Regenersis (Glasgow) Limited

Directors' report and financial statements

Registered number SC112872

For the year ended 30 June 2011

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2011.

Principal activities and business review

The Company is principally engaged in repair, repair avoidance and customer support services relating to mobile phones.

In September 2010, the company commenced operations in a new site in Normanton UK, in partnership with DHL serving 02 and was able to grow Turnover by £2.2m as a result of this contract win. At the year end, the company had recruited 138 heads to this additional site.

After a protracted period of negotiation stretching back to 2010, the company did not renew its contract with Hutchison 3G UK. The company and its directors are pursuing other potential new business to fill the capacity created.

Results and dividends

The results of the company for the year are shown on page 6. The loss after tax for the year is £582,067 *(15 month period ended 30 June 2010: £644,993).*

Key performance indicators

The Regenersis Group manages its operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the Western Europe segment of Regenersis plc, which includes the company, is discussed in the Group's annual report which does not form part of this report.

Commercially KPI's reflect the Service Level Agreements set within individual contracts and measuring and managing customer profitability. Formal reviews of the result for the division take place with the directors and the management team of that division each month.

Principal risks and uncertainties

Group risks are managed at Group level, rather than on an individual business unit level. For this reason the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the Regenersis group, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Directors' report *(continued)*

Directors

The directors who served during the period were as follows:

GM Stokes (resigned 8 March 2011)
J Wilson
S Tansini (appointed 28 March 2011 and resigned 1 July 2011)
A Lee (appointed 1 July 2011)

Policy on the payment of creditors

It is the company's policy to set the terms of payments with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Creditor days at the period end were 47 days *(period ended 30 June 2010: 52 days)*.

Disabled employees

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 retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

Disclosure of information to 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 company'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 company's auditors are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

On behalf of the board

J Wilson
Director

32 Fountain Drive
Inchinnan Business park
Inchinnan
Renfrewshire
PA4 9RF

17 October 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Regenersis (Glasgow) Limited

We have audited the financial statements of Regenersis (Glasgow) Limited for the year ended 30 June 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Regenersis (Glasgow) Limited *(continued)*

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PN Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

21st October 2011

Profit and loss account

for the year ended 30 June 2011

	Note	**Year ended 30 June 2011**	15 month period ended 30 June 2010
		£	£
Turnover	*1,2*	**26,121,134**	28,753,550
Cost of sales		**(21,158,485)**	(22,412,324)
Gross profit		**4,962,649**	6,341,226
Administrative expenses before exceptional items		**(4,942,433)**	(6,048,034)
Operating profit before exceptional items		**20,216**	293,192
Administrative exceptional items	*3*	**(200,000)**	(1,386,852)
Administrative expenses		**(5,142,433)**	(7,434,886)
Operating Loss	*3*	**(179,784)**	(1,093,660)
Interest payable and similar charges	*6*	**-**	(15,480)
Loss on ordinary activities before taxation		**(179,784)**	(1,109,140)
Tax on loss on ordinary activities	*7*	**(402,283)**	464,147
Loss for the financial year	*14*	**(582,067)**	(644,993)

All activities of the company are classed as continuing.

The company has no recognised gains or losses other than the losses for the current year or previous period.

Notes from page 8 to 16 form part of the financial statements.

Balance sheet
at 30 June 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	8		**1,142,435**		991,651
Current assets					
Stocks	9	**1,634,884**		832,340	
Debtors	10	**4,363,670**		3,226,746	
Cash at bank and in hand		**713,316**		248,939	
		6,711,870		4,308,025	
Creditors: Amounts falling due within one year	11	**(5,502,509)**		(2,365,813)	
Net current assets			**1,209,361**		1,942,212
Total assets less current liabilities			**2,351,796**		2,933,863
Net assets			**2,351,796**		2,933,863
Capital and reserves					
Called up share capital	12		**1,000**		1,000
Profit and loss account	13		**2,350,796**		2,932,863
Shareholders' funds	14		**2,351,796**		2,933,863

Notes from page 8 to 16 form part of the financial statements.

These financial statements were approved by the board of directors on 17 October 2011 and were signed on its behalf by:

J Wilson

J Wilson
Director

Company registered number: SC112872

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors have reviewed the forecasts of the group and they show the group is able to meet its covenants and its liabilities as they fall due for at least the next 12 months. As such, the directors have therefore prepared these financial statements on the going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and equipment	25% straight line basis
Fixtures and fittings	25% straight line basis
Computer equipment	25% straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress is valued on the basis of direct costs.

