456)
Group operating profit	2,012	4,145	7,226
Finance income	12	32	95
Revaluation of contingent consideration	-	2,244	3,302
Unwinding of discount factor on contingent consideration	(197)	(403)	(763)
Other finance costs	(580)	(283)	(667)
Net finance (cost)/income	(765)	1,590	1,967
Profit before tax	1,247	5,735	9,193

3. Taxation

The tax charge for the six months to 31 December 2015 is based on the estimated tax rate for the full year in each jurisdiction.

The effective tax rate on HOP is 20.7% (H1 2015: 21.9%), which reflects the mix of profits of the Blancco group generated in a broader range of jurisdictions around the world, many of which attract high tax rates.

4. Earnings per share (EPS)

	6 months ended 31 December 2015 (unaudited) Pence	6 months ended 31 December 2014 (unaudited) Pence	Year ended 30 June 2015 (unaudited) Pence
Continuing operations			
Basic earnings per share	(1.18)	(2.83)	(3.84)
Diluted earnings per share	(1.18)	(2.83)	(3.84)
Adjusted earnings per share	2.43	0.63	2.84
Diluted adjusted earnings per share	2.43	0.63	2.84
Discontinued operations			
Basic earnings per share	1.44	8.70	10.81
Diluted earnings per share	1.44	8.70	10.81
Adjusted earnings per share	5.09	6.93	13.34
Diluted adjusted earnings per share	5.09	6.93	13.34
Total Group			
Basic earnings per share	0.26	5.87	6.97
Diluted earnings per share	0.26	5.87	6.97
Adjusted earnings per share	7.52	7.56	16.18
Diluted adjusted earnings per share	7.52	7.56	16.18
	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (unaudited) £'000
Continuing operations			
Loss for the period	(680)	(2,520)	(3,265)
(Profit)/loss attributable to non-controlling interests	(221)	307	287
Loss attributable to equity holders of the Company	(901)	(2,213)	(2,978)
Reconciliation to adjusted profit:			
Unwinding of discount on contingent consideration	148	44	171
Acquisition costs	852	1,300	2,414
Amortisation of intangible assets	1,296	1,009	2,026
Exceptional restructuring costs	-	67	67
Exceptional bank charges	134	124	248
Share-based payments	372	457	371
Tax impact of above adjustments	(39)	(293)	(114)
Adjusted profit for the period	1,862	495	2,205

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4. Earnings per share (EPS) continued

Number of shares	'000s	'000s	'000s
Weighted average number of shares used to calculate earnings per share			
Basic	76,580	78,171	77,550
Diluted	76,593	78,171	77,563

5. Profit for the year

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

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Depreciation of property, plant and equipment – owned	446	1,206	1,702
Loss/(profit) on disposal of property, plant and equipment	25	(1)	114
Amortisation of intangible assets	2,052	2,127	4,452
Cost of inventories recognised as an expense	51,584	49,741	91,372
Staff costs	31,021	32,379	60,368
Net foreign exchange loss/(profit)	179	131	(233)

The figures for the Group's continuing operations are as follows:

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (unaudited) £'000
Depreciation of property, plant and equipment – owned	67	59	29
Loss/(profit) on disposal of property, plant and equipment	-	-	_
Amortisation of intangible assets	1,533	1,026	2,221
Cost of inventories recognised as an expense	143	42	112
Staff costs	3,817	3,210	6,219
Net foreign exchange loss/(profit)	293	(59)	(273)

6. Acquisition costs

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) f'000	Year ended 30 June 2015 (unaudited, restated) £'000
Acquisition costs and other MCA related costs	852		
Acquisition costs and other M&A related costs	852	1,300	2,414

Acquisition costs relate to the M&A activity within the year, with the most significant costs relating to the acquisition of Tabernus.

Deal costs not included above relate to the disposal of the Aftermarket Services Division totalling £1.9 million for the period (£nil for the same period last year) as they are presented within discontinued operations.

7. Exceptional restructuring costs

e	5 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited, restated) £'000	Year ended 30 June 2015 (unaudited, restated) £'000
Redundancies and restructuring	-	67	67

No exceptional restructuring costs have been recorded in the current period (H1 2015: £0.1 million relating to integration activities).

Exceptional redundancy and restructuring costs not included above relate to the restructuring activities for the disposal of Aftermarket Services totalling ± 0.2 million for the period (± 0.3 million for the same period last year), as they are presented within discontinued operations.

