



In-Deed Online PLC, to be renamed Learning Technologies Group PLC

## Circular convening a General Meeting and AIM Admission Document



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, solicitor, accountant or other independent financial adviser who is authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”) and who specialises in advising on the acquisition of shares and other securities in the UK. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled “Risk Factors” in Part III of this document, which sets out certain risk factors relating to any investment in Ordinary Shares.

This document, which comprises an admission document required by the AIM Rules for Companies, has been prepared in connection with the proposed application for admission of the Enlarged Share Capital to trading on AIM, a market of London Stock Exchange plc. This document is an admission document drawn up in accordance with the AIM Rules for Companies and does not constitute a prospectus for the purposes of section 85(1) of the FSMA.

In-Deed Online plc (the “Company”) and each of the Directors and the Proposed Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including collective and individual responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

For the purposes of Rule 19.2 of the Takeover Code, each member of the Epic Concert Party accepts responsibility for the information contained in this document relating to each of them as members of the Epic Concert Party. To the best of each member of the Epic Concert Party’s knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document for which he or she is responsible is in accordance with the facts and contains no omission likely to affect its import.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The Enlarged Share Capital is not traded on any other market or Recognised Investment Exchange and save for the application for admission to AIM, no such applications have been made or will be made.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that admission to AIM will become effective and that dealings in the Enlarged Share Capital will commence on AIM on or around 8 November 2013.

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## **In-Deed Online plc**

*(incorporated in England and Wales under the Companies Act 2006 with registered number 07176993)*

### **Proposed acquisition of Epic Proposed waiver of Rule 9 of the Takeover Code Change of name to Learning Technologies Group plc Admission of the Enlarged Share Capital to trading on AIM and Notice of General Meeting**

**Nominated Adviser and Broker  
Numis Securities Limited**

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Numis Securities Limited (“Numis”), which is regulated and authorised in the UK by the FCA, is acting exclusively for the Company as nominated adviser for the purposes of the AIM Rules for Nominated Advisers and the AIM Rules for Companies. Numis is not acting for any other person and will not be responsible to any person for providing the protections afforded to its customers or for advising any other person on the contents of any part of this document. Numis is not making any representation or warranty, express or implied, as to the contents of this document. The responsibilities of Numis, as the nominated adviser are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Proposed Director or to any other person, in respect of any decision to acquire In-Deed Online Shares in reliance on any part of this document or otherwise.

This document does not constitute an offer to sell, or solicitation of an offer to buy, shares in, and is not for distribution into, any jurisdiction in which such an offer or solicitation is unlawful and, in particular, is not for distribution or issue into the Australia, Canada, Japan, Republic of Ireland, South Africa or the United States. The In-Deed Online Shares have not been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Australia, Canada, Japan, Republic of Ireland or South Africa. Accordingly, they may not be offered or sold, directly or indirectly, within the Australia, Canada, Japan, Republic of Ireland, South Africa or the United States or to, or for the account or benefit of, any person, in or any national, citizen or resident of, the Australia, Canada, Japan, Republic of Ireland, South Africa or the United States. The distribution of this document outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions as to the In-Deed Online Shares and the distribution of this document.

The information contained in this document has been prepared solely for the purposes of the Proposals and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to any such persons. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Numis as to the contents of this document. Numis has not authorised the contents of any part of this document. No liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

There is set out at the end of this document a Notice of a General Meeting of the Company to be held at 2 Stone Buildings, Lincoln's Inn, London WC2A 3TH at 10.00 a.m. on 7 November 2013. A Form of Proxy for use at the General Meeting is enclosed. To be valid, Forms of Proxy should be completed and signed in accordance with the instructions printed thereon and returned as soon as possible and, in any event, so as to be received by the Company's registrars, Computershare Investor Services plc, by not later than 10.00 a.m. on 5 November 2013 Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, the time by which a In-Deed Online Shareholder must be entered in the register of members in order to have the right to attend and vote at the meeting is 6.00pm on 5 November 2013. Completion and return of a Form or Proxy will not preclude a member from attending and voting at the meeting should they so wish.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Numis at 10 Paternoster Square, London, EC4M 7LT from the date of this document and shall remain available for a period of one month from Admission.