Cost is the purchase price, including transport and handling charges, less trade discounts. Net realisable value is the estimated selling price, after trade discounts, less all costs incurred in marketing, selling and distribution.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

Government grants

Government grants are included within accruals and deferred income. Capital grants are credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Other grants are credited to the profit and loss account in the same period as the costs to which they relate are incurred.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company, being the service and repair of electronic equipment. All turnover arises in the United Kingdom.

3 Operating Loss

	Year ended 30 June 2011	15 month period ended 30 June 2010
	£	£
Operating loss is stated after charging		
Depreciation:		
Owned fixed assets	**516,142**	845,040
Auditor's remuneration – audit of these financial statements	**25,000**	12,000
Provision against government grants	-	60,000
Exceptional items	**200,000**	1,386,852

Fees paid to the company's auditors, KPMG Audit Plc and its associates for other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Regenersis plc, are required to disclose non-audit fees on a consolidated basis.

The exceptional item of £200,000 in 2011 relates to a provision for an onerous contract. The charge of £1,386,852 in 2010 related to alignment of the company's accounting estimates to those of Regenersis plc following acquisition of the entire share capital of the company on 1 September 2009. This principally related to alignments in respect of stock provisioning, together with adjustments to accrued income balances.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company during the period, including the directors, analysed by category was as follows:

	Number of employees	
	Year ended 30 June 2011	15 month period ended 30 June 2010
Sales and administration	**67**	68
Operations, engineers and technicians	**498**	439
	565	507

The aggregate payroll costs of the above were:

	£	£
Wages and salaries	**10,029,508**	10,468,619
Social security costs	**866,706**	895,881
Other pension costs	**318,292**	337,765
	11,214,506	11,702,265

5 Remuneration of directors

	Year ended 30 June 2011 £	15 month period ended 30 June 2010 £
Aggregate emoluments	**226,927**	101,083
Company pension contributions to money purchase scheme	**21,017**	20,625

Emoluments for two directors are borne by the ultimate parent company. The amounts in respect of the highest paid director are as follows:

	Year ended 30 June 2011 £	15 month period ended 30 June 2010 £
Aggregate emoluments	**226,927**	101,083
Company pension contributions to money purchase scheme	**21,017**	6,875

No directors exercised any share options during the year.

Notes *(continued)*

6 Interest payable and similar charges

	Year ended 30 June 2011	15 month period ended 30 June 2010
	£	£
Interest payable on bank loans and overdrafts	-	15,480

7 Tax on loss on ordinary activities

(a) Analysis of charge/(credit) in period

	Year ended 30 June 2011	15 month period ended 30 June 2010
	£	£
UK corporation tax		
Current tax	-	-
Deferred tax		
Reversal of timing differences	**440,850**	(454,788)
Adjustment in respect of prior years	**(38,567)**	(9,359)
Tax on loss on ordinary activities	**402,283**	(464,147)

(b) Factors affecting the tax charge/(credit) for the current period

The current tax charge/(credit) for the period is lower *(period ended 30 June 2010: lower)* than the standard rate of corporation tax in the UK of 27.5% *(period ended 30 June 2010: 28%)*. The differences are explained below:

	Year ended 30 June 2011	15 month period ended 30 June 2010
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(179,784)**	(1,109,140)
Current tax at 27.5% *(period ended 30 June 2010: 28%)*	**(49,441)**	(310,559)
Effects of:		
Expenses not deductible for tax purposes	**10,741**	6,633
Depreciation for period in excess of capital allowances	**22,110**	44,593
Other timing differences	**(160,683)**	(2,701)
Increase in/tax losses	**177,273**	89,311
Group relief	-	172,723
Total current tax (see above)	-	-

Notes *(continued)*

7 Tax on profit/(loss) on ordinary activities *(continued)*

(c) Factors that may affect future tax charges

Based on the current investment plans, the company expects that depreciation will be in excess of capital allowances in future years.

Deferred tax assets have only been recognised to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

The 2011 budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantially enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantially enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax assets and liabilities (which have been calculated based on a tax rate of 26% substantively enacted at the balance sheet date).

It has not been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future tax charge and reduce the deferred tax assets and liabilities accordingly.

(d) Deferred tax

The deferred tax asset comprises the following:

	Year ended 30 June 2011	15 month period ended 30 June 2010
	£	£
Accelerated capital allowances	**63,804**	60,317
Other timing differences	**7,444**	8,237
Tax losses	**-**	404,977
Total deferred tax	**71,248**	473,531

Notes *(continued)*

8 Tangible assets

	Plant and equipment	Fixtures and fittings	Computer Equipment	Total
	£	£	£	£
Cost				
At beginning of year	1,530,428	446,921	2,623,520	4,600,869
Additions	157,516	41,589	467,821	666,926
At end of year	1,687,944	488,510	3,091,341	5,267,795
Depreciation				
At beginning of year	1,381,573	349,455	1,878,190	3,609,218
Charge for the year	126,427	37,059	352,656	516,142
At end of year	1,508,000	386,514	2,230,846	4,125,360
Net book value				
At 30 June 2011	**179,944**	**101,996**	**860,495**	**1,142,435**
At 30 June 2010	148,855	97,466	745,330	991,651

Included in the net book value of plant and equipment is £Nil *(2010: £Nil)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £Nil *(2010: £9,075)*.

Notes *(continued)*

9 Stocks

	2011 £	2010 £
Raw materials	**1,350,885**	733,409
Work in progress	**283,999**	98,931
	1,634,884	832,340

10 Debtors

	2011 £	2010 £
Trade debtors	**2,129,003**	1,830,077
Amounts owed by group undertakings	**973,110**	200,164
Other debtors	**66,701**	10,995
Deferred tax asset (note 7)	**71,248**	473,531
Prepayments and accrued income	**1,123,608**	711,979
	4,363,670	3,226,746

11 Creditors: Amounts falling due within one year

	2011 £	2010 £
Trade creditors	**2,384,639**	1,270,882
Amounts owed to group undertakings	**1,496,750**	-
Other taxation and social security	**251,821**	218,921
Accruals and deferred income	**475,742**	513,599
VAT	**893,557**	362,411
	5,502,509	2,365,813

Notes *(continued)*

12 Share capital

	2011	2010
	£	£
Allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	**1,000**	1,000

13 Reserves

	Profit and loss account
	£
At beginning of year	2,932,863
Loss for the financial year	(582,067)
At end of year	**2,350,796**

14 Reconciliation of movements in shareholders' funds

	2011	2010
	£	£
Loss for the financial period	**(582,067)**	(644,993)
Capital contribution	-	3,082,152
Dividends paid	-	(953,463)
Net (deduction from)/addition to shareholders' funds	**(582,067)**	1,483,696
Opening equity shareholders' funds	**2,933,863**	1,450,167
Closing equity shareholders' funds	**2,351,796**	2,933,863

15 Commitments

At 30 June 2011, the company had annual commitments under non-cancellable operating leases as set out below:

	Other items	
	2011	2010
	£	£
Operating leases which expire:		
Within one year	**2,796**	540
Within two to five years	**19,712**	18,515
In more than five years	**300,000**	300,000
	322,508	319,055

Notes *(continued)*

16 Capital commitments

As at 30 June 2011, the company did not have any capital commitments outstanding *(2010: £Nil)*.

17 Pensions

The company provides pension benefits to employees through the Interactive Telecom Solutions Limited Group Pension Scheme. This is a money purchase scheme to which both the company and employer contribute. Contributions payable for the period were £318,292 *(2010: £337,765)*. There was £44,067 *(2010: £36,397)* of unpaid contribution at 30 June 2011.

18 Guarantees

The company has guaranteed, via fixed and floating charges over the whole of its property, undertaking and assets, the bank borrowings of other companies in the Regenersis plc group. At 30 June 2011, the liability covered by this guarantee amounted to £7,000,000 *(2010: £6,500,000)*.

19 Related party transactions

As a wholly owned subsidiary of Regenersis plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Regenersis plc.

20 Ultimate parent company

The company's immediate and ultimate parent undertaking is Regenersis plc, a company incorporated in the United Kingdom.

Copies of the financial statements of Regenersis plc can be obtained from:

4 Elm Place
Old Witney Road
Eynsham
Oxfordshire
OX29 4BD