8. Discontinued operations

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (unaudited) £'000
Discontinued operations revenue	99,915	95,140	187,550
Divisional operating profit	6,550	6,674	15,160
Corporate costs	(1,800)	(1,970)	(3,757)
Headline Operating Profit	4,750	4,704	11,403
Acquisition and disposal costs	(1,875)	-	(611)
Exceptional restructuring costs	(246)	(348)	(627)
Amortisation of intangible assets	(240)	(82)	(1,323)
Share-based payments	(377)	(129)	(160)
Group operating profit	2,012	4,145	8,682
Loss on disposal of subsidiaries	-	-	(1,456)
Operating profit	2,012	4,145	7,226
Revaluation of contingent consideration	-	2,244	3,302
Other finance income	12	32	95
Finance income	12	2,276	3,397
Unwinding of contingent consideration	(197)	(403)	(763)
Other finance costs	(580)	(283)	(667)
Finance costs	(777)	(686)	(1,430)
Profit before tax	1,247	5,735	9,193
Taxation	(145)	1,066	(811)
Profit for the period	1,102	6,801	8,382

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8. Discontinued operations continued

The assets and liabilities included in the condensed consolidated balance sheet as held for sale are as follows:

	31 December 2015 (unaudited) £'000
Assets	
Goodwill	49,815
Other intangible assets	5,798
Property, plant and equipment	6,937
Deferred tax	3,364
Inventory	9,965
Trade and other receivables	27,830
Total assets held for sale	103,709
Current liabilities	
Trade and other payables	(25,393)
Contingent consideration	(3,020)
Total liabilities held for sale	(28,413)

8. Discontinued operations continued

The cash flows associated with the discontinued operations are as follows:

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (unaudited) £'000
Profit for the period	1,102	6,801	8,382
Adjustments for:			
Net finance charges/(income)	765	(1,590)	(1,967)
Tax expense/(credit)	145	(1,066)	811
Depreciation on property, plant and equipment	379	1,147	1,673
Amortisation of intangible assets	279	1,019	908
Amortisation of acquired intangible assets	240	82	1,323
Loss on disposal of subsidiary	-	-	1,456
(Gain)/loss on disposal of property, plant and equipment	-	(1)	114
Share-based payments expense	377	129	160
Operating cash flow before movement in working capital	3,287	6,521	12,860
(Increase)/decrease in inventories	(745)	218	(358)
Decrease/(increase) in receivables	1,834	(523)	1,333
Decrease in payables and accruals	(7,693)	(4,232)	(6,329)
Decrease in provisions	-	(108)	(1,451)
Cash generated from discontinued operations	(3,317)	1,876	6,055
Net interest	(568)	73	(382)
Tax paid	(224)	(162)	(394)
Net cash outflow from operating activities - discontinued operations	(4,109)	1,787	5,279
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,226)	(1,596)	(2,443)
Purchase and development of intangible assets	(930)	(1,637)	(3,098)
Proceeds from sale of property, plant and equipment	-	8	990
Acquisition of subsidiaries and payment of contingent consideration	(995)	-	-
Net cash used in investing activities – discontinued operations	(3,151)	(3,225)	(4,551)

FINANCIALS

9. Net cash

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Cash	11,173	12,060	12,143
Bank borrowings	(20,098)	-	(4,357)
Net (debt)/cash	(8,925)	12,060	7,786

The total facility available to the Group is £39 million (30 June 2015: £39 million; 31 December 2014: £39 million). The facility expires on 31 October 2019, and all banking covenants were met during the period.

10. Acquisition of Tabernus

On 11 September 2015 the Group completed the acquisition of 100% of the issued share capital of Tabernus LLC and Tabernus Europe Limited for a headline price of \$12 million, consisting of consideration of \$9.7 million (\pounds 6.4 million) and debt acquired of \$0.3 million (\pounds 0.2 million), which was funded though the Group's cash reserves. The debt was immediately settled on completion. Deferred consideration of \$2 million (\pounds 1.3 million) is payable three years from acquisition.

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	-	1,548	1,548
Property, plant and equipment	30	(30)	_
Deferred tax	-	32	32
Overdraft and other short-term borrowings	(175)	_	(175)
Trade and other receivables	257	(42)	215
Trade and other payables	(163)	(1,677)	(1,840)
Net assets acquired	(51)	(169)	(220)
Goodwill			7,544
Total consideration			7,324
Satisfied by:			
Cash paid			6,390
Deferred consideration			934

Total consideration

7,324

10. Acquisition of Tabernus continued

Cash flow - acquisition of subsidiaries net of cash acquired

Within the Consolidated Cash Flow Statement, the cash flow relating to the Tabernus acquisition, net of cash acquired is reconciled per the table below:

	£'000
Cash consideration	6,390
Overdraft acquired	4
Debt acquired	171
Net cash flow - acquisition of subsidiaries, net of cash acquired	6,565

Contingent cash consideration

The acquisition includes an earn-out based to be paid in September 2018. The estimated cash outflow at the time of settlement will be $2 \mod (\pounds,3 \mod)$. A deferred liability of $1.4 \mod (\pounds,9 \mod)$ has been established which represents the fair value at the acquisition date, using a discount rate of 12%. At 31 December 2015, the deferred liability was $1.5 \mod (\pounds,0 \mod)$.

11. Acquisition of SafeIT

During the previous financial year, 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.

The 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 asset – 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

1.404

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12. Intangible assets

	Brand name £'000	Intellectual property £'000	Customer contracts £'000	Development expenditure £'000	Software licences £'000	Total £'000
Cost						
At 1 July 2014 (audited)	2,888	11,872	10,960	5,277	4,846	35,843
Additions	-	_	-	3,959	790	4,749
On acquisitions	-	-	197	-	-	197
Disposals	_	_	-	(219)	(1,357)	(1,576)
Reclassification	_	_	-	(1,141)	-	(1,141)
Exchange movement	_	_	-	(66)	(485)	(551)
At 30 June 2015 (audited)	2,888	11,872	11,157	7,810	3,794	37,521
Additions	_	_	-	946	935	1,881
On acquisitions	271	582	695	_	-	1,548
Disposals	-	_	-	-	(20)	(20)
Exchange movement	-	_	-	167	69	236
Reclassification of assets held for sale	-	-	(3,600)	(6,822)	(3,361)	(13,783)
At 31 December 2015 (unaudited)	3,159	12,454	8,252	2,101	1,417	27,383
Accumulated amortisation At 1 July 2014 (audited) Charge for the year	43 206	247 1,187	2,994 787	1,453 1,169	2,627 1,103	7,364 4,452
Disposals	_	_	_	(407)	(724)	(1,131)
Exchange movement	-	-	-	8	(213)	(205)
At 30 June 2015 (audited)	249	1,434	3,781	2,223	2,793	10,480
Charge for the year	158	616	390	372	516	2,052
Exchange movement	-	_	-	28	47	75
Reclassification of assets held for sale	-	-	(3,092)	(2,293)	(2,600)	(7,985)
At 31 December 2015 (unaudited)	407	2,050	1,079	330	756	4,622
Net book value at 31 December 2015 (unaudited)	2,752	10,404	7,173	1,771	661	22,761
Net book value at 30 June 2015 (audited)	2,639	10,438	7,376	5,587	1,001	27,041
Net book value at 30 June 2014 (audited)	2,845	11,625	7,966	3,824	2,219	28,479

13. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 July 2014 (audited)	4,862	9,341	6,529	107	3,295	24,134
Additions	588	364	752	-	884	2,588
Disposals	(621)	(1,864)	(1,741)	(15)	(210)	(4,451)
Reclassification	-	1,141	_	-	-	1,141
Exchange movement	(425)	(509)	(310)	(5)	(255)	(1,504)
At 30 June 2015 (audited)	4,404	8,473	5,230	87	3,714	21,908
Additions	267	337	337	1	376	1,318
Disposals	(21)	(139)	(89)	-	(28)	(277)
Exchange movement	34	12	41	(3)	60	144
Reclassification of assets held for sale	(4,449)	(8,683)	(5,392)	(85)	(3,824)	(22,433)
At 31 December 2015 (unaudited)	235	-	127	-	298	660
Accumulated depreciation At 1 July 2014 (audited) Charge for the year Disposals Exchange movement At 30 June 2015 (audited) Charge for the year Disposals Exchange movement Reclassification of assets held for sale At 31 December 2015 (unaudited)	2,936 461 (584) (250) 2,563 131 - 8 (2,534) 168	7,772 146 (1,413) (400) 6,105 48 (128) 21 (6,046)	5,476 663 (1,718) (238) 4,183 145 (81) 27 (4,162) 112	45 17 (9) (5) 48 - (3) (45)	2,564 415 (153) (172) 2,654 122 (13) 28 (2,709) 82	18,793 1,702 (3,877) (1,065) 15,553 446 (222) 81 (15,496) 362
At 31 December 2015 (unaudited)	168	-	112	-	82	362
Net book value at 31 December 2015 (unaudited)	67	-	15	-	216	298
Net book value at 30 June 2015 (audited)	1,841	2,368	1,047	39	1,060	6,355
Net book value at 30 June 2014 (audited)	1,926	1,569	1,053	62	731	5,341

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14. Investments

The Group's subsidiary undertakings and investments for continuing operations are as follows:

		Ownership percentage by the Group as at 31 December	
Company name	Principal activity of the company	2015	Country of incorporation
Held directly by the Company			
Blancco Technology Group Ltd	Holding Company	100%	England and Wales
Regenersis Central Services Ltd	Holding Company	100%	England and Wales
Regenersis (IG) Ltd	Holding Company	100%	England and Wales
Regenersis Mobile Diagnostics Ltd	Dormant	100%	England and Wales
Regenersis Refurbishment LLP	Dormant	100%	England and Wales
Regenersis (Sweden) Ltd	Holding Company	50%	England and Wales
Regenersis TrustSub Ltd	Trustee for the Regenersis EBT^\dagger	100%	England and Wales
Regenersis Trustees Ltd	Trustee for the Regenersis EBT^\dagger	100%	England and Wales
Held indirectly by the Company			
Regenersis Distribution Ltd	Non-trading entity	100%	England and Wales
Regenersis Finance Ltd	Holding Company	100%	England and Wales
Regenersis Finland Acquisitions Oy	Holding Company	100%	Finland
Regenersis Finland Oy	Holding Company	100%	Finland
Xcaliber Infotech Private Ltd	Mobile diagnostics	15%	India
Regenersis Cooperatief WA	Holding Company	100%	Netherlands
Regenersis Finance BV	Holding Company	100%	Netherlands
Regenersis Finance US BV	Holding Company	100%	Netherlands
Regenersis (Software) Netherlands BV	Holding Company	100%	Netherlands
Regenersis Mobile Diagnostics Inc	Holding Company	100%	United States of America
Regenersis (Software) Services US Inc	Holding Company	100%	United States of America
Regenersis (Software) Services US LLC	Holding Company	100%	United States of America
Xcaliber Technologies LLC	Mobile diagnostics	49%	United States of America
Xcaliber IP LLC	Mobile diagnostics	49%	United States of America
Blancco Oy Ltd*	Data erasure	100%	Finland
Blancco UK Ltd	Data erasure	100%	England and Wales
Blancco Italy SRL	Data erasure	100%	Italy
Blancco France SAS*	Data erasure	51%	France
Software Blancco S.A. de C.V. Mx*	Data erasure	51%	Mexico
Blancco US LLC	Data erasure	100%	United States of America

14. Investments continued

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2015	Country of incorporation
Held indirectly by the Company continued			
Blancco Central Europe GmbH*	Data erasure	100%	Germany
Blancco Canada Inc	Data erasure	50%	Canada
Blancco SEA Sdn Bhd	Data erasure	100%	Malaysia
Blancco Australasia Pty Ltd	Data erasure	51%	Australia
Blancco Japan Inc*	Data erasure	51%	Japan
Blancco Sweden SFO*	Data erasure	100%	Sweden
SafeIT Security Sweden AB*	Data erasure	100%	Sweden
Tabernus LLC	Data erasure	100%	United States of America
Tabernus Europe Limited	Data erasure	100%	England and Wales

* Year end date is 31 December

† EBT: Employee Benefit Trust

All investments are in the ordinary share capital of the subsidiaries. Xcaliber Infotech Private Ltd, Xcaliber Technologies LLC and Xcaliber IP LLC are associates and are not consolidated.

All other subsidiaries are included in the consolidated results of the Group.

A reconciliation of total investments is as follows:

	6 months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
At beginning of period	1,850	10
Transfer of carrying value on recognition of significant influence	-	684
Acquisition of investment	-	1,912
Disposal of investment	-	(10)
Retained loss	(46)	(746)
At end of period	1,804	1,850

The investment at 31 December 2015 relates to Xcaliber Technologies LLC in which the Group owns a 49% stake.

The Group's investments are presented in the following captions on the balance sheet.

	6 months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Equity accounted investments	1,804	1,850
Other investments	61	61
Total	1,865	1,911

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15. Contingent consideration

At 31 December 2015 (unaudited)	3,020	-	2,030	962	6,012
Payment of contingent consideration	-	(995)	-	_	(995)
Unwinding of discount factor on contingent consideration	197	-	120	28	345
Created on acquisition	_	-	-	934	934
At 1 July 2015 (audited)	2,823	995	1,910	-	5,728
	Digicomp £'000	HDM £'000	Blancco Sweden £'000	Tabernus £'000	Total £'000

Of the contingent consideration payable, the amounts relating to Blancco Sweden and Tabernus are classed as continuing.

Of the amount relating to Blancco Sweden, £0.8 million of this is payable within one year and is therefore categorised as current.

16. Subsequent events

Sale of Regenersis (Depot) Services Limited

On 5 February 2016, Regenersis entered into a conditional sale and purchase agreement to dispose of its Aftermarket Services business (excluding Digital Care) to CTDI Repair Services Limited, a wholly owned subsidiary of Communications Test Design, Inc., for a cash consideration of €103.5 million.

The disposal is expected to complete during the second quarter of the calender year.

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 Half Yearly report

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

19. Adoption of Financial Reporting Standard 101 (FRS 101)

A new UK GAAP accounting framework introduced by the Financial Reporting Council ("FRC") became mandatorily effective for the financial statements of UK companies with accounting periods commencing on or after 1 January 2015. Under this new framework, the Company is required to elect to prepare its parent company financial statements on one of the bases permitted by the FRC.

The Board considers that it is in the best interests of the Group for the Company to adopt FRS 101 "Reduced Disclosure Framework" for its parent company financial statements for the year ended 30 June 2016, which will be included in the Group's Annual Report and Accounts. As a result of taking the possible disclosure exemptions permitted under FRS 101, disclosures are expected to be the same as, or follow closely, those reported under current UK GAAP.

Although the decision does not require formal shareholder approval, the Company is required to notify all shareholders and any shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the Company may object. Objections must be served on the Company in writing and delivered to the Company Secretary at the Company's registered office (190 High Street, Tonbridge, Kent, TN9 1BE) not later than 22 April 2016.

The consolidated financial statements of the Group will continue to be prepared in accordance with EU-adopted International Financial Accounting Standards ("IFRS") and are unaffected by this new accounting framework.



Adjusted Earnings Per Share: Adjusted earnings are stated before amortisation or impairment of acquired intangible assets and development costs capitalised, amortisation of bank fees, exceptional restructuring costs, acquisition costs, share-based payments, losses on disposals 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.

Aftermarket Services (segment): Contains the Group's previous Depot Solutions and Advanced Solutions segments. This segment is available for sale (with an agreement to sell the Repair Services business having been reached on 5 February 2016 and continued marketing of the Digital Care business), and has been presented as a discontinued operation in these accounts.

APAC: The Asia Pacific region

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 predetermined 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.

Digital Care: Part of the Aftermarket Services segment (but not the Repair Services business) 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'.

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.

Headline Operating Cash Flow or HOCF: Operating cash flow excluding taxation, interest payments and receipts, acquisition costs, and exceptional restructuring costs. This measure excludes capital expenditure. 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 or HOP: Operating profit stated before acquisition costs (because these are one-off in nature), exceptional restructuring costs (because these are not considered to reflect the underlying performance of the Group's operating business), share-based payment charges (because these represent a non-cash accounting charge for long-term incentives to senior management rather than the underlying operations of the Group's business), amortisation or impairment of acquired intangible assets (because these are non-cash charges arising as a result of the application of acquisition accounting, rather than core operations), the non-cash amortisation charge of development expenditure capitalised (because this does not reflect an ongoing cash outflow of the Group), and disposal of subsidiaries (because these represent a one-off non-cash charge to the Consolidated Income Statement)

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.

INFORMATION

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.

Pure-play: A company which invests its resources in a single line of business.

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

Repair Services business: Part of the Aftermarket Services segment for which an agreement was reached to sell on 5 February 2016. This represents the Group's previous Depot Solutions and Advanced Solutions divisions, excluding Digital Care.

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

Volume (revenue stream): Contracts with customers which involve an up-front delivery of licences, and typically no additional obligations to the customer.

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.

LOCATIONS

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Software Head Office - United States

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