## **FORWARD LOOKING STATEMENTS**

Certain statements contained herein constitute forward-looking statements. The forward-looking statements contained herein include statements about the expected effects of the Admission, the expected timing of the Admission and other statements other than in relation to historical facts. Forward-looking statements including, without limitation, statements typically containing words such as "intends", "anticipates", "targets", "estimates", "believes", "should", "plans", "will", "expects" and similar expressions or statements that are not historical facts are intended to identify those expressions or statements as forward-looking statements. The statements are based on the current expectations of In-Deed Online plc and are naturally subject to uncertainty and changes in circumstances. By their nature, forward-looking statements involve risk and uncertainty and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. There are also a number of other factors that could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, local and global political and economic conditions, interest rate fluctuations (including those from any potential credit rating decline) and legal or regulatory developments and changes. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

Neither In-Deed Online plc nor Numis Securities Limited nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied by any forward-looking statements contained herein will actually occur. Other than in accordance with their legal or regulatory obligations (including under the AIM Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority and the City Code on Takeovers and Mergers), neither In-Deed Online plc nor Numis Securities Limited is under any obligation, and each of them expressly disclaims any intention or obligation, to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

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## **DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Harry Hill (Chairman) Peter Gordon Boris Zhilin Philip Williamson
<b>Proposed Directors</b>	Andrew Brode Jonathan Satchell Peter Mountford
<b>Registered Office</b>	Elizabeth House 39 York Road London SE1 7NQ
<b>Proposed Company Secretary</b>	Richard Jones
<b>Nominated Advisor and Broker</b>	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
<b>Solicitors to the Company</b>	Edwin Coe LLP 2 Stone Buildings Lincoln's Inn London WC2A 3TH
<b>Solicitors to the Nominated Adviser</b>	DWF LLP Capital House 85 King William Street London EC4N 7BL
<b>Auditors</b>	Moore Stephens LLP 25 Bothwell Street Glasgow G2 6NL
<b>Reporting Accountants</b>	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Registrars</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Rule 3 Advisor</b>	Saffery Champness Lion House Red Lion Street London WC1R 4GB
<b>Company website</b>	<a href="http://www.in-deedplc.co.uk">www.in-deedplc.co.uk</a>
<b>Company website following Admission</b>	<a href="http://www.ltgplc.com">www.ltgplc.com</a>

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>2006 Act</b>	the Companies Act 2006, as amended
<b>Acquisition</b>	the proposed acquisition by the Company of the entire issued share capital of Epic under the terms of the Acquisition Agreement
<b>Acquisition Agreement</b>	the agreement relating to the Acquisition between the Company, the Epic Shareholders and the Epic Optionholders dated 22 October 2013 conditional, amongst other things, on the approval of the Resolutions by In-Deed Online Shareholders at the GM, further details of which are set out in paragraph 11.1 of Part VIII of this document
<b>Admission</b>	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>AIM</b>	the AIM market operated by the London Stock Exchange
<b>AIM Rules</b>	the AIM Rules for Companies and/or, as applicable, the AIM Rules for Nominated Advisers
<b>AIM Rules for Companies</b>	the rules for companies whose securities are traded on AIM issued by the London Stock Exchange (as amended from time to time)
<b>AIM Rules for Nominated Advisers</b>	the rules for nominated advisers issued by the London Stock Exchange (as amended from time to time)
<b>Articles</b>	the articles of association of the Company at the date of this document
<b>Board</b>	the board of directors of the Company, including a duly constituted committee of such directors
<b>Closing Price</b>	the closing middle-market quotation of an Ordinary Share as derived from the Daily Official List published by the London Stock Exchange
<b>Companies Acts</b>	the 2006 Act and, where the context is required, every other statute (including any orders, regulations or other subordinate UK legislation made under them) for the time being in force concerning UK companies and affecting the Company
<b>Company or In-Deed Online</b>	In-Deed Online plc, a company incorporated in England and Wales with company number 07176993
<b>Completion</b>	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
<b>Conditions</b>	the conditions to completion of the Acquisition being, amongst other things, (i) the Resolutions being passed at the General Meeting, and (ii) Admission
<b>Consideration Shares</b>	255,000,000 Ordinary Shares to be issued fully paid to the Epic Shareholders pursuant to the terms of the Acquisition Agreement
<b>Corporate Governance Code</b>	the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council
<b>CREST</b>	the computerised settlement system (as defined in the CREST Regulations) in the UK operated by Euroclear UK & Ireland Limited which facilitates the holding of and transfer of title to shares in uncertificated form
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations for the time being in force

<b>Directors</b>	the directors of the Company, whose names are set out on page 4 of this document
<b>Dollar or US\$</b>	the legal currency of the US
<b>EMI Options</b>	Enterprise Management Incentive options granted to employees pursuant to the Income Tax (Earnings and Pensions) Act 2003
<b>Enlarged Group</b>	the Company and its subsidiary undertakings immediately following completion of the Acquisition
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission, being the Existing In-Deed Online Shares, the Consideration Shares and the Ordinary Shares to be issued to Numis as described in paragraph 11.1(c) of Part VIII
<b>Epic</b>	Epic Group Limited
<b>EpicBrasil</b>	Epic Brasil Tecnologia Educational Ltda, 50 per cent. of which is owned by Epic
<b>Epic Concert Party or Vendors</b>	together, Andrew Brode and Jonathan Satchell
<b>Epic Group</b>	Epic and its subsidiaries
<b>Epic Locked-in Party</b>	Andrew Brode and Jonathan Satchell
<b>Epic Optionholders</b>	certain holders of options granted over Epic Shares pursuant to the Epic Share Option Scheme
<b>Epic Share Option Scheme</b>	the Epic Group EMI Share Option Plan established by resolution of the board of directors of Epic on 22 May 2012
<b>Epic Shares</b>	ordinary shares of £0.01 each in the capital of Epic
<b>Epic Shareholders</b>	Andrew Brode and Jonathan Satchell and, following the exercise of the options to subscribe for Epic Shares issued pursuant to the Epic Share Option Scheme, the Epic Optionholders
<b>Existing In-Deed Online Shares</b>	20,400,000 Ordinary Shares
<b>FCA</b>	the Financial Conduct Authority
<b>Form of Proxy</b>	the form of proxy which is enclosed with this document for use by In-Deed Online Shareholders in connection with the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>General Meeting or GM</b>	the general meeting of the Company to be held at 10 a.m. on 7 November 2013, notice of which is attached to this document
<b>GoMo or GoMo Learning</b>	the multi-device, e-learning and mobile learning authoring tool developed by Epic
<b>Group or In-Deed Online Group</b>	the Company and its subsidiaries
<b>HMRC</b>	HM Revenue & Customs
<b>In-Deed Online Share Option Scheme</b>	the In-Deed Online Enterprise Management Incentive Share Option Plan established by resolution of the board of the Company on 9 June 2011
<b>In-Deed Online Shares or Ordinary Shares</b>	ordinary shares of £0.00375 each in the capital of the Company
<b>In-Deed Online Shareholders or Shareholders</b>	the holders of Ordinary Shares
<b>ISIN</b>	International Securities Identification Number
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>New Board</b>	the directors of the Company as at Admission, being Andrew Brode, Harry Hill, Peter Mountford and, Jonathan Satchell

<b>New Share Option Scheme</b>	the new share option scheme of the Company to be adopted from Admission, further details of which are set out in paragraph 4 of Part VIII
<b>Notice of General Meeting</b>	the notice of General Meeting set out on pages 114 to 116 at the end of this document
<b>Numis or Nomad Panel</b>	Numis Securities Limited the UK Panel on Takeovers and Mergers
<b>Prohibited Territories</b>	Australia, Canada, Japan, Republic of Ireland, South Africa, United States and any other jurisdiction where the distribution of this document (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law;
<b>Proposals</b>	the Acquisition, the Waiver, the proposed change of name of the Company to Learning Technologies Group plc and Admission
<b>Proposed Directors</b>	the proposed directors of the Company to be appointed with effect from Admission, being Andrew Brode, Peter Mountford and Jonathan Satchell
<b>Prospectus Rules</b>	the prospectus rules produced and implemented by the FCA
<b>QCA Guidelines</b>	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance (as amended from time to time)
<b>Recognised Investment Exchange</b>	an investment exchange in respect of which a recognition order is in force as defined in section 285 of FSMA
<b>Resolutions</b>	the resolutions to be proposed at the General Meeting (and each a “ <b>Resolution</b> ”) and as set out in the Notice of General Meeting
<b>Rule 3 Advisor or Saffery Champness</b>	Saffery Champness who is providing independent advice to the Board for the purposes of Rule 3 of the Takeover Code
<b>Share Options</b>	options to subscribe for Ordinary Shares granted under the New Share Option Scheme
<b>Sterling or £</b>	the legal currency of the UK
<b>subsidiaries or subsidiary undertaking</b>	have the meanings ascribed to those terms in the 2006 Act
<b>Takeover Code</b>	the City Code on Takeovers and Mergers issued by the Panel (as amended from time to time)
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>Unapproved Options</b>	options granted to employees which do not qualify as EMI Options
<b>US or United States</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>Waiver</b>	the waiver (further details of which are set out in Part IV of this document) of the obligations of the Epic Concert Party to make a general offer under Rule 9 of the Takeover Code which may otherwise arise as a consequence of the issue of the Consideration Shares to the Epic Concert Party, granted by the Panel conditional upon the approval of the Shareholders voting on a poll
<b>Whitewash Resolution</b>	Resolution 3 in the Notice of General Meeting

All references to times in this document are to UK times unless otherwise stated. References to the singular shall include references to the plural, where applicable and *vice versa*.



## GLOSSARY OF TECHNICAL TERMS

The following technical terms apply throughout this document:

<b>Authoring Tool</b>	computer software which allows its user to create multimedia applications capable of manipulating one or more multimedia objects allowing a non-programmer to easily create software with programming features
<b>CAGR</b>	compound annual growth rate
<b>Docebo</b>	proprietary Learning Management System
<b>Education VLE</b>	educational virtual learning environment
<b>E-learning</b>	the use of electronic media and information and communication technologies in education and includes all forms of educational technology in learning and teaching
<b>HTML</b>	hypertext mark-up language, a standardised system for tagging text files to achieve font, colour, graphic and hyperlink effects on the internet
<b>LaaS</b>	learning as a service
<b>LMS</b>	learning management system, being the software platform used to manage the learning process and associated content
<b>LRS</b>	learning record store
<b>Microsoft Sharepoint</b>	software platform and family of software products developed by Microsoft for collaboration, file sharing and web publishing
<b>Moodle</b>	(abbreviation for Modular Object-Oriented Dynamic Learning Environment) a free and open-source e-learning software platform, also known as Course Management System, Learning Management System or Virtual Learning Environment (VLE)
<b>PP&amp;E</b>	Property, Plant & Equipment
<b>SaaS</b>	software as a service, sometimes referred to as “software on demand” is software that is deployed over the internet and/or is deployed to run behind a firewall on a local area network or personal computer
<b>Tin Can API</b>	specification for learning technology that makes it possible to collect data about the wide range of experiences a person has online and offline (source – tincanapi.com/)

## KEY STATISTICS

Closing Price of an Existing In-Deed Online Share on 21 October 2013 (being the last practicable date prior to the publication of this document)	9.0p
Number of In-Deed Online Shares in issue prior to the issue of the Consideration Shares	20,400,000
Number of Consideration Shares being issued pursuant to the Acquisition	255,000,000
Number of In-Deed Online Shares in issue immediately following completion of the Acquisition	275,825,000
Consideration Shares as a percentage of the Enlarged Share Capital	92.45 per cent.
Market capitalisation (approximate) of the Company on Admission	£15 million
TIDM on Admission	LTG.L
ISIN Number	GB0004T7HX10

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	22 October 2013
Latest time and date for receipt of Forms of Proxy	10:00 a.m. on 5 November 2013
General Meeting	10:00 a.m. on 7 November 2013
Issue of Consideration Shares	8 November 2013
Completion of Acquisition and Admission of the Enlarged Share Capital	8 November 2013
Dealings to commence on AIM and CREST accounts credited in respect of the Consideration Shares	8 November 2013
Despatch of definitive certificates by	15 November 2013

*All future dates referred to in this document are subject to change at the discretion of the Company and Numis.*

**PART I**  
**LETTER FROM THE CHAIRMAN**

**IN-DEED ONLINE PLC**

*(incorporated in England and Wales under the Companies Act 2006 with registered number 07176993)*

*Directors:*

Harry Hill (Chairman)  
Peter Gordon  
Philip Williamson  
Boris Zhilin

*Registered Office:*

Elizabeth House  
39 York Road  
London  
SE1 7NQ

*Proposed Directors:*

Andrew Brode  
Peter Mountford  
Jonathan Satchell

22 October 2013

*To the In-Deed Online Shareholders*

Dear Shareholder,

**Proposed Acquisition of Epic**  
**Proposed waiver of Rule 9 of the Takeover Code**  
**Change of name to Learning Technologies Group plc**  
**Admission of the Enlarged Share Capital to trading on AIM**  
**and**  
**Notice of General Meeting**

**1. Introduction**

On 22 October 2013, the Company announced that it had agreed to acquire the entire issued and to be issued share capital of Epic. The consideration for the Acquisition will be £16.3 million comprising the issue, credited as fully paid, of 255,000,000 Consideration Shares to the Epic Shareholders at a price of 5.882353 pence per Ordinary Share and a payment to the Epic Shareholders and to holders of Epic Shares who acquired those shares following the exercise of options issued to them pursuant to the Epic Share Option Scheme of an aggregate cash consideration of £1,323,254.

The Acquisition, if completed, will result in In-Deed Online becoming an operating company instead of an investing company, and will constitute a reverse takeover under AIM Rules for Companies. The Acquisition is therefore subject to the approval of In-Deed Online Shareholders at a General Meeting of the Company to be held at Edwin Coe LLP, 2 Stone Buildings, Lincoln's Inn, London WC2A 3TH at 10 a.m. on 7 November 2013.

This document, which comprises an admission document, sets out the background to and reasons for the Acquisition and explains why the Directors consider that the Acquisition is in the best interests of the Company and its shareholders as a whole and recommend that In-Deed Online Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document. This document also seeks the approval of the In-Deed Online Shareholders to a waiver, which the Panel has agreed to give (subject to such approval), of the obligation that might otherwise arise under Rule 9 of the Takeover Code for the Epic Concert Party to make a mandatory offer for the entire issued and to be issued share capital of In-Deed Online. The approval of the Resolutions to be proposed at the General Meeting by the In-Deed Online Shareholders is required to enable the Proposals to proceed.

## **2. Background to and reasons for the Acquisition**

On 2 July 2013 the Company completed the sale of its wholly owned subsidiary Xanther Limited and its subsidiary company, Runnett & Co Limited. This disposal resulted in the Company no longer being an operating business and thus becoming an Investing Company under the AIM Rules. The Company's Investing Policy was set out in the circular to Shareholders dated 12 June 2013 which was approved at a general meeting of Shareholders on 2 July 2013. The Company is accordingly required to make an acquisition or acquisitions which constitute a reverse takeover under the AIM Rules for companies implementing its Investment Policy within twelve months of that general meeting.

Since the Company's general meeting in July, the Directors have been seeking suitable opportunities for the Company, resulting in the Acquisition.

## **3. Information on Epic**

Information about the Epic Group is set out in Part II of this Document.

## **4. Summary of the principal terms of the Acquisition**

The Company has conditionally agreed to acquire the entire issued share capital of Epic. The consideration for the Acquisition is £16.3 million comprising the issue, credited as fully paid, of 255,000,000 Consideration Shares to the Epic Shareholders at a price of 5.882353 pence per Consideration Share and a payment to the Epic Shareholders of an aggregate amount of £900,000 in cash and the payment to the holders of Epic Shares who acquired those shares following the exercise of options issued to them pursuant to the Epic Share Option Scheme as further described in paragraph 10 of Part I of this document of an aggregate cash consideration of £423,254. The Epic Shares will be acquired with full title guarantee and free from all liens, charges and encumbrances and together with all rights attaching to them at Completion including the right to receive all dividends and other distributions declared, paid or made after Completion.

On Completion, Epic Shareholders will hold 92.45 per cent. of the Enlarged Share Capital of In-Deed Online.

Completion of the Acquisition Agreement is subject to the satisfaction of the Conditions, including the passing of the Resolutions by Shareholders at the General Meeting.

Additional information relating to the Acquisition Agreement is set out in paragraph 11.1(a) of Part VIII of this document.

## **5. Directors, Proposed Directors and Senior Management**

Brief biographies of the New Board and senior management of the Enlarged Group are set out in paragraph 10 of Part II of this document. Paragraph 9 of Part VIII of this document sets out further details of current and past directorships and certain other important information regarding the New Board.

## **6. Strategy and future prospects of the Enlarged Group**

The strategy of the Enlarged Group is set out in paragraph 7 of Part II of this document.

The Epic Concert Party has no plans to change the strategic plans of the Enlarged Group, or the deployment of the fixed assets of the Enlarged Group, the location of the Enlarged Group's places of business or the employment or conditions of employment of the employees and management of the Enlarged Group at this time and the transaction will not result in any redundancies. In addition, the Epic Group currently provides access to a stakeholder pension scheme for its employees which it intends to maintain following Admission. The Epic Group has no intention to make any changes to its pension scheme following Admission. The Epic Concert Party intends to maintain the existing trading facility for the Ordinary Shares on AIM.

## **7. Takeover Code**

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeovers and merger transactions, however effected where the offeree company is, *inter alia*, a listed or unlisted public company which has their registered offices in the United Kingdom, the Channel Islands or the Isle of Man and which are considered by the Panel to have their place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man and to certain categories of private limited companies. The Company is such a company and, therefore, Shareholders are entitled to the protection afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires, whether by a series of transactions over a period of time or otherwise, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Under the Takeover Code control means an interest, or aggregate interest, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests give *de facto* control.

Rule 3 of the Takeover Code requires the board of a company receiving an offer to receive formal advice as to the merits of the offer. Under the Takeover Code, the Epic Concert Party is deemed an offeror making an offer notwithstanding that the Company is seeking approval from shareholders pursuant to the Whitewash Resolution to dispense with the requirement for the Epic Concert Party to make a general offer that would otherwise be required as a result of the Acquisition. The Directors require competent independent advice in relation to the merits of the Acquisition. Therefore Saffery Champness has provided formal advice to the Directors regarding the merits of the Acquisition.

The members of the Epic Concert Party are deemed to be acting in concert for the purposes of the Takeover Code. The Epic Concert Party comprises Andrew Brode and Jonathan Satchell who are both current shareholders in Epic. Further details regarding the members of the Epic Concert Party can be found in Part IV of this document.

Immediately following completion of the Acquisition, the Epic Concert Party will together, hold in aggregate 255,000,000 In-Deed Online Shares, representing 92.45 per cent. of the Enlarged Share Capital, which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Epic Concert Party to make a general offer to Shareholders under Rule 9 of the Takeover Code.

The Epic Concert Party's existing shareholdings in In-Deed Online and their proposed interest in the Enlarged Share Capital immediately following Admission are set out in the table below.

	<i>Current interests in In-Deed Online</i>		<i>Proposed interests in In-Deed Online on Admission</i>	
	<i>No. of shares</i>	<i>% of issued share capital</i>	<i>No. of In-Deed Online Shares</i>	<i>% of Enlarged Share Capital</i>
Andrew Brode	Nil	Nil	127,500,005	46.23
Jonathan Satchell	Nil	Nil	127,499,995	46.22
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>255,000,000</b>	<b>92.45</b>

The Takeover Panel has agreed, however, to waive the obligation for the Epic Concert Party to make a general offer that would otherwise be required as a result of the Acquisition, subject to the approval (on a poll) of the Shareholders at the General Meeting. Accordingