Regenersis plc Annual Report & Accounts to 30 June 2010

Company number: 05113820

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Business Highlights

Regenersis is a strategic outsourcing partner to many of the World's leading consumer technology companies.

We provide a comprehensive range of innovative and integrated customer support solutions for our clients' products, helping them protect the one asset that matters most: the integrity and reputation of their brands.

By combining our in-depth knowledge of the technology markets with an unrivalled technical expertise, Regenersis offers clients an effective, efficient and responsible route to building lasting and valuable relationships with their customers.

Key financial information

	2010 £'m	2009 £'m
Revenue	116 4	98 3
Headline Operating Profit	5 7	5 2
Profit Before Tax	3.6	3 4
Net Debt	4 0	4 3
Net Assets	30 7	21 5
Headline Earnings Per Share (Pence)	10 57	13 84

The Group is making exciting progress in the development of new technology platforms and has good growth prospects in the three Divisions.

A Year of Further Progress

I am pleased to report that this has been a year of further progress for the Group

In the last twelve months we have completed the acquisition of TRS and integrated that business quickly and successfully The Board has finalised and communicated its strategy for the enlarged Group and has already enacted the first phase of implementation To better fulfil the needs of our customers and drive more value from our relationships across Europe the Group has realigned its core client and technology base into three new, vertically integrated businesses focused on the Mobile Communications, Media & Entertainment and Information Technology markets

Regenersis has combined its technical and environmental expertise into a cohesive, full service sales proposition for each of our served markets The Group is making exciting progress in the development of new technology platforms and has good growth prospects in the three divisions In the Mobile Communications division, the benefits of the TRS acquisition are now being felt and the Group's new customer-centric organisation is starting to deliver results, as demonstrated by recently announced business wins with LG, DHL and O2

The last twelve months have seen an acceleration in the pace of development at Regenersis and, whilst the retail environment remains subdued across much of Europe, strong growth is expected in the medium term in the areas of internet-enabled televisions, personal computers and smartphones Consequently, the Group is increasingly focused on these mobile, connective and convergent technologies where markets are proving stronger and better able to support Regenersis' growth ambitions

Results Overview

The year to 30 June 2010 saw revenue rise 18% to £116 4 million (2009 £98 3 million) and headline operating profit, before exceptional restructuring costs, amortisation of acquired intangible assets and adjustments for share based payments, increased by 11% to £5 7 million (2009 £5 2 million)

TRS has been included for the ten months following completion and added £18 4 million of revenue and £0 7 million to headline operating profit As expected, demand for recycling and end-of-life services continued to decline with revenue down £5 2 million and headline operating profit down £1 5 million to £0 5 million The Group has ceased much of this activity and is managing the remainder to limit any negative impact Excluding TRS and the reduced contribution from recycling and end-of-life services, the rest of the Group grew with revenue rising by £4 9 million (7%) and headline operating profit rising by £1 3 million (44%) to £4 5 million

Overall, all three divisions have increased profitability this year a positive signal as the Group continues to migrate towards a more value-added service provision

Headline earnings per share of 10 57 pence (2009 13 84 pence) and basic earnings per share of 6 89 pence (2009 9 47 pence) reflect the expected dilutive impact of the TRS acquisition in this first year of ownership The £6 25 million transaction cost was financed through the issue of new equity, including a placing that raised £3 3 million before expenses

Net debt at the year-end has been reduced to £4 0 million, compared with £4 3 million in the previous year This was helped by a £5 0 million improvement in operating cash flow, turning an outflow of £2 9 million in 2009 to an inflow this year of £2 1 million Cash flows were improved in the second half when net debt reduced by £0 7 million, largely reflecting the improved performance of the Group including the contribution from TRS Having renewed its banking facilities in 2009 in support of the TRS acquisition, the Group continues to operate well within its facilities and covenants

With the acquisition of TRS completed and profitability improved, the Group's asset base has been strengthened with net assets increasing by 43% to £30 7 million

Board and Employees

In anticipation of the next growth-focused stage of the Group's development, a number of management changes have recently been completed These include the appointments of Jeremy Wilson, on 7 June 2010 as Chief Financial Officer and Sally Weatherall on 30 June 2010 as Company Secretary The appointments follow the decisions of David Kelham and Nick Temple to stand down Both have been valuable members of the team at Regenersis and I would like to wish them well for the future Looking forward, Jeremy and Sally are significant additions to the team and I am sure they will bring fresh energy and impetus to the Group's future development plans

This is my first opportunity since the completion of the TRS acquisition to welcome our new colleagues to Regenersis and to thank them for their valuable contribution over the last ten months TRS has an essential leadership role to play in the development of the Mobile Communications division and I am pleased with the speed with which the teams have blended The Group is just starting to realise the real incremental benefits of the acquisition as the teams begin to secure new business together

I would also like to recognise the ongoing contribution of the management and workforce as a whole Regenersis now employs nearly 2,500 employees across Europe and is a significant employer in many of the localities in which it operates The Group recognises the obligations it has to these communities and will continue to work to improve the prospects for employees present and future

Dividend

In considering the Group's funding position and cash resources, the Board has prioritised its continuing strategic development and investment With the general financial and economic outlook remaining uncertain the Board considers it too early to reinstate the dividend However, the introduction of a progressive dividend policy remains a key objective when conditions allow

The Board will therefore continue to review the dividend policy in the light of the ongoing performance and prospects for the Group, our existing banking agreements and the wider financial and economic outlook

Outlook

Regenersis' clients recognise the need to enhance their own service as a route to increasing sales and retaining customers It is the Board's view that the market for outsourced services will therefore continue to grow We remain confident of the long term strategy to grow revenue and margin by delivering differentiated and innovative quality-assured services closer to both the Group's clients and the end-consumer

Whilst conditions in the consumer markets continue to be uncertain we have strengths in each of our key markets the Group offers the higher value-added and margin enhancing services that our clients increasingly demand The Board is pleased to report that performance in the current year has started in line with our expectations and, at this stage, is ahead of the equivalent period in the prior year

Jeff Hewitt
Non-Executive Chairman

15 September 2010

The fact that Regenersis is already an established supplier to many of the world's leading consumer technology brands provides the Group with strong foundations.

A Strategy for Growth

The last twelve months has seen a transformational change in the strategy and focus of the Group The acquisition of TRS early in the year provided the impetus to realign our activities around three core markets and drive a more customer-centric strategy

Regenersis has a growing reputation for both technical and operational excellence but has not yet succeeded in leveraging that potential to maximum effect across its client base or geographical reach In the main this reflects the priority in recent years to complete the restructuring, including the closure or relocation of ten facilities across Europe However, with that process substantively completed and centres of excellence established in each of its core markets, the Group is able to shift its focus towards growth and the opportunities offered by its client base

The fact that Regenersis is already an established supplier to many of the world's leading consumer technology brands provides the Group with strong foundations Whilst the overall consumer market remains subdued, the key areas in which Regenersis is focused are faring better The Group is servicing clients in the growth markets for mobile, connective and convergent technologies

To leverage established relationships and knowledge, the team has integrated Regenersis' service offerings for these core markets in Mobile Communications, Media & Entertainment and Information Technology By doing so, the Group is now able to more closely align itself with its clients, recognising their specific service needs and deploying Regenersis' experience and knowledge to mutual benefit

As the trend to outsource non-core services continues apace, Regenersis' clients are increasingly aware that service excellence is fundamental to their customer retention and brand loyalty Demand is therefore increasing for innovative, robust and quality assured outsource partners capable of consolidating complex reverse supply chains across a broad geographical remit Regenersis is now aligned with these market opportunities and better able to address the needs of its clients

Strong Platform now in Place

The Group has built an established and sustainable revenue base which underpins current performance and future growth plans Across the Group over 65% of revenues are derived from customers that Regenersis has partnered with for more than five years This longevity is indicative of the quality of service, reputation and business continuity of Regenersis' operations The Group has also been able to attract new clients to this established base

Improving the quality and consistency of earnings is a key objective and the Group has built a strong defensive proposition that creates inter-dependency with its clients and establishes barriers to competition The Group has also consistently and carefully managed cost, particularly in making use of lower cost geographies whilst maintaining a high quality of service

As well as building long term relationships, the Group has also been addressing the potential commercial risks implicit from over-reliance on a relatively small number of clients The Group has consequently expanded its portfolio of clients and services and its ten largest clients now account for 68% of revenue, compared with 77% two years ago As importantly, whilst Regenersis' largest customer accounts collectively for 13% of revenue (2009 15%), this revenue is dispersed across multiple services and delivery points, highlighting the significant client penetration of the Group's offering The fact that these services are such an essential part of our clients customer care programme allied to the longstanding nature of our relationships provides increased confidence in the forward visibility of the business

It is essential that our progress is maintained if we are to deliver sustainable profit growth This means building capability that offers significant added value, further improves Group margins and differentiates our offering in clients' minds An example of this is our investment in automated test development in the Media & Entertainment division Such pioneering services will leverage Regenersis' ability to innovate and combine operational excellence and support through intimate customer relationships In the last year, revenue derived from such value-added services has increased and it is our expectation that this trend will accelerate in future years

Market Focused Organisation

To leverage the many opportunities that we see within the Group's technology and client base, the activities of the Group have been reorganised into three vertically integrated divisions in Mobile Communications, Media & Entertainment and Information Technology

Segment	Revenues		Headline Operating Profit	
	2010 £m	2009 £m	2010 £m	2009 £m
Mobile Communications	77 2	60 3	5 3	5 1
Media & Entertainment	20 1	21 1	2 3	2 2
Information Technology	19 1	16 9	0 8	0 1
Total Divisional	**116 4**	**98 3**	**8 4**	**7 4**
Corporate Costs	–	–	(2 7)	(2 2)
Total Group	**116 4**	**98.3**	**5 7**	**5 2**

All of these markets are forecast to grow rapidly in future years A recent industry report predicted growth in demand for internet enabled television sets, video game consoles and set-top boxes of over 30% per year between now and 2014 The same report forecast demand for smartphones to grow by over 20% a year and personal computers by around 10% a year over the period

Mobile Communications

The formation of the Mobile Communications division has brought together the activities previously described as Technical and Environmental Services The division has made positive progress through the year both integrating the TRS acquisition and delivering the significant improvement in performance of the Eastern European operations The division, now led by the former management of TRS, accounted for 66% of Group revenue over the last year

To understand the relative contributions of these business activities to the Mobile Communications division the revenues and headline operating profits have been restated on a basis consistent with previous year's segmental analysis Technical Services incorporated warranty management and repair related activities whilst Environmental Services incorporated revenues from recycling and end-of-life services as well as insurance fulfilment programmes As these business streams have now been consolidated into one mobile service proposition this analysis will not be relevant for future periods

	Revenues		Headline Operating Profit	
	2010 £m	2009 £m	2010 £m	2009 £m
Mobile Communications				
Technical Services	35 1	31 4	4 1	3 1
Environmental Services	23 7	28 9	0 5	2 0
TRS	18 4	–	0 7	–
Total	**77 2**	**60 3**	**5 3**	**5 1**

The Mobile Communications market represents the largest addressable sector for the Group, transformed by the rapid growth in demand for high-end smartphones This trend, led by Apple and RIM, has attracted new entrants such as HTC, ZTE and Huawei from the Far East as well as established brands such as Nokia and Samsung The increased complexity of the products, allied to premium pricing and aggressive competition, has generated a need for greater end-user support which, in turn, is leading to opportunities for new, higher value-added support services This is a key target market for the future growth of the Mobile Communications division

The Mobile Communications division is anticipating these changes and recently there have been notable business wins which demonstrate our wider capabilities Earlier in the year the TRS team was awarded preferred partner status by DHL to establish a combined logistics and service proposition to target the mobile market The first success of this new venture was announced in recent days with the co-location in a DHL hub of a service and returns centre for O2 This contract leverages the combined, complementary skills of both organisations to deliver a more cost effective and efficient solution to a mutual client As evidence of a growing and successful relationship with O2, the award follows closely on the heels of the Platinum Customer support contract previously announced in August 2010

Another recent and significant development is the Group's new contract with LG to provide first line contact centre support for LG's UK customers This contract leverages Regenersis' technical expertise and expands on the call centre capability acquired with TRS Earlier in the year Regenersis also secured an exclusive contract with Nokia to manage and develop its service network of 100 care points across the UK Both these activities are enabling the Group to develop service models that are providing front line support for the end-user and that are transferable into new clients and markets

In Regenersis' established market for warranty management and repairs, the Group's Polish facility has been contracted by Nokia to provide high level repair services for its pan-European network This not only underpins current activity levels, but is also expected to provide increased future volumes as Nokia consolidates its reverse supply chain

This growth in the more technical areas of the division has been balanced by decline in the demand for recycling and end-of-life services where revenues and profits continue to suffer from commoditisation of a volume-driven market with downward pressure on margin

The processing of low value end-of-life equipment today offers little opportunity for the Group to generate a meaningful return The service model has therefore been migrated away from this high volume, low margin business and more closely tied into the direct, retail and corporate sales channels of the major networks Consequently the Mobile Communications division now has a full lifecycle service proposition backed by strong relationships with the major networks, manufacturers and distributors across Europe

Most notably, in the UK, Regenersis supports the Orange Reward and Recycle programme in store and through its contact centres and web-based sales Handsets and equipment recovered are being managed through Regenersis' refurbishment and repair operations and are being brought back into service at greater value Other examples include the support programmes managed for insurance clients such as CPP and its corporate partners

After an eventful year, Regenersis now has a clear focus in its Mobile Communications division with an organisation that has the scale, resources and proposition to grow the business across Europe and augurs well for the future

Media & Entertainment

The Media & Entertainment division covers the audio visual markets including televisions and cable and satellite content delivery systems Whilst technology has generally lagged the pace of development in the Mobile Communications and Information Technology markets there has been recent acceleration The television market has seen a rapid move to digital and the introduction of affordable, mass market High Definition sets The market is moving rapidly with next generation products including 3D and IPTV technologies In the cable and satellite markets the delivery systems (Set-Top Boxes) are keeping pace and new interactive systems are being launched by manufacturers and content providers alike

The management team has anticipated these changes and, as such, is working to expand the Group's service model by developing proprietary technology The Group has previously pioneered automated test development to improve quality and cost effectiveness within its facilities and this technology platform is being further developed to provide in-field solutions for clients The ability to deliver diagnostic solutions to the home is highly significant to our clients as they seek to dramatically improve the customer experience and drive down whole life service costs

A research and development programme to coordinate and prioritise such activities across the Group has been put in place in recent months and Regenersis has protected its intellectual property in new markets Technology innovations such as this are core to Regenersis' service development programme

The past year has primarily been one of consolidation for the division whilst the new service and technology offering is proven Despite this longer term focus the business has still been successful in expanding its capability on an international basis with high profile customers including UPC, Tom Tom and Toshiba In particular, the Group's partnership with Virgin Media has grown in support of this client's drive to enhance its customer care and will see us delivering new and added-value services into the new year and beyond

Information Technology

The Information Technology market is much broader but equally as fast moving as the Mobile Communications and Media & Entertainment markets The two key sectors Regenersis currently serves are mobile computing (notebooks and netbooks) and financial transaction systems (ATM's, payment terminals and EPOS systems) where combined revenues increased by 13% over the year

The Group is now established in the Information Technology markets in the UK, Germany and Eastern Europe Of note has been the growth of the Group's activities in both cash and cashless payment systems where it is working with European market leaders This growing niche is particularly attractive given the demanding security and technical requirements that create barriers to competitors

During the year Regenersis has consolidated its relationship with Hypercom following its acquisition of the Thales terminals business In addition, the Group has extended the customer base beyond manufacturers with a leading operator, First Data, which offers further growth potential Regenersis is now actively delivering an end-to-end reverse logistics solution for both manufacturers and operators of cashless payment terminals, a proposition that is being expanded across Europe

The markets for notebooks and netbooks have also grown significantly in recent years, now outselling traditional desktops It is too early as yet to say what impact the launch of the new tablets will have on this market, although they clearly represent an opportunity for Regenersis to enter a new market niche

During the last twelve months, the Group has expanded capacity at sites in Sommerda and Warsaw as well as relocated its facility from Paderborn to Schloss Holte In so doing, Regenersis has secured new notebook business with Acer in Germany and Samsung in Poland such that the Group now has a growing position in the consumer and professional markets Work has also started with Siemens Healthcare division as the Group identifies new, technically demanding and hence high value markets The Group has achieved these business wins at the same time as increasing revenues with its five largest existing customers and targeting growth from more established partners

Delivering a More Targeted Approach

Regenersis has made considerable progress over the last twelve months and has established the foundations for future profitable growth By focusing more directly on key markets and clients and integrating the full service capability for those clients, we believe that the Group can deliver this proposition across Europe Feedback from key markets is positive and the Group has a growing developmental programme in each of its divisions Over the next twelve months, management will be focused on three core objectives building more intimate customer relationships, delivering on the Group's 'innovation' programme and on a continuous pursuit of operational excellence

Financial Review

	2010	2009
Operating performance		
Revenue £m	116 4	98 3
Gross profit £m	30 7	27 1
Headline operating profit £m	5 7	5 2
Operating cash flow £m	2 1	(2 9)
Key performance indicators		
Revenue growth %	18 4%	(6 3)%
Gross margin %	26 4%	27 5%
Operating costs % of revenue	21 5%	22 3%
Headline operating profit %	4 9%	5 2%
Net debt £m	(4 0)	(4 3)
Net assets £m	30 7	21 5

Results

Group revenue was £116 4 million, up 18% from 2009 whilst the Group's headline operating profit was £5 7 million, up 11% from 2009 The most significant factor was the acquisition of TRS, adding £18 4 million of revenue and £0 7 million of headline operating profit The TRS acquisition was completed in September 2009 and would have added another £4 0 million to revenues and £0 1 million to headline operating profit if it had been consolidated for the full year The business has been successfully integrated in the Mobile Communications division where the management team has delivered a number of notable business wins including the recently announced contracts with LG, DHL and O2

Elsewhere within Mobile Communications, a strong performance in Eastern Europe reflects the increased demand for cost effective and quality assured repair and refurbishment services Meanwhile the restructuring of the UK operations following completion of the TRS acquisition included the closure of the Nottingham facility and the consolidation of the return and repair activities in Glasgow, ensuring a better utilisation of the Group's assets

The Media & Entertainment division performed well during a year of transition as the business focused on the development of new technologies and services, the benefit of which will become evident in the coming years A substantial investment in research and development expenditure (£0 5 million) is reflective of the increased activity in this area In addition the customer base has been expanded such that the service capability has now been extended into Eastern Europe These developments will provide the base to grow the business further and develop a stronger position in mainland Europe

In Information Technology, the restructuring programme from prior years was completed with the final stage being the relocation of the main service centre in Paderborn to a new and lower cost facility in Schloss Holte The benefits of this move are becoming evident as operational costs are reduced and new business is attracted to the site

Gross Margin

In the twelve months to 30 June 2010 the gross margin declined to 26 4% (2009 27 5%) Whilst the Group aims to maximise its gross margin in each market, the characteristics and pricing of services varies considerably As such the Group considers margin targets on an individual account and service basis Inevitably year-on-year comparisons will reflect the relative mix of business and services between divisions and individual customers and services

In general terms, however, market pricing for more commoditised services has been declining consistently for a number of years, that trend has continued over the last twelve months Regenersis has largely resisted these pressures but has also been able to attract greater volumes of product to mitigate potential loss of profit, this is particularly true of the operations in Eastern Europe

The decline in overall margin year-on-year is therefore despite the increased proportion of revenues generated from lower cost facilities This is primarily explained by the relative increase in the cost of materials consumed by the Group As the proportion of high-value products serviced by the Group has increased (for example with smartphones) so too has the cost of materials to service them As material revenues generate very low margin, the enriched product mix, whilst maintaining gross profit, inherently has a dilutive impact on gross margin

The current strategy reflects expectations to improve margins through the development of value-added services These include the marketing of the innovations and intellectual property the Group is creating through its development programmes and the integration of a more comprehensive suite of services

Operating Costs

The Group continues to mitigate downward pressure on revenues and gross margins through the active management of the operating cost base Although operating costs increased in absolute terms due to the acquisition of TRS, the Group has managed operating costs tightly and, during the year, these were reduced from 22 3% of revenues to 21 5% This was achieved through a combination of increasing the proportion of business delivered in Eastern Europe and the reduction in the cost base in Germany following the relocation of the Paderborn facility to Schloss Holte This overall reduction in operating costs relative to revenues was achieved despite the inclusion of corporate costs of £0 3 million relating to management changes for the new organisation structure

Average labour costs have been reduced by 4 7% reflecting this close management by the Group of both salary levels and the selection of location for the service of the client

Exceptional Costs

The Group has incurred one-off costs relating to the acquisition of TRS and the subsequent integration of that business, including the closure of the Nottingham facility and the relocation of the mobile phone warranty repair activities to Glasgow These actions were undertaken and charged in the first half of the year There have been no significant changes to the organisation in the second half deemed to be exceptional Other costs excluded from headline operating profit were the ongoing amortisation of acquired intangible assets and share-based payments

Net Financing Charges

Costs totalling £0 3 million have been included in net financing charges relating to the renegotiation of the existing banking arrangements at the time of the TRS acquisition Aside from these charges, the underlying net financing charges were £0.4 million (2009 £0 4 million) During the year the Group had higher average net debt offset by lower average interest rates

Taxation

The tax charge of £0 8 million (2009 £0 9 million) represents an effective tax rate of 22% (2009 27%) of the reported profit before tax The lower rate reflects one of the benefits of the proactive management of business towards countries with lower operating costs but also lower tax rates

Earnings per Share

As expected, with the acquisition of TRS and the accompanying share issue, the headline earnings per share fell to 10 57 pence (2009 13 84 pence) and basic earnings per share was 6 89 pence (2009 9 47 pence) The headline earnings per share calculation excludes amortisation of acquired intangible assets together with exceptional items, net of tax The acquisition of TRS has had a dilutive effect in its first year but the overall business contribution has been in line with expectations

Exchange Rates

During the year, the Euro and Polish Zloty strengthened slightly relative to Sterling, however, the impact has not been significant overall Restating the prior year results to 2010 exchange rates, would have increased comparative revenue by £0 5 million and headline operating profit by £0 04 million As the overseas operations grow it is anticipated that the Group will report routinely in constant exchange rates

Changes to Segmental Reporting

The Group reporting reflects the segmentation of the Group into the Mobile Communications, Media & Entertainment and Information Technology divisions To understand the impact of these changes, together with the acquisition of TRS, compared to previous reporting, the results have been restated below according to the origins of these businesses in the Technical and Environmental (incorporating recycling and end-of-life) Services

The financial reporting will focus on revenues and the controllable headline operating profit To that end, corporate costs, which were previously allocated to the individual segments, are being shown separately The corporate costs consist of the Board and head office running costs as well as Group initiatives such as sales and marketing, corporate development, strategic and incentive programmes In 2009, the £2 2 million of corporate costs were allocated £1 4 million to Technical Services and £0 8 million to Environmental Services

Segment	Revenues		Headline Operating Profit	
	2010 £m	2009 £m	2010 £m	2009 £m
Technical Services	74 3	69 4	7 2	5 4
TRS	18 4	-	0 7	-
Total Technical Services	**92.7**	**69 4**	**7.9**	**5 4**
Environmental Services	23 7	28 9	0 5	2 0
Total	**116 4**	**98 3**	**8.4**	**7 4**
Corporate Costs	-	-	(2 7)	(2 2)
Group	**116 4**	**98 3**	**5.7**	**5 2**
Excluding TRS and Environmental	**74 3**	**69 4**	**4 5**	**3 2**

Revenue from technical services increased by £4 9 million (7%) like-for-like and by £23 3 million (33%) including the TRS acquisition Headline operating profit margin improved to 6 1% (2009 4 5%) The strong margin performance from Technical Services reflects the tight cost control, increased activity levels and a richer mix of value-added business

Conversely the contribution from Environmental Services, including recycling and end-of-life services declined with revenues down by £5 2 million and headline operating profits down by £1 5 million to £0 5 million With headline operating margins at 2% these activities have had a dilutive effect on the overall operating margins of the Group and partly mask the strong performance of Technical Services

Excluding both TRS and Environmental Services the underlying performance of the Group, after corporate costs shows revenue growth on a like-for-like basis of 7% and headline operating profit growth of 44%

The Acquisition of TRS

The acquisition of TRS was completed with effect from 1 September 2009 Regenersis acquired the entire share capital of TRS for a total enterprise value of £6 25 million, satisfied through the issue of £3 25 million of consideration shares and a further £3 0 million of placing shares, issued to fund the cash payment to the vendor The cash was utilised by the vendor to settle the bank borrowings of TRS, effectively rendering the acquisition debt-free on completion The fair value of net assets acquired was £3 3 million with the remainder (£3 0 million) shown as goodwill

Cash Flow

The Group's operating cash flow performance was £5 0 million better in 2010 compared to prior year Year end net debt was reduced to £4 0 million (2009 £4 3 million)

Cash flow from operating activities improved with a net inflow of £2 1 million (2009 net outflow £2 9 million) The year-on-year improvement is primarily explained by the slowdown in growth of working capital despite the inclusion of TRS Overall working capital increased by £3 3 million, including £1 3 million from TRS, compared to an increase of £6 5 million the previous year As reported previously, the unwind of the negative working capital generated by recycling and end-of-life services, as the business has reduced, has been the most significant factor in working capital outflows However, the Group successfully managed the continued pressure on its working capital as the business has grown and has contained inventories and receivables to similar levels to prior year, despite the 18% revenue increase

Expenditure on capital assets was reduced to £1 3 million (2009 £1 6 million) as the investment programme supporting the upgrade and expansion of facilities was completed However, expenditure on intangible assets was increased to £0 7 million (2009 £0 1 million) as work on new technology and test development accelerated to support the Group's research and development programme

Tax paid reduced to £0 7 million (2009 £1 6 million) as the Group benefited from the losses acquired with TRS and the accelerated capital allowances on research and development expenditure The prior year was higher because of the changes last year to the tax payment timetable, the Group had to make payments on account for the current year as well as payments for the prior year This was a one-off adjustment and will not impact future periods

Financial Position

The Group has strong financial metrics with interest cover of 21 4 times (2009 16 2 times) and a net debt to EBITDA ratio of 0 5 (2009 0 7), with significant headroom to the Group's banking covenants At 30 June 2010 net debt was £4 0 million, which was £0 3 million better than last year, due primarily to improved management of working capital

Year end net debt comprised gross borrowings of £6 5 million (all in Sterling) and cash and cash equivalents of £2 5 million

The Group completed the renegotiation of its existing banking facilities in support of the TRS acquisition in August 2009 The Group had available facilities of £12 5 million at the end of the year (2009 £12 5 million) and headroom over gross borrowings of £6 0 million (2009 £5 0 million) The interest rate charged on the drawn down portion of the revolving credit facility is between 2 5% and 3 0% above LIBOR dependent upon the ratio of EBITDA to net debt

Under the terms of this agreement the facility will reduce in six monthly instalments until it expires on 31 March 2013 The first such reduction of £1 75 million is due on 30 September 2010

Key Performance Indicators

The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business These measures include the key performance indicators ("KPIs") that are used continually to improve performance and compare against targets set at the individual customer and business unit level as well as for the Group as a whole As the Group moves towards value added services and away from more commoditised services, different measures are becoming necessary The measures shown above are the key, consistent measures used

Risks and Uncertainties

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

- Commercial contract risks – Given the potentially onerous terms of customer contracts it is essential that Regenersis continues to contract for business at acceptable rates and with appropriate commercial balance This also includes consideration of the cash flow impact of each customer contract No customer contract can be committed on behalf of the Group without the approval of the Executive Directors or the Board as a whole

- Systems risks – As data management is an essential platform of our service offering, the flexibility and reliability of the systems is critical to the ongoing development of the Group The Group is in the process of investing in its principal business systems Systems integration remains a priority for the Group and will be accelerated with the introduction of TRS into the Group structure

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

- Financing risks – In the continuing difficult financial markets the Group has maintained a prudent approach to the management of cash flow The Group has strengthened the balance sheet through a successful placing and fund raising in support of the TRS acquisition In addition the Group and has successfully renegotiated the terms of its banking facilities to ensure an appropriate level of headroom

- Customer concentration risks – The Group has been progressively growing its customer base, however, a number of customers are significant in the context of the Group as a whole While decreasing, customer concentration remains an issue the Board is conscious of and seeks to reduce further through the development of new customers and the creation of a more inter-dependent relationship with its existing customers

- Operational risks – The Group provides a number of complex and technical services with often little forward visibility of activity levels The ability to balance resources particularly labour and inventories is fundamental to the profitability of the business Retention and development of key management is essential to the continued growth of the business and will remain an objective of the Board

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

- Foreign exchange rate volatility - The widening geographic spread of the Group means that financial results can, increasingly, be affected by movements in foreign exchange rates The risk presented by currency fluctuations may affect business planning and product procurement costs The Group is monitoring this risk and will mitigate if it increases in significance

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

Cautionary Statement

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

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

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

Gary Stokes
Chief Executive Officer

Jeremy Wilson
Chief Financial Officer

15 September 2010

Directors and Advisors

Gary Stokes, Chief Executive Officer

Gary Stokes was appointed Chief Executive Officer in January 2007 following the acquisition of CRC Group plc Gary had previously served CRC as Chief Executive Officer since joining the business in April 2006

Prior to CRC Gary had been a Divisional Managing Director of LINPAC, then the UK's largest privately owned industrial group, and was a member of the management team that completed the sale of the business for £860 million

Previously Gary served as Chief Financial Officer at both Atkins plc and Tomkinsons plc before moving into general management as Managing Director of retail operations for Gaskell plc

Jeremy Wilson, Chief Financial Officer

Jeremy Wilson joined Regenersis on 7 June 2010 from Deutsche Post DHL where he was International Finance Director for DHL Express (UK) Limited

Prior to this, Jeremy served in a variety of financial and supply chain control functions between 1994 and 2007 at Electrocomponents plc, culminating in his appointment in 2002 as Group Controller Jeremy trained as a chartered accountant at KPMG

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Birmingham
B4 6GH

Nominated advisor & broker
Arden Partners
125 Old Broad Street
London
EC2N 1AR

Registrars
Computershare
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PO Box 82 The Pavilions
Bridgewater Road
Bristol BS99 7NH

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Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

Bankers
KBC Bank
111 Old Broad Street
London
EC2N 1PH

Royal Bank of Scotland
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Jeff Hewitt, Non-Executive Chairman

Jeff Hewitt joined the Board as Non-Executive Chairman on 1 November 2007 Jeff was Deputy Chairman and Finance Director of Electrocomponents plc until his retirement in 2005 Previously Jeff had been Finance Director at Unitech plc and had various Board positions at Coats Viyella plc

Currently Jeff is also a Non-Executive Director of Cookson Group plc, Cyril Sweett Group plc, Foreign & Colonial Investment Trust plc and Zinc-Ox Resources plc He is the External Chairman of the Audit and Risk Committee of the John Lewis Partnership and is the Chairman of Electrocomponents Pension Trustees Limited

David Holland, Senior Independent Non Executive Director

David Holland was appointed Non-Executive Director of Fonebak prior to the AIM listing in 2005 David has over 40 years experience predominantly in the printing and publishing industries He is currently Chief Executive of the Goodhead Group plc and prior to that was a Main Board Director at The Polestar Group, the largest independent printing company in Europe

David is a Fellow of both the Chartered Institute of Management Accountants and the Institute of Printing He is also Chairman of Trustees of a group of standard setting, professional and awarding bodies within the education and charitable sectors focusing on raising the standards of business administration and governance skills internationally

David is a Freeman of the City of London

David Gilbert, Independent Non-Executive Director

David Gilbert was appointed as a Non-Executive Director on 7 January 2009 During a 25 year career with DSG International David's roles included Chief Operating Officer, Managing Director of Curry's Group and Group Marketing Director with responsibility for the Curry's and Dixons brand

More recently David has served as Managing Director of Waterstones Bookstores and was employed by Goldman Sachs Private Equity to chair their investment in a German drugstore chain, Ihr Platz

Currently, David's principle business interest is as Chairman of FreeState Limited who are Brand Architects working with major technology brands amongst others He is also Trustee and Patron of the Contemporary Arts Society and a Board member of ARTCO at the Arts Council of England

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 June 2010

Principal activities

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

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

Our dedication to improve the end-to-end customer experience, and at the same time, to reduce the total cost of after-sales make us unique in our marketplace As a result, our clients choose Regenersis to manage the lifecycle of their products — from the preparation and introduction of new products to market, to call centres providing technical and customer support, warranty management and insurance fulfilment, fully integrated repair avoidance, returns management and technical repair, and finally to the remarketing and safe recycling for end-of-life products

Business review and future developments

The Company is required by the Companies Act 2006 to include a business review in this report The information that fulfils the requirements of the business review can be found in the Chairman's Statement on pages 2 to 5, the Business and Financial Review on pages 6 to 15 and the Corporate Governance report on pages 21 to 23, which is incorporated in this report by reference These reports also include details of expected future developments in the business of the Group, principal risks and uncertainties and details of key performance indicators that management use

Results

The audited accounts for the Group for the year ended 30 June 2010 are set out on pages 30 to 61 The Group profit for the year after taxation was £2 8 million (2009 £2 5 million)

Dividends

The Board do not recommend the payment of a dividend

Capital structure

The issued share capital of the Company at 30 June 2010 was £896,000, comprised of 44,820,252 ordinary shares of two pence each During the year 16,477,675 new shares were issued at 40 pence per share to facilitate the acquisition of Total Repair Solutions (TRS)

Directors

The Directors who held office during the year were

David Gilbert
Jeff Hewitt
David Holland
David Kelham – resigned 30 June 2010
Gary Stokes
Jeremy Wilson – appointed 7 June 2010

Details of the Directors' periods of office can be found in the report on Corporate Governance which starts on page 21 Full biographical details of the Company's Directors are given on pages 16 and 17

In accordance with the Articles of Association of the Company, Jeff Hewitt, David Holland, Gary Stokes and Jeremy Wilson retire by rotation at the Annual General Meeting and offer themselves for re-election

Directors' interests in the Company

Details of Directors' interests in the share capital and share options of the company are given in the Remuneration Report on pages 24 to 26

Substantial shareholdings

As at 10 September 2010, the following shareholders own more than 3% of the issued share capital of the Company

	Percent of issued share capital	Number of shares
Torch Capital (BVI) Limited	18 13%	8,125,000
Impax Asset Management	12 31%	5,518,014
Fidelity Investments	9 94%	4,456,376
Aviva Investors	8 78%	3,934,686
Gordon Shields	8 53%	3,825,000
Regenersis Trustees Limited	4 80%	2,150,000
GLG Partners LP	3 44%	1,541,073

Corporate Governance

Corporate Governance

A report on Corporate Governance is contained on pages 21 to 23

Charitable donations

The Group made no direct charitable donations during the year However, certain clients direct the Group to pay their entitlement under commercial arrangements to various charities on their behalf including the UK BBC Children in Need Appeal

Employees

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

Supplier payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payment to suppliers Trade payables at 30 June 2010 represented on average 39 days credit based on actual invoices received (2009 45 days credit)

Going concern

As highlighted in note 26 to the financial statements, the Group meets its day to day working capital requirements through a bank facility which expires on 31 March 2013

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business and Financial Review on pages 6 to 15 Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business and Financial Review on pages 11 to 14 In addition note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk

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

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

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Re-election of auditors

Resolutions to reappoint KPMG Audit Plc as auditors to the Company and to authorise the Board to determine the auditors' remuneration will be proposed to the Annual General Meeting

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 November 2010 at the offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB The Notice setting out details of the business to be considered at the meeting is included on pages 69 to 72

By order of the Board and signed by

Jeremy Wilson
Chief Financial Officer

15 September 2010

Corporate Governance

Principles of good governance

As a Company quoted on AIM, a market operated by the London Stock Exchange, we are not required to comply with the principles set out in Section 1 of the Combined Code on Corporate Governance ("the Combined Code") However, the Group has complied with the provisions of the Combined Code with the following one exception

Jeff Hewitt, Chairman of the Group, is also Chairman of the Audit Committee Under the Combined Code, the Chairman of the Group should not also be Chairman of the Audit Committee These responsibilities are a consequence of the current mix of skills and experience on the Board The other Non-Executive Directors on the Audit Committee are active and challenging in its meetings The composition of the Board is considered appropriate given the size and complexity of the Group's operations

The Board

Currently the Board comprises a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors David Holland is the Senior Independent Director

The Board are given access to independent professional advice, at the Group's expense, when the Board deem it necessary in order for them to carry out their responsibilities

The Board holds regular, scheduled meetings and informal meetings as required There were eleven Board meetings in the year (nine in 2009), which includes regular site visits New Non-Executive Directors are provided with an induction programme to familiarise them with the Group The Non-Executive Directors have met separately several times during the year

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

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

Regular reports and papers are circulated to the Board in a timely manner in preparation for the Board Meetings These papers are supplemented by information specifically requested by the Board from time to time The Board also receive monthly management accounts and regular management reports and information that enable them to review the Group's and management's performance against agreed objectives

The role of the Chairman and CEO

It is the Group's policy that the roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded Their roles remain as last year and have operated effectively, a summary of their roles is as follows

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns

The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team He will recommend to the Board any investment or new business opportunities which meet this strategy He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place The CEO is responsible for meeting with shareholders and ensuring effective communication

The Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters The Board have access to the advice and services of the Company Secretary The Company's Articles of Association and the matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board The Board appointed Sally Weatherall as the Group's Company Secretary with effect from 30 June 2010

Relations with shareholders

The Annual General Meeting will be attended by all the Board, and shareholders are invited to ask questions during the meeting and to meet with the Board after the formal proceedings have ended

The Group maintains a corporate website (www regenersis com), which complies with AIM Rules and contains a range of information of interest to institutional and private investors The Group has regular discussions with institutional shareholders on a range of issues affecting its performance These include meetings following the announcement of the interim and annual results and with the Group's largest institutional shareholders on an individual basis In addition, the Group responds to individual ad hoc requests for discussion from shareholders

Board and Committees

		Appointed	Audit Committee	Remuneration Committee	Nominations Committee
Gary Stokes	Chief Executive Officer	24 January 2007	–	–	Member
Jeremy Wilson	Chief Financial Officer	7 June 2010	–	–	Member
Jeff Hewitt	Non–Executive Chairman	1 November 2007	Chairman (appointed 26 February 2008)	Member	Chairman (appointed 26 February 2008)
David Holland	Non–Executive Director (Senior Independent Director)	7 March 2005	Member (Chairman up to 26 February 2008)	Chairman (appointed 26 February 2008)	Member
David Gilbert	Non–Executive Director	7 January 2009	Member	Member	Member

Attendance at meetings

The number of full Board meetings and Committee meetings attended by each Director during the year was as follows

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Gary Stokes	11 (11)	3*	3*	1 (1)
David Kelham	11 (11)	3*	1*	–
Jeremy Wilson	1 (1)	1*	–	–
Jeff Hewitt	11 (11)	3 (3)	3 (3)	1 (1)
David Holland	11 (11)	3 (3)	3 (3)	1 (1)
David Gilbert	11 (11)	3 (3)	3 (3)	1 (1)

*Attended by invitation

The figures in brackets denote the maximum number of meetings that each Director could have attended in their period of office

Audit Committee

The Audit Committee comprises the three Non-Executive Directors and is chaired by Jeff Hewitt During the period under review the Audit Committee met three times and details of attendance are given in the table on page 22 The Executive Directors attended all meetings held during the year by invitation The Chairman and/or the Committee meets with the external auditors without any Executive Directors present whenever this is considered appropriate

Role, responsibilities and terms of reference of the Audit Committee

The Committee's responsibilities include

- Monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them,
- Considering the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors and agreeing the scope of the audit engagement,
- To approve the internal audit programme and review and monitor the effectiveness of the internal audit function,
- To keep under review the effectiveness of the Group's systems of internal financial control and to report to the Board regarding such systems on an annual basis, and
- To review the arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting (or other matters)

Auditors' independence and objectivity

The Audit Committee reviews all services being provided by the external auditors so as to review the independence and objectivity of the external auditors, taking into consideration relevant professional and regulatory requirements, so that these are not impaired by the provision of permissible non-audit services

Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 8 to the financial statements

Internal control

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

Regenersis is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject to Employees are encouraged to raise concerns about fraud and other matters through a whistle-blowing procedure All such concerns will be reported to the Audit Committee, with a report of whether or not they have been found after investigation to be of substance

Regenersis operates an internal audit function through a process of peer reviews which are then submitted to and discussed with the Audit Committee and external auditors During the year, four official internal audits were carried out and formally reported to the Audit Committee along with recommendations and management responses Internal audits will continue to be carried out and focus on areas of risk or areas likely to result in maximum benefit to the Group The role of the internal audit function will continue to be reviewed and developed as necessary to ensure that it is appropriate to the Group and its size

Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors and is chaired by David Holland The Remuneration Committee report on pages 24 to 26 includes details of the Remuneration Committee and its work

Nominations Committee

A Nominations Committee was set up on 31 August 2007 and comprises all Board Directors from this date or from their date of appointment to the main board, if later The Committee meets as and when required Details of attendance are given in the table on page 22

Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration Committee and details of attendance at the meetings is disclosed in the table in the Corporate Governance report on page 22

Executive Directors attend by invitation only when appropriate and are not present at any discussion of their own remuneration

Remuneration policy

The Committee keeps the Company's remuneration policy under regular review and during the year took advice from Kepler Associates to develop its policy

The objective of the Remuneration Committee's policy is to attract, retain and motivate high calibre executives who can drive the business forward and increase shareholder value

To meet this objective, total rewards are designed to be competitive and relevant to each Director's role, experience and the external market The remuneration packages include basic salary, contribution to private pension plans, other benefits and allowances including annual performance bonus and share options

The principle area under review during the year was the Long Term Incentive Plan (LTIP) The current Executive Plan expired on 30 June 2010 and a new scheme has been adopted with effect from 1 July 2010, and in line with best practice was advised to shareholder's at the last Annual General Meeting

Basic salary

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

Pensions

The Group makes defined contributions on behalf of the Executive Directors into the Group's personal pension plan The amounts paid in the financial year are set out in the Directors' emoluments table on page 25

Annual performance related bonuses

Performance related bonuses for the Executive Directors are contractual and linked to the Group's audited headline operating profit Terms and conditions are based on the recommendations of the Remuneration Committee

Long term incentive arrangements

The Company operates an Executive Plan which the Executive Directors participate in along with other senior managers of the Group The Company has set up an Employee Benefit Trust ("EBT") which has subscribed to shares in the Company, over which the trustees make awards

Awards made under the Company's Executive Plan in 2007 expired on 30 June 2010, of which none of the options vested For the awards to vest the following performance criteria had to be met

- Real annual growth in earnings per share for the Company, measured over a three year period from 1 July 2007 until 30 June 2010 is equal to or in excess of 5%, and
- The market value of an ordinary share in the Company (as derived from AIM) is no less than twice the market value of an ordinary share on 30 June 2007 (55 5p)

The exercise price is set by reference to the market price of the shares on the date of the award

The Remuneration Committee has adopted a new performance share plan and proposes to make awards in the following financial year The conditions and performance criteria governing the new scheme are as follows

- Awards will be granted to acquire shares at no cost to the employees,
- Awards permissible under the scheme are subject to a maximum of 75% of basic salary,
- Awards would be performance-tested after three years, with 50% vesting on Regenersis' total shareholder return ("TSR") % out-performance of the AIM Industrial Goods & Services Index and 50% vesting on cumulative headline operating profit exceeding a predetermined target over the three year period,
- The Committee will, in all cases, retain discretion to ensure that, as a condition for the release of shares, the underlying overall performance of the Company has been satisfactory, and
- The Executive Plan also contains certain earlier vesting provisions where the participant leaves the Company for reasons of ill health or early retirement or if there is a change of control

All awards made under the Executive Plan are approved by the Remuneration Committee

Non-Executive Directors' remuneration

The Non-Executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole No other incentives, pensions or other benefits are available to the Non-Executive Directors The Board may request Non-Executive Directors to perform specific additional work at an agreed per diem rate It would be the intention of the Board that the independence of the director is not prejudiced by the nature of any such additional work

Service agreements

None of the Directors have contracts of service with notice periods which exceed 12 months The Committee also determines the terms and conditions of employment of the Executive Directors

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

Directors' emoluments

	Salary, fees, benefits 2010 £'000	Compensation for loss of office 2010 £'000	Bonus 2010 £'000	Pension contributions 2010 £'000	Total 2010 £'000	Total 2009 £'000
Executives						
Gary Stokes	282	–	86	43	411	401
David Kelham	183	116	86	28	413	287
Jeremy Wilson*	11	–	–	–	11	–
	476	**116**	**172**	**71**	**835**	**688**
Non-Executives						
Jeff Hewitt	50	–	–	–	50	50
David Holland	30	–	–	–	30	30
David Gilbert**	40	–	–	–	40	18
Gordon Shields	–	–	–	–	–	13
	120	**–**	**–**	**–**	**120**	**111**
Total	**596**	**116**	**172**	**71**	**955**	**799**

* Emoluments paid to Jeremy Wilson are from the date of appointment
** Fees paid to David Gilbert include £5,250 of additional services provided to the business in the year

Executive Directors' share options

	Awards as at 30 June 2010 and 30 June 2009	Exercise price	Grant date
Executives			
Gary Stokes	750,000	55 5p	26-June-07
David Kelham	500,000	55 5p	26-June-07
Jeremy Wilson	–	–	–

The Executive share options did not meet the vesting performance as at 30 June 2010 and lapsed with immediate effect No other Executive share options were granted during the year

Directors' interests in shares

The interests of the Directors who held office at 30 June 2010 in the ordinary share capital of the Company were as shown in the table below David Kelham resigned from the business 30 June 2010 All interests are beneficial

	As at 30 June 2010 Number	As at 30 June 2009 Number
Executives		
Gary Stokes	93,750	31,250
David Kelham	82,500	20,000
Jeremy Wilson	–	–
Non-Executive		
Jeff Hewitt	25,465	12,965
David Holland	12,500	–
David Gilbert	12,500	–

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

David Holland
Chairman of the Remuneration Committee

15 September 2010

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

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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period In preparing each of the Group and parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

Sustainability Policy

Regenersis operates a business model that embraces sustainability as the core of our service proposition Our sustainable business practices are cost effective, build employee and customer loyalty, and drive new business for the Group We maintain our environmental leadership position based on the fundamental building blocks of sustainability and remain committed to the 3Rs - Reduce, Reuse, and Recycle Our services extend the productive life of consumer electronics and reduce unnecessary consumption We refurbish and repair products to exacting manufacturer's standards, so that these products can then be reused either in their home market or matched to a secondary market When a product is beyond economical repair, we safely and responsibly recycle it, recover the materials and ensure they are put back into use for future products

The Group continues committed to its green credentials and the end-to-end services it manages on behalf of its clients These include the Producer Compliance Scheme operated in the UK for the benefit of the mobile phone industry In addition we have documented Environmental Management Systems for all our facilities to ensure effective planning, operation and control of our environmental impacts Each of our facilities is certificated to ISO 14001 These environmental management systems ensure that we

- Provide fully auditable and sustainable solutions that enable whole life cycle management for all the products we support through repair avoidance, technical repair, refurbishment, re-use and recycling,
- Manage and minimise environmental risks identified in our operations,
- Maintain our 100% regulatory compliance record,
- Measure our environmental performance annually,
- Assess the environmental performance of key suppliers, and co-operate with suppliers, customers and business partners to achieve higher environmental standards,
- Encourage sustainable development through business example and voluntary endeavors, both nationally and within the local community, and
- Minimise the impact on the environment of our operations as related to the emission of CO_2 to help combat climate change

The Group delivers services to its clients and their customers that not only further the cause of sustainability but does so in a way that ensures the Group will continue to prosper by virtue of doing the right thing

Independent Auditors' Report
to the members of Regenersis Plc

We have audited the financial statements of Regenersis Plc for the year ended 30 June 2010 set out on pages 30 to 68 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Corporate Governance

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent Company's affairs as at 30 June 2010 and of the group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Peter Meehan
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

15 September 2010

Consolidated Income Statement
for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
Group revenue	4	**116,353**	**98,308**
Headline operating profit	2	**5,724**	**5,155**
Exceptional restructuring costs	6	(929)	(927)
Amortisation of acquired intangible assets	15	(502)	(410)
Share-based payments	29	(62)	(51)
Group operating profit		**4,231**	**3,767**
Share of results of jointly controlled entity		(25)	-
Operating profit from continuing operations		**4,206**	**3,767**
Finance income	10	18	36
Finance costs	10	(372)	(404)
Exceptional finance costs	11	(296)	-
Total finance costs		(668)	(404)
Profit before tax		**3,556**	**3,399**
Taxation	12	(798)	(919)
Profit for the year		**2,758**	**2,480**
Attributable to			
Equity holders of the Company		2,739	2,456
Non-controlling interest		19	24
Profit for the year		**2,758**	**2,480**
Earnings per share			
Basic	13	6 89p	9 47p*
Diluted	13	6 89p	9 47p*
Headline	13	10 57p	13 84p*

*Restated – see note 13

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2010

	2010 £'000	2009 £'000
Profit for the year	2,758	2,480
Other comprehensive income		
Exchange differences arising on translation of foreign entities	40	(446)
Total comprehensive income for the year	**2,798**	**2,034**
Attributable to		
Equity holders of the Company	2,779	2,010
Non-controlling interest	19	24
Profit for the year	**2,798**	**2,034**

Consolidated Balance Sheet
as at 30 June 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Goodwill	14	26,936	23,978
Other intangible assets	15	2,130	1,272
Investments in jointly controlled entities	17	-	1
Property, plant and equipment	16	3,292	2,978
Deferred tax	27	1,332	1,098
		33,690	**29,327**
Current assets			
Inventory	18	4,277	4,091
Trade and other receivables	19	14,922	14,747
Current tax asset		35	-
Cash	20	2,543	3,375
		21,777	**22,213**
Total assets		**55,467**	**51,540**
Current liabilities			
Borrowings	23	-	(178)
Current tax liability		-	(76)
Trade and other payables	21	(18,245)	(22,288)
		(18,245)	**(22,542)**
Non-current liabilities			
Borrowings	23	(6,500)	(7,500)
Total liabilities		**(24,745)**	**(30,042)**
Net assets		**30,722**	**21,498**
Equity			
Ordinary share capital	28	896	566
Share premium	28	19,702	16,753
Merger reserve	28	3,088	-
Translation reserve	28	785	745
Retained earnings		6,208	3,410
Total equity attributable to equity holders of the parent		**30,679**	**21,474**
Non-controlling interest		43	24
Total equity		**30,722**	**21,498**

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2010

They were signed on its behalf by

Gary Stokes
Chief Executive Officer

Jeremy Wilson
Chief Financial Officer

Company number 05113820

Financial Statements

Consolidated Statement of Changes in Equity
for the year ended 30 June 2010

	Attributable to equity shareholders						
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Minority interests £'000	Total £'000
Balance as at 1 July 2008	566	16,753	–	1,191	917	–	19,427
Comprehensive income							
Profit for the year	–	–	–	–	2,456	24	2,480
Other comprehensive income							
Exchange differences arising on translation of foreign entities	–	–	–	(446)	–	–	(446)
Transactions with owners recorded directly in equity							
Recognition of share-based payments pre-tax	–	–	–	–	56	–	56
Deferred tax related to share-based payments	–	–	–	–	(19)	–	(19)
Balance as at 30 June 2009	**566**	**16,753**	**–**	**745**	**3,410**	**24**	**21,498**
Comprehensive income							
Profit for the year	–	–	–	–	2,739	19	2,758
Other comprehensive income.							
Exchange differences arising on translation of foreign entities	–	–	–	40	–	–	40
Transactions with owners recorded directly in equity							
Shares issued	330	3,174	3,088	–	–	–	6,592
Expenses of shares issued	–	(225)	–	–	–	–	(225)
Recognition of share-based payments pre-tax	–	–	–	–	59	–	59
Balance as at 30 June 2010	**896**	**19,702**	**3,088**	**785**	**6,208**	**43**	**30,722**

Consolidated Cash Flow Statement
for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
Profit for the year		**2,758**	**2,480**
Adjustments for:			
Net finance charges	10	650	368
Tax expense	12	798	919
Depreciation on property, plant and equipment	16	1,514	1,236
Amortisation of intangible assets	15	335	138
Amortisation of acquired intangible assets	15	502	410
Loss on disposal of property, plant and equipment		17	36
Share-based payments expense	29	62	51
Operating cash flows before movement in working capital		**6,636**	**5,638**
Decrease in inventories		577	578
Decrease/(increase) in receivables		2,119	(1,967)
Decrease in payables and accruals		(5,996)	(5,124)
Cash flows from operating activities		**3,336**	**(875)**
Interest received		18	36
Interest paid		(586)	(457)
Tax paid		(666)	(1,630)
Net cash inflow/(outflow) from operating activities		**2,102**	**(2,926)**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(1,342)	(1,585)
Purchase and development of intangible assets	15	(705)	(138)
Proceeds from disposal of property, plant & equipment		–	20
Acquisition of subsidiary (net of cash acquired)	31	(3,000)	-
Investment in jointly controlled entity		–	(1)
Net cash used in investing activities		**(5,047)**	**(1,704)**
Cash flows from financing activities			
Net proceeds on issue of shares		3,117	-
(Repayment)/draw-down of borrowings		(1,000)	4,500
Net cash used from financing activities		**2,117**	**4,500**
Net decrease in cash and cash equivalents		**(828)**	**(130)**
Other non cash movements – exchange rate changes		174	(413)
Cash and cash equivalents at the beginning of year		3,197	3,740
Cash and cash equivalents at end of year	20	**2,543**	**3,197**

Cash and cash equivalents at end of year		**2,543**	**3,197**
Bank borrowings		(6,500)	(7,500)
Net debt	24	**(3,957)**	**(4,303)**

Financial Statements

Notes to the Accounts

1. General information

Regenersis Plc is a Company incorporated in the United Kingdom under the Companies Act 2006 The registered office is given on page 74 The nature of the Group's operations and principal activities are set out in the Executive Directors' Review on pages 6 to 15 These financial statements are presented in thousands pounds sterling, which is the functional currency of the Company Foreign operations are included in accordance with the policies set out in note 2

2 Accounting policies

2.1 Basis of preparation

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

The financial statements of the parent Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") as presented on pages 62 to 68

Changes in accounting policies

The following standard and changes to existing standards and interpretations that have been enacted, and have an impact on these accounts are

Amendments to IAS 1 Presentation of Financial Statements – these amendments revise requirements for the presentation of the financial statements and do not affect the Group's overall reported results There is no impact on earnings per share

IFRS 8 Operating Segments – this standard replaces IAS 14 Segment Reporting and requires the Group to report segmental information on the same basis as used internally by the Group's Chief Operating Decision Maker in deciding how to allocate resources in assessing performance This accounting policy only impacts the presentation and disclosure and does not change the Group's results, comparative information has been re-presented There is no impact on earnings per share

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

		Date of endorsement	Effective for periods beginning on or after
IFRIC 19	Extinguishing financial liabilities with equity instruments	12 July 2010	1 July 2010
Revised IAS 24	Related party disclosures	19 July 2010	1 July 2010
Amendments to IFRS 2	Group cash-settled share-based payment transactions	23 March 2010	1 January 2011
Improvements to IFRS's	Various standards amended	23 March 2010	1 January 2011
Amendment to IAS 23	Financial instruments presentation classifications of rights issue	23 December 2009	1 February 2010

The Group does not consider the adoption of these standards to have any material impact on the financial statement of the Group

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

2.2 Going concern

As highlighted in note 26 to the financial statements, the Group meets its day to day working capital requirements through a bank facility which is due for renewal on 31 March 2013

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business Review on pages 6 to 15 Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 14 In addition note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk

2. Accounting policies continued

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

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

2.3 Basis of consolidation

The consolidated financial statements consolidate the results, cash flows and balance sheets of Regenersis plc ("the Company") and its subsidiary undertakings (together the "Group") drawn up to 30 June each year A list of the Company's principal subsidiary undertakings is given in note 17 The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition The financial statements of subsidiaries are prepared in accordance with the Company's accounting policies and to coterminous balance sheet dates, with the exception of Regenersis (Bucharest) SRL and Regenersis Rus which continue to have a statutory year end of 31 December Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements On acquisition of a subsidiary, applicable assets and liabilities existing at the date of acquisition are reflected at their fair values

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

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases

2.4 Foreign currencies

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

2 5 Goodwill

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

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

2.6 Impairment

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

The value in use is estimated by calculating the present value of its future cash flows Impairment charges are recognised in the income statement to the extent that the carrying value exceeds the recoverable amount in the period in which the impairment is identified

Financial Statements

2 Accounting policies continued

Goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination

2.7 Intangible assets

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

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

- An asset is created that can be identified,
- It is probable that the asset created will generate future economic benefits, and
- The development costs of the asset can be measured reliably

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

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

2.8 Property, plant and equipment

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

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

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

2. Accounting policies continued

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

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

2 10 Inventories and work in progress
Inventories and work in progress are stated at the lower of cost and net realisable value The cost of inventories is based on the first-in first-out principle and includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the inventories and work in progress to their present location and condition Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs

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

2 12 Revenue recognition and cost of sales
Revenue is measured at the fair value of the consideration received or receivable and is net of value added tax and other duties Revenue is recognised when the delivery of goods or services has taken place in accordance with the terms of the sales, and there is certainty on the value and recoverability and that risk has transferred to the customer

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

Revenue share comprises amounts payable to network operators in respect of phones which are sourced from them and which are sold or recycled by the Group to independent third parties

The following factors are relevant to the accounting treatment for this revenue sharing business

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

Given the above factors the gross inflows are recognised as revenue

Financial Statements

2. Accounting policies continued

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

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

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

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

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

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

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

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

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

2 15 Own shares held by EBT
Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements In particular, the trust's purchases of shares in the Company are debited directly to equity

2. Accounting policies continued

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

2 17 Leases
Lease arrangements entered into by the Group are assessed at the inception of the lease and classified as either an operating or a finance lease A lease is classified as a finance lease if it transfers substantially all the risks and rewards of incidental ownership to the lessee All other lease arrangements are classified as operating leases

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

2 18 Government grants
Government grants are included within accruals and deferred income Capital grants are credited to the income statement over the estimated useful lives of the assets to which they relate Other grants are credited to the income statement in the same period as the costs to which they relate are incurred

2 19 Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

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

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

- Cash and cash equivalents comprise cash balances and short term deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement
- Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost
- Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost
- Bank borrowings Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including facility fees and redemption premia) Financing costs are amortised over the term of the loan so as to produce a constant rate of return over the period to the date of expected redemption In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised

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

2.21 Headline earnings per share
An adjusted measure of headline earnings per share has also been presented, which the Board consider gives a useful additional indication of the Group's performance

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

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

- The transfer of the risk and rewards of ownership with respect to inventories,
- Whether the Group acts as principal or agent in recognising revenue, and
- Whether the Group capitalises development expenditure

3.2 Estimations
Impairment of Goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated The value in use calculation includes estimates about future financial performance and long term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows The key assumptions used in the impairment review are disclosed in note 14 to the financial statements

Separately identifiable intangible assets - customer contracts
The assessment of the future economic benefits generated from customer contracts, and the determination of the related amortisation period, involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets Annual reviews are performed to ensure the recoverability of this intangible asset

Deferred tax
The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable If appropriate profits are earned in the future, the temporary difference may result in a benefit to the Group in the form of a reduced tax charge in a future period

4. Segmental reporting

Previously the Group reported under two segments, Environmental Services and Technical Services Following the acquisition of Total Repair Solutions Limited (TRS), (note 31), the Group has identified its operating segments as Mobile Communications, Media & Entertainment and Information Technology

The Mobile Communications segment services mobile phones, PDA's, smart phones and related technology Our vertically integrated service offering incorporates all areas of reverse logistics including return and repair activities, professional services such as call centres, warranty management, insurance and fulfilment services as well as end-of-life and refurbishment services

The Media and Entertainment segment includes technologies such as digital television and monitors, set top boxes, gaming systems, MP3 and MP4 players, PND's and e-books

Information Technology focuses on the notebook and netbook markets, including peripheral equipment, as well as supporting compatible technologies such as those employed in the banking, retail and healthcare markets

4. Segmental reporting continued

	2010 £'000	2009 £'000
Revenue from external customers		
Total Mobile Communications	77,502	60,324
Less share of jointly controlled entity	(369)	–
Mobile Communications	77,133	60,324
Media & Entertainment	20,084	21,086
Information Technology	19,136	16,898
	116,353	**98,308**

There are two customers in the Mobile Communications segment, including the newly acquired TRS business, which individually represent more than 10% of the Group's revenues The revenue attributable to each customer is £15,235,000 (2009 £14,710,000) and £12,704,000 (2009 nil)

	2010 £'000	2009 £'000
Headline segment profit		
Mobile Communications	5,266	5,070
Media & Entertainment	2,295	2,175
Information Technology	838	120
	8,399	**7,365**
Corporate costs	(2,675)	(2,210)
Headline operating profit	**5,724**	**5,155**
Exceptional restructuring costs	(929)	(927)
Amortisation of acquired intangible assets	(502)	(410)
Share-based payments	(62)	(51)
Group operating profit	**4,231**	**3,767**
Share of results of jointly controlled entity	(25)	–
Operating profit from continuing operation	**4,206**	**3,767**
Net finance expense	(650)	(368)
Profit before tax	**3,556**	**3,399**

	Segment assets 2010 £'000	Segment assets 2009 £'000	Segment liabilities 2010 £'000	Segment liabilities 2009 £'000
Mobile Communications	31,902	26,662	9,896	13,738
Media & Entertainment	11,019	11,675	3,782	4,252
Information Technology	8,157	8,602	2,343	2,194
	51,078	**46,939**	**16,021**	**20,184**
Corporate	4,389	4,601	8,724	9,858
	55,467	**51,540**	**24,745**	**30,042**

4 Segmental reporting continued

	Capital expenditure 2010 £'000	Capital expenditure 2009 £'000	Depreciation & amortisation 2010 £'000	Depreciation & amortisation 2009 £'000
Mobile Communications	1,556	1,060	1,236	633
Media & Entertainment	626	494	629	710
Information Technology	420	169	452	407
	2,602	**1,723**	**2,317**	**1,750**
Corporate	–	–	34	34
	2,602	**1,723**	**2,351**	**1,784**

Geographical information

The following geographical information is based on the location of the businesses in the Group

	2010 £'000	2009 £'000
Revenue from external customers		
UK	59,997	53,527
Poland	29,561	20,133
Germany	15,950	14,437
Rest of World	11,214	10,211
	116,722	**98,308**
Less share of jointly controlled entity	(369)	-
	116,353	**98,308**

	2010 £'000	2009 £'000
Inter-segment revenue		
UK	325	333
Poland	248	48
Rest of World	97	-
	670	**381**

	2010 £'000	2009 £'000
Non-current assets		
UK	30,972	26,372
Non-UK	2,718	2,955
	33,690	**29,327**

5. Operating profit

	2010 £'000	2009 £'000
Revenue	116,722	98,308
Less share of jointly controlled entity	(369)	-
Group revenue	**116,353**	**98,308**
Cost of sales	(85,636)	(71,251)
Gross profit	**30,717**	**27,057**
Headline administrative expenses (note 2 19)	(24,993)	(21,902)
Headline operating profit	**5,724**	**5,155**
Other administrative expenses (note 2 19)	(1,493)	(1,388)
Share of results of jointly controlled entity	(25)	-
Operating profit	**4,206**	**3,767**
Administrative expenses	26,486	23,290

The increase in administrative expenses is due primarily to the acquisition of the TRS business

Following the acquisition of TRS and the strategic review of the Group there has been a change in presentation within the income statement The effect in 2009 is that £5,265,000 has moved from cost of sales to headline administrative expenses to ensure that the treatment is consistent with the current year

6. Exceptional restructuring costs

	2010 £'000	2009 £'000
Acquisition costs of TRS	60	60
Redundancies and restructuring	154	176
Provision for closure of Nottingham site	715	-
Strategic review	-	164
German relocation	-	527
	929	**927**

The major restructuring costs relate to the closure of the Nottingham site and the transfer of work up to Glasgow following the TRS acquisition In 2009 the main cost related to the relocation of the German business from Paderborn to Schloss Holte

7. Profit for the year

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

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment - owned	1,514	1,236
Loss on disposal of property, plant and equipment	17	36
Amortisation of intangible assets	837	548
Cost of inventories recognised as an expense	46,877	42,125
Staff costs (note 9)	42,354	34,272
Net foreign exchange losses/(gains)	196	(122)

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8. Auditors' remuneration

	2010 £'000	2009 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	25	27
The audit of the Company's subsidiaries pursuant to legislation	136	132
Total audit fees	**161**	**159**
Tax services	72	76
Other services	6	48
Non-audit fees	**78**	**124**
	239	**283**

9 Staff costs

Average numbers employed

	2010 Number	2009 Number
Production	2,047	1,559
Sales and business development	24	26
Administration	302	244
	2,373	1,829

Aggregate employment costs

	2010 £'000	2009 £'000
Wages and salaries	36,734	30,010
Social security costs	4,757	3,776
Share-based payments	62	51
Other pension costs	801	435
	42,354	34,272

Key management personnel have been identified as the Board and the Group's Operations Board

Remuneration of key management personnel costs is as follows

	2010 £'000	2009 £'000
Short term employee benefits	1,841	1,462
Post employment benefits	110	102
Share-based payments	59	56
	2,010	**1,620**

The 2009 comparative information has been restated in these financial statements to include all Directors of the Board, previously this included Executive Directors only

The remuneration of individual Directors is detailed on page 25

10. Finance costs and finance income

	2010 £'000	2009 £'000
Bank interest receivable and similar income	18	36
Total finance income	**18**	**36**
Interest payable on borrowings		
Bank loans and overdrafts	286	404
Other finance costs	86	-
Exceptional finance charge (note 11)	296	-
Total finance costs	**668**	**404**
Total net finance costs	**650**	**368**

11. Exceptional finance charge

The exceptional finance charge of £296,000 relates to the renegotiation of the banking facility terms carried out at the time of the TRS acquisition and the banking due diligence to approve the acquisition of TRS

12 Tax

	2010 £'000	2009 £'000
Current tax		
UK Corporation tax	115	406
Overseas tax	521	422
Adjustments in respect of prior years	(70)	263
Total current tax charge	**566**	**1,091**
Deferred tax		
UK	(23)	73
Overseas	(35)	(22)
Adjustments in respect of prior years	290	(223)
Total deferred tax charge/(credit) – (note 27)	**232**	**(172)**
	798	**919**

UK Corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

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12. Tax continued

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

	2010 £'000	2009 £'000
Profit before tax	**3,556**	**3,399**
Tax at standard UK corporation tax rate of 28% (2009 28%)	996	952
Effects of		
Permanent differences	(59)	312
Losses utilised	(72)	(126)
Rate differences	(287)	(185)
Adjustment in respect of previous periods	220	(34)
Release of tax asset	–	10
Double tax relief	–	(10)
	798	**919**

13. Earnings per share

	2010 Pence	2009 Pence
Basic earnings per share	6 89	9 47
Diluted earnings per share	6 89	9 47
Headline earnings per share	10 57	13 84
Headline diluted earnings per share	10 57	13 84

	2010 Pence per share	2009 Pence per share	2010 £'000	2009 £'000
Profit for the year	6 89p	9 47p	2,758	2,480
Reconciliation to adjusted profit				
Amortisation of acquired intangible assets	1 26p	1 57p	502	410
Exceptional finance charge (net of tax)	0 53p	–	213	–
Exceptional restructuring costs (net of tax)	1 74p	2 61p	692	684
Share based payments	0 15p	0 19p	62	51
	10 57p	**13 84p**	**4,227**	**3,625**

Number of shares ('000)	2010 '000	2009 '000
Weighted average number of shares used to calculate basic and diluted earnings per share	40,007	26,193

2,150,000 shares were issued to the Employee Benefit Trust on 26 June 2007 and are not included in the basic earnings per share calculation as they are classified as treasury shares The prior year comparative has been restated since it previously included these treasury shares The conditions for the existing share options to be exercised have not been achieved and therefore have not been included when calculating the diluted EPS

14. Goodwill

	Total £'000
Cost	
At 30 June 2008 and 30 June 2009	30,559
Additions (note 31)	2,958
At 30 June 2010	**33,517**
Accumulated impairment losses	
At 30 June 2008, 30 June 2009 and 30 June 2010	**6,581**
Net book value	
At 30 June 2010	**26,936**
At 30 June 2008 and 30 June 2009	**23,978**

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

Cash flow projections are based on the latest three year plan for each CGU approved by the Board Beyond this, the projections extend to 20 years using a long-term growth rate for each CGU of 2 5% (2009 2 5%), which the Board considers to be specific to the business This is not considered to exceed the post-war real annual average growth in GDP, in the markets the Group serves and the assessment to impairment is not considered sensitive to changes in this assumption

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

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

The carrying value of Goodwill by CGU and the relevant pre-tax discount rate is as follows

	Discount rate 2010 %	Discount rate 2009 %	2010 £'000	2009 £'000
Mobile Communications	11%	12%	18,910	15,952
Media & Entertainment	13%	12%	4,687	4,687
Information Technology	13%	12%	3,339	3,339
Total goodwill			**26,936**	**23,978**

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15. Other intangible assets

	Customer contracts £'000	Development expenditure £'000	Software licences £'000	Total £'000
Cost				
At 1 July 2008	2,050	–	2,169	4,219
Additions	–	–	138	138
Disposals	–	–	(2)	(2)
Exchange movement	–	–	(66)	(66)
At 30 June 2009	**2,050**	**–**	**2,239**	**4,289**
Additions	555	545	160	1,260
On acquisition of subsidiary	–	920	412	1,332
Disposals	–	–	(515)	(515)
Exchange movement	–	–	(11)	(11)
At 30 June 2010	**2,605**	**1,465**	**2,285**	**6,355**
Accumulated amortisation				
At 1 July 2008	581	–	1,955	2,536
Charge for the year	410	–	138	548
Disposals	–	–	(2)	(2)
Exchange movement	–	–	(65)	(65)
At 30 June 2009	**991**	**–**	**2,026**	**3,017**
Charge for the year	502	130	205	837
On acquisition of subsidiary	–	569	325	894
Disposals	–	–	(515)	(515)
Exchange movement	–	–	(8)	(8)
At 30 June 2010	**1,493**	**699**	**2,033**	**4,225**
Net book value at 30 June 2010	**1,112**	**766**	**252**	**2,130**
Net book value at 30 June 2009	**1,059**	**–**	**213**	**1,272**
Net book value at 30 June 2008	**1,469**	**–**	**214**	**1,683**

16. 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 2008	2,568	7,484	2,986	94	1,937	15,069
Additions	359	549	383	64	230	1,585
Disposals	(560)	(896)	(172)	(60)	(228)	(1,916)
Exchange movement	(128)	(131)	(19)	2	(17)	(293)
At 30 June 2009	**2,239**	**7,006**	**3,178**	**100**	**1,922**	**14,445**
Additions	449	269	381	3	240	1,342
On acquisition of subsidiary	-	1,339	890	-	362	2,591
Disposals	(58)	(1,335)	(4)	(19)	(678)	(2,094)
Exchange movement	(24)	(65)	(43)	(4)	(31)	(167)
At 30 June 2010	**2,606**	**7,214**	**4,402**	**80**	**1,815**	**16,117**
Accumulated depreciation						
At 1 July 2008	1,616	6,522	2,460	68	1,590	12,256
Charge for the year	329	303	427	41	136	1,236
Disposals	(525)	(885)	(171)	(51)	(228)	(1,860)
Exchange movement	(62)	(61)	(23)	4	(23)	(165)
At 30 June 2009	**1,358**	**5,879**	**2,693**	**62**	**1,475**	**11,467**
Charge for the year	367	600	435	18	94	1,514
On acquisition of subsidiary	-	1,039	693	-	328	2,060
Disposals	(58)	(1,335)	(1)	(19)	(664)	(2,077)
Exchange movement	(23)	(59)	(37)	(3)	(17)	(139)
At 30 June 2010	**1,644**	**6,124**	**3,783**	**58**	**1,216**	**12,825**
Net book value at 30 June 2010	**962**	**1,090**	**619**	**22**	**599**	**3,292**
Net book value at 30 June 2009	**881**	**1,127**	**485**	**38**	**447**	**2,978**
Net book value at 30 June 2008	**952**	**962**	**526**	**26**	**347**	**2,813**

There are no assets held under finance leases in either year

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17 Investments

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

Company name	Principal activity of the company	Ownership percentage by the Group as at 30 June 2010	Country of incorporation
Held directly by the Company			
Regenersis Environmental Services Ltd	Remarketing and safe recycling of end of life products primarily mobile phones	100%	England and Wales
Regenersis (Glasgow) Ltd	Technical repair, repair avoidance, customer support services for mobile phones	100%	Scotland
Regenersis (Bucharest) SRL *	Technical repair, customer support services and product end of life management for mobile phones and electronic equipment	100%	Romania
Regenersis Trustees Ltd	Employee Benefit Trust	100%	England and Wales
Regenersis Trustsub Ltd	Employee Benefit Trust	100%	England and Wales
Regenersis (Group) Ltd	Intermediate Holding Company	100%	England and Wales
Held indirectly by the Company			
Regenersis Environmental Services (Europe) Ltd	Remarketing and safe recycling of end of life products primarily mobile phones	75%	England and Wales
Regenersis Environmental Services (France) SARL	Support services for the Regenersis Environmental Services Business	75%	France
Regenersis Environmental Services (Belgium) SA	Support services for the Regenersis Environmental Services Business	75%	Belgium
Regenersis (Glenrothes) Ltd	Technical repair, customer support services and product end of life management for electronic equipment	100%	England and Wales
Regenersis (Nottingham) Ltd	Technical repair, customer support services for mobile phones – ceased trading in year	100%	England and Wales
Regenersis (Warsaw) Sp Z oo	Technical repair, customer support services and product end of life management for mobile phones and electronic equipment	100%	Poland
Regenersis GmbH	Technical repair, customer support services and product end of life management for electronic equipment	100%	Germany
Regenersis (Sommerda) GmbH	Technical repair, customer support services and product end of life management for electronic equipment	100%	Germany
Regenersis (Huntingdon) Ltd	Technical repair, repair avoidance and call centre providing technical and customer support	100%	England and Wales
Regenersis Distribution Ltd	Insurance fulfilment services and distribution of mobile phones	100%	England and Wales
Regenersis Rus *	Jointly controlled entity - technical repair of electronic equipment	50%	Russia

*Year end date is 31 December

All investments are in the ordinary share capital of the subsidiaries, and are included in the consolidated results of the Group

17. Investments continued

The Group has a 50% interest in Regenersis Rus, which began trading on 1 July 2009 The Group's investment in the joint venture is 50,000 Rubles and a working capital investment of €100,000, the maximum exposure under the agreement

The Group's shares of Regenersis Rus assets, liabilities, income and expenses are as follows -

	2010 £'000	2009 £'000
Income	369	-
Expense	(394)	-
Share of results of jointly controlled entity	**(25)**	**-**
Current assets	97	-
Current liabilities	(119)	-
Net liabilities	**(22)**	**-**

18 Inventories

	2010 £'000	2009 £'000
Raw materials	2,926	2,990
Work in progress	419	257
Finished goods	932	844
	4,277	**4,091**

19. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	11,169	10,585
Less provision for doubtful trade receivables	(435)	(356)
Trade receivables net of provision	10,734	10,229
Prepayments and accrued income	4,188	4,518
	14,922	**14,747**

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

	2010 £'000	2009 £'000
At 1 July	356	503
Provision created	128	19
Amounts written off as uncollectable	-	(27)
Amounts recovered during the year	(49)	(139)
At 30 June	**435**	356

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20. Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	2,543	3,375
Bank overdrafts	–	(178)
	2,543	**3,197**

21. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	5,206	6,429
Other taxes and social security	1,986	1,519
Other payables	3,102	2,290
Accruals and deferred income	7,951	12,050
	18,245	**22,288**

22. Government grants

The Group has been awarded government grants from the Scottish Office and in Germany The grants have been awarded to contribute towards expansion costs at repair centres and are conditional on incremental employment and capital investment No income has been recognised in the year in relation to these grants (2009 nil)

23 Bank borrowings

	2010 £'000	2009 £'000
Due within one year.		
Unsecured bank overdrafts	–	178
	–	**178**
Due after more than one year:		
Secured bank loan	6,500	7,500
	6,500	**7,678**

The bank borrowing is secured on all the Group's assets for the duration of the facility

As at 30 June 2010 the facility available to the Group was £12 5 million (2009 £12 5 million), of which £6 5 million (2009 £7 5 million) was drawn down in cash resulting in an unutilised facility of £6 0 million (2009 £5 0 million)
The Group renegotiated the terms of the existing facility during the year as part of the TRS acquisition The available facility reduces every 6 months from 30 September 2010 until it expires on 31 March 2013

The borrowings are repayable as follows

	2010 £'000	2009 £'000
On demand or within one year	–	178
In the second year	1,250	–
In the third to fifth years inclusive	5,250	7,500
	6,500	**7,678**

24 Net (debt)/cash

	2010 £'000	2009 £'000
Cash	2,543	3,375
Overdrafts	–	(178)
Bank borrowings – non-current	(6,500)	(7,500)
	(3,957)	**(4,303)**

25. Reconciliation of movement in net debt

	Cash at bank and in hand £'000	Overdrafts £'000	Total net cash £'000	Debt due within one year £'000	Debt due after one year £'000	Total debt £'000	Net debt £'000
At 1 July 2009	3,375	(178)	3,197	–	(7,500)	(7,500)	(4,303)
Cash flow	(1,006)	178	(828)	–	1,000	1,000	172
Non-cash flow	174	–	174	–	–	–	174
At 30 June 2010	**2,543**	**–**	**2,543**	**–**	**(6,500)**	**(6,500)**	**(3,957)**

26. Financial instruments – risk management

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

The Group's capital structure is as follows

	2010 £'000	2009 £'000
Total borrowings	6,500	7,500
Cash and cash equivalents	(2,543)	(3,197)
Net debt	3,957	4,303
Equity holders of the parent	30,679	21,474
Gearing ratio (net debt to equity)	**0.13 1**	**0 20 1**

Debt is primarily used for financing acquisitions and working capital

Under the banking facility the Group is subject to certain financial covenants relating to

- Leverage – the ratio of total net debt to EBITDA
- Interest cover – the ratio of EBITDA to total debt costs
- Debt service cover – the ratio of EBITDA to total funding costs
- Shareholders' funds – not less than 50% of Group profits attributable to equity holders shall be retained

The Group has complied with these covenants and requirements

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26 Financial instruments - risk management continued

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

	2010 £'000	2009 £'000
Loans and receivables		
Trade and other receivables	14,922	14,747
Cash	2,543	3,375
Financial assets	**17,465**	**18,122**

	2010 £'000	2009 £'000
Held at amortised cost		
Trade and other payables	18,245	22,288
Borrowings	6,500	7,678
Financial liabilities	**24,745**	**29,966**

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

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value For cash and cash equivalents, the amount reported on the balance sheet approximates to fair value

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

Market risk - interest rate risk
The majority of the Group's cash is held in the UK in sterling and smaller amounts are held in Euros, Polish Zloty, Romanian Lei and US Dollar Surplus funds are kept on overnight deposit at the prevailing rates of interest The bank facility is denominated in Sterling

With effect from 1 September 2009 as a result of renegotiating the existing loan facility the revolving credit facility (RCF) margin is between 2 5% and 3 0% above LIBOR dependent on the ratio of EBITDA to net debt Prior to 1 September 2009 the margin was 2 25% above LIBOR The undrawn facility attracts a charge of 40% of the RCF margin

A change in the UK base rate of 1% would increase/decrease the annual interest charge on the facility drawn down as at 30 June 2010 of £6,500,000 (2009 £7,500,000) by £65,000 (2009 £75,000)

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

26. Financial instruments - risk management continued

Foreign currency risk
The Group undertakes certain transactions in foreign currencies, primarily in Euros and US Dollars Hence exposures to exchange rate fluctuations arise The Group treasury function optimises the use of receivables and payables in foreign currencies around the Group as realised in the ordinary trade of the business

Currently the Group does not enter into forward foreign exchange contracts to manage this risk The Board will continue to review the requirement to use forward foreign exchange contracts to hedge future cash flows

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

	Euro denominated		USD denominated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Monetary assets	2,785	2,338	112	109
Monetary liabilities	(3,046)	(5,690)	(78)	(98)
Net exposure	**(261)**	**(3,352)**	**34**	**11**

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

	Euro denominated		USD denominated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit before tax – gain/(loss)				
10% appreciation	(26)	(335)	3	1
10% depreciation	26	335	(3)	(1)

The analysis has been performed using the Group exchange rates at the 30 June 2010 reporting date of 1 22 €/£ (2009 1 176 €/£) and 1 50 $/£ (2009 1 661 $/£)

The Group is exposed to fluctuations in exchange rates on the translation of profits earned by its subsidiaries in Germany, Poland and Romania These profits are translated at average exchange rates for the year, which is an approximation to the rates at the date of the transaction

Credit risk
As detailed in the business review the top 10 customers, all of which are major international businesses, account for 68% of the Group's revenue and hence there is some customer reliance risk although the biggest single customer is only 13% of revenue and is spread over many of their businesses This is distinct from credit risk

At the balance sheet date one customer made up of several contracts amounted to 20% (2009 26%) of the Group's total trade receivables and accrued income balances A further customer accounted for 14% (2009 17%) of the total trade receivables and accrued income Over the past year the aging profile has improved and as at the year end 90% (2009 83%) of our trade receivables balances were in terms and therefore the Board believes these balances do not present a significant credit risk which could lead to a loss for the Group

26 Financial instruments - risk management continued

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

	2010 £'000	2010 %	2009 £'000	2009 %
Neither past due nor impaired	9,629	90%	8,467	83%
Past due but not impaired				
Less than 30 days overdue	885	8%	1,584	15%
30 to 60 days overdue	37	–	123	1%
More than 60 days overdue	183	2%	55	1%
	10,734	**100%**	**10,229**	**100%**

The average credit period taken on sales is 42 days (2009 49 days)

The Group has provided for specific trade receivables where the recoverability is uncertain As at the 30 June 2010 the doubtful debtors balance was £435,000 (2009 £356,000), of which £54,000 was 90 days overdue and £381,000 is one year past due The Board believes there is no further provision required in excess of the allowance for doubtful debts

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

The Group had un-drawn funds from its revolving credit facility available of £6 0 million (2009 5 0 million)

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

	Less than one year 2010 £'000	One to five years 2010 £'000	Less than one year 2009 £'000	One to five years 2009 £'000
Trade and other payables	18,245	–	22,288	–
Bank overdraft	–	–	178	–
Bank borrowings	–	6,500	–	7,500
	18,245	**6,500**	**22,466**	**7,500**

27. Deferred tax assets/(liabilities)

	At 1 July 2009 £'000	Recognised in the income statement £'000	Additions £'000	Exchange £'000	At 30 June 2010 £'000
Property, plant and equipment	685	(82)	-	-	603
Intangible assets	(296)	119	(155)	-	(332)
Short term timing differences	109	288	-	3	400
Tax losses	600	(557)	633	(15)	661
	1,098	**(232)**	**478**	**(12)**	**1,332**

	At 1 July 2008 £'000	Recognised in the income statement £'000	Recognised in equity £'000	Exchange £'000	At 30 June 2009 £'000
Property, plant and equipment	588	97	-	-	685
Intangible assets	(411)	115	-	-	(296)
Share-based payments	34	(15)	(19)	-	-
Other items	(10)	10	-	-	-
Short term timing differences	179	(46)	-	(24)	109
Tax losses	558	11	-	31	600
	938	**172**	**(19)**	**7**	**1,098**

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the Company No deferred tax asset has been recognised in relation to taxation on UK losses amounting to £162,000 (2009 £162,000) and overseas losses of £250,000 (2009 nil)

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12 The deferred tax asset balance as at 30 June 2010 is made up of a UK deferred tax asset balance of £972,000 (2009 £510,000) and an overseas balance of £360,000 (2009 £588,000)

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28. Called up share capital

	2010 Number of shares	2010 £'000	2009 Number of shares	2009 £'000
Authorised				
Ordinary shares of 2p	59,760,350	1,195	40,000,000	800
Allotted, called up and fully paid				
At 1 July	28,342,577	566	28,342,577	566
New share capital subscribed	16,477,675	330	-	-
At 30 June	**44,820,252**	**896**	**28,342,577**	**566**

28. Called up share capital continued

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

The authorised share capital was increased to 59,760,350 shares and 16,477,675 shares were issued at 40 pence per share to facilitate the acquisition of TRS which was finalised on 1 September 2009 (note 31)

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

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

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

Employee Benefit Trust (EBT)
Of the issued share capital at 30 June 2010 and 30 June 2009, 2,150,000 shares had been issued and are held by the EBT

Outstanding options
The following outstanding options have been granted to the Directors and employees of the Group under the executive share option plan over shares in Regenersis Plc Details of share options held by Directors are included in the Remuneration Report The executive options did not meet the vesting criteria as at 30 June 2010 and lapsed with immediate effect There are no other executive options that have been granted during the year

	Executive Share Option Plan Number
Outstanding at 1 July 2009	2,050,000
Granted	-
Lapsed – leavers	(100,000)
Lapsed – performance criteria not met	(1,950,000)
Outstanding at 30 June 2010	**-**
Option price	55 5p & 76 0p
Exercisable	June 2010
Weighted average exercise price	58 0p

The number of shares issued and paid up to the EBT is 2,150,000 shares As at 30 June 2010 options outstanding over the shares in the EBT were nil (2009 2,050,000)

Performance conditions of the Executive Share Option Plan are disclosed in the Remuneration Report

29. Share-based payments

The Group operates an Executive Share Option Plan and a cash-based phantom share scheme

The terms of the Executive Share Option Plan are disclosed in the Remuneration Report

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

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

Scheme	Executive share options	Executive share options	Phantom share options	Phantom share options	Phantom share options
Exercise price	55 5p	76 0p	78 0p	75 5p	46 0p
Earliest year in which options exercisable	2010	2010	2010	2011	2012
	Number of options	Number of options	Number of options	Number of options	Number of options
At 1 July 2008	1,800,000	250,000	300,006	–	–
Granted	–	–	–	366,674	–
Exercised	–	–	–	–	–
Lapsed – leavers	–	–	(33,334)	(50,001)	–
At 30 June 2009	**1,800,000**	**250,000**	**266,672**	**316,673**	–
Granted	–	–	–	–	416,675
Exercised	–	–	–	–	–
Lapsed – leavers	(100,000)	–	(33,334)	(66,668)	–
Lapsed – performance criteria not met	(1,700,000)	(250,000)	(233,338)	–	–
At 30 June 2010	**–**	**–**	**–**	**250,005**	**416,675**

The fair values for the above options were calculated using the Black Scholes option pricing model The inputs into this model were as follows

	Executive share options	Executive share options	Phantom share options	Phantom share options	Phantom share options
Date of grant	26 June 2007	21 April 2008	19 October 2007	1 July 2008	1 July 2009
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Fair value of options granted (per share)	8 8p	8 4p	0 0p	0 0p	3 9p
Share price at date of grant (per share)	55 5p	75 5p	78 5p	75 5p	43 0p
Expected volatility	11%	11%	21%	21%	21%
Risk free interest rate	4 75%	4 25%	4 5%	4 5%	4 5%
Exercise price (per share)	55 5p	76 0p	78 0p	75 5p	46 0p
Expected dividends	–	–	–	–	–
Expected term (years)	3	3	3	3	3
Expected departures	21%	-%	26%	41%	44%
Settlement	Equity	Equity	Cash	Cash	Cash

Financial Statements

29 Share-based payments continued

Expected volatility was determined by calculating the historical volatility of the Company's share price from March 2007 The period before March 2007 has been excluded from the volatility calculation as this relates to the period prior to the CRC Group plc acquisition and the reshaping of the original Fonebak business

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

	2010 £'000	2009 £'000
Executive Share Option Plan	59	56
Phantom Share Scheme	3	(5)
	62	**51**

The liability on the phantom share scheme is £3,000 (2009 nil), the intrinsic value at 30 June 2010 was £nil (2009 £nil)

30. Commitments

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the year	2,167	2,685

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

	2010 £'000	2009 £'000
Not less than one year	2,584	2,113
Later than one year and not later than two years	5,672	3,224
Later than five years	2,924	909
	11,180	**6,246**

The majority of the leases which the Group has entered into relate to land and buildings Lease terms range from six months to 25 years The more recent lease negotiations are for shorter periods than 25 years with suitable break clauses

31 Acquisition of business

On 1 September 2009 the Group completed its transaction to buy the entire share capital of Total Repair Solutions Limited ("TRS") for a total enterprise value of £6 25 million This was satisfied through the issue of £3 25 million of consideration shares to the vendor and the payment of a further £3 0 million in cash which was utilised by the vendor to settle the bank borrowings of TRS, effectively rendering the acquisition debt-free on completion

8,125,000 shares were issued to the vendor at 40p per share The cash consideration was funded by issuing 8,352,675 new shares to existing share holders at a price of 40p per share, raising total funds of £3,341,000 from existing shareholders, the balance being used to settle acquisition fees The book value and fair value of the assets acquired and liabilities assumed were as follows

31. Acquisition of business continued

	Book value £'000	Fair value £'000
Intangible assets	438	438
Intangible assets – customer contracts	–	555
Property, plant and equipment	530	530
Deferred tax asset	–	478
Inventory	1,708	801
Trade and other receivables	2,973	2,717
Trade and other payables	(2,161)	(2,227)
Net assets acquired	**3,488**	**3,292**
Goodwill		2,958
Total consideration		**6,250**

	£'000
Satisfied by:	
Cash	3,000
Shares	3,250
Consideration	**6,250**

Net cash outflow arising on acquisition	
Cash consideration	**3,000**

The write down of the stock valuation was fully expected as part of the due diligence process on the acquisition of TRS This write down has no impact on future Group profitability or cash flow as the Group has used the lower figures in all projections Similarly certain accrued income balances have been considered doubtful and have been provided against

A deferred tax asset has been recognised on the tax losses available at the date of the acquisition given the ability to utilise against future taxable of TRS

Under IFRS 3, "Business Combinations", the only separately identifiable intangible asset arising from the acquisition relates to customer contracts and relationships valued at £555,000 The remaining goodwill of £2,958,000 can be attributed to the anticipated profitability through the growth of the enlarged group and synergistic benefits

Since the date of acquisition TRS has contributed revenue of £18,436,000 and headline operating profit of £713,000

If the acquisition had been completed on the first day of the financial year the Group revenues for the year would have been £120,358,000 and Group headline operating profit attributable to the equity holders of the parent would have been £5,805,000

32. Related party transactions

Transactions between Regenersis plc and its subsidiaries, which are related parties, have been eliminated on consolidation

During the year the Group paid additional fees to David Gilbert, Non-Executive Director, of £5,250 for consultancy services provided to one of the Group subsidiary's

During the year the Group paid €100,000 to its jointly controlled entity, Regenersis Rus At the year end this balance owing from Regenersis Rus remained outstanding The Board is not aware of any other related party transactions

Key management personnel disclosures are given in note 9

Company Balance Sheet
as at 30 June 2010

	Note	2010 £'000	2009 £'000
Assets			
Fixed assets			
Goodwill	4	8,604	9,446
Tangible assets	5	62	97
Investments in subsidiaries	6	22,568	16,408
		31,234	**25,951**
Current assets			
Debtors	7	5,796	6,899
Cash at bank and in hand		4,706	2,697
		10,502	**9,596**
Creditors			
Amounts falling due within one year	9	(10,393)	(10,111)
Net current assets / (liabilities)		**109**	**(515)**
Total assets less current liabilities		**31,343**	**25,436**
Creditors			
Amounts falling due after more than one year	10	(6,500)	(7,500)
Net assets		**24,843**	**17,936**
Equity			
Ordinary share capital	14	896	566
Share premium	15	19,702	16,753
Merger reserve	15	3,088	-
Profit and loss account	15	1,157	617
Equity shareholders' funds		**24,843**	**17,936**

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2010
They were signed on its behalf by

Gary Stokes
Chief Executive Officer

Company number 05113820

Jeremy Wilson
Chief Financial Officer

Notes to the Company Accounts

1. Basis of preparation

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

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

2 Accounting policies

The significant accounting policies applied in the preparation of the Company financial statements are as follows

2.1 Going concern

As highlighted in note 26 of the Group's financial statements, the Group meets its day to day working capital requirements through a bank facility which is due for renewal on 31 March 2013

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business Review on pages 6 to 15 Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 14 In addition note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk

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

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

2 2 Intangible assets and goodwill

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

2 3 Impairment

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

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

2.4 Tangible fixed assets and depreciation

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

Leasehold improvement	- over the period of the lease or life of the improvements if less
Motor vehicles	- 25% per annum
Plant and machinery	- 20% per annum
Computer hardware	- 33% per annum

Financial Statements

2. Accounting policies continued

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

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

2 7 Deferred taxation
Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in these consolidated financial statements

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary

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

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

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

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

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

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

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

2. Accounting policies continued

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

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

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

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

3. Staff costs

The average monthly number of employees (including Executive Directors) was

	2010 Number	2009 Number
Administration	6	5

The aggregate remuneration comprised

	2010 £'000	2010 £'000
Wages and salaries	995	675
Social security costs	89	75
Share-based payments	62	51
Other pension costs	73	78
	1,219	**879**

Wages and salaries includes compensation for loss of office Disclosure of individual Directors' remuneration is included in the Remuneration Report on page 25

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4. Goodwill

	£'000
Cost	
1 July 2009 and at 30 June 2010	16,854
Amortisation	
1 July 2009	7,408
Amortisation charge for the year	842
30 June 2010	8,250
Net book value	
30 June 2010	**8,604**
30 June 2009	**9,446**

5. Tangible Assets

	Leasehold improvements £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 July 2009 and at 30 June 2010	110	38	148
Depreciation			
1 July 2009	37	14	51
Charge for the year	22	13	35
30 June 2010	59	27	86
Net Book Value			
30 June 2010	**51**	**11**	**62**
30 June 2009	**73**	**24**	**97**

6 Fixed Asset Investments

	Shares in subsidiary undertakings £'000
Cost	
1 July 2009	18,410
Acquisitions	6,250
Disposal	(90)
30 June 2010	24,570
Impairment	
30 June 2009 and at 30 June 2010	2,002
Net book value	
30 June 2010	**22,568**
30 June 2009	**16,408**

7 Debtors

Amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due from subsidiaries	5,588	6,858
Deferred tax asset (note 8)	166	11
Prepayment and accrued income	42	30
	5,796	**6,899**

8 Deferred tax assets

	Depreciation in excess of (less than) capital allowances £'000	Other timing differences £'000	Total £'000
At 1 July 2009	11	–	11
Credit/(charge) for the year	(6)	161	155
At 30 June 2010	**5**	**161**	**166**

The Company is expected to be able to recover the deferred tax asset against future profits The Company has no unprovided deferred tax

9. Creditors amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	36	106
Other taxes and social security	68	319
Amounts due to subsidiaries	8,430	8,711
Accruals and deferred income	1,859	975
	10,393	**10,111**

10. Creditors amounts falling due after more than one year

	2010 £'000	2009 £'000
Bank loans and other borrowings	**6,500**	**7,500**

Financial Statements

11 Bank and other borrowings

	2010 £'000	2009 £'000
Due after more than one year		
Secured bank loan	6,500	7,500
Total borrowings	**6,500**	**7,500**

The terms of the loan are disclosed in the Group accounts in note 23

Bank borrowings are repayable as follows

	2010 £'000	2009 £'000
On demand or within one year	–	–
In the second year	1,250	–
In the third to fifth years inclusive	5,250	7,500
	6,500	**7,500**

12. Operating lease commitments

	Land & buildings 2010 £'000	Land & buildings 2009 £'000
Lease expiry		
Within one year	–	28
Between one and five years	34	–
	34	**28**

13. Share-based payments

The company operates a share option scheme and phantom share scheme The terms of the scheme are disclosed on page 24 to the consolidated financial statements The share options outstanding are the same for the company as for the consolidated financial statements and details of the share options outstanding are disclosed in note 29 to the financial statements

14. Share capital

The movements on share capital are disclosed in note 28 to the consolidated financial statements

15. Reserves

The movements on share capital are disclosed in note 28 to the consolidated financial statements

	Premium account £'000	Reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2009	16,753	–	617	17,370
Issue of share capital	3,174	3,088	–	6,262
Costs	(225)	–	–	(225)
Retained profit for the year	–	–	540	540
At 30 June 2010	**19,702**	**3,088**	**1,157**	**23,947**

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of Regenersis Plc ("the Company") will be held at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB on 26 November 2010 at noon for the following purposes

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

1 To receive the Directors' report, the Directors' remuneration report and the Company's annual accounts for the year ended 30 June 2010, together with the auditors' report on those accounts,

2 To approve the Directors' remuneration report for the year ended 30 June 2010

3 To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid,

4 To authorise the Directors to agree the remuneration of KPMG Audit Plc, and

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

6 To re-appoint Gary Stokes as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company

7 To re-appoint David Holland as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company

8 To re-appoint Jeffrey Hewitt as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company

Special business
To consider and, if thought fit, to pass the following resolutions 9 and 12 as ordinary resolutions and resolutions 10, 11 and 13 as special resolutions

9 That, pursuant to Section 551 of the Companies Act 2006 ("the Act") and in substitution for all existing authorities under that section, the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £298,801 68, provided that (unless previously revoked, varied or renewed) this authority shall expire on 31 December 2011, or at the conclusion of the next annual general meeting of the Company after passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before expiry of this authority which would or might require such shares to be allotted or such rights to be granted after such expiry and the Directors may allot such shares or grant such rights pursuant to any such offer or agreement as if such authority conferred had not expired

10 That, subject to the passing of resolution 9, pursuant to Section 570 and Section 573 of the Act the Directors be and are hereby unconditionally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 6 as if Section 561(1) of the Act did not apply to such allotment, provided that such power shall be limited to

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

(b) The allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £89,640 50,

and (unless previously revoked, varied or renewed) shall expire on 31 December 2011 or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first paragraph of this resolution the words "subject to the passing of resolution 9 were omitted

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

(a) The maximum number of Shares which may be purchased is 4,482,025,

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

(c) The maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for the Shares as derived from the Daily Official List for the five business days immediately preceding the day on which the purchase is made,

and (unless previously revoked, varied or renewed) shall expire on 31 December 2011 or at the conclusion of the next annual general meeting of the Company, whichever is the earlier, save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired

12 That, in accordance with section 366 and 367 of the Act, the Company and all companies that are subsidiaries of the Company at the time at which this resolution is passed or at any time during the period for which this resolution has effect are authorised to

(a) make political donations to political parties or independent election candidates, as defined in sections 363 and 364 of the Act, not exceeding £20,000 in total,

(b) make political donations to political organisations other than political parties, as defined in sections 363 and 364 of the Act, not exceeding £20,000 in total, and

(c) incur political expenditure, as defined in section 365 of the Act, not exceeding £20,000 in total,

in each case during the period beginning with the date of the passing of this resolution and ending on 31 December 2011 or at the conclusion of the next annual general meeting of the Company, whichever is the earlier In any event, the aggregate amount of political donations and political expenditure made and incurred by the company and its subsidiaries pursuant to this resolution shall not exceed £20,000

13 That the draft articles of association produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association

By Order of the Board

S Weatherall
Company Secretary

Company Number 5113820

Registered Office
4 Elm Place
Old Witney Road
Eynsham, Oxfordshire
OX29 4BD

29 October 2010

Notes

1 In accordance with Regulation 41 of the Un-certificated Securities Regulations 2001, only those members registered in the register of members of the Company as at noon on 24 November 2010 or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time Changes to entries in the register of members after noon on 24 November or, in the event of the meeting being adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting

2 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares A proxy need not be a member of the The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he, or she, so wishes

3 A form of proxy is enclosed To be valid, it must be returned by one of the following methods

(a) In hard copy form (together with any power of attorney or other written authority under which it is signed or a copy of such authority notarially certified or certified in some other way by the Directors) by post, courier or by hand to the offices of the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3ZY, or

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

In each case, instructions must be received by noon on 24 November 2010 or, in the event the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting

4 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in the notice of meeting For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Un-certificated Securities Regulations 2001 CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

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

6 Copies of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment will be available for inspection during normal business hours at the registered office of the Company (excluding weekends and public holidays), along with a copy of the existing articles of association of the Company showing the changes proposed by resolution 12 of this notice of annual general meeting They will also be available for inspection at the place of the annual general meeting from 11 45 a m on the day of the meeting until the conclusion of the meeting

7 Biographical details of the Directors who are offering themselves for re-election at the meeting are set out on pages 16 and 17 of the attached report and accounts

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

Locations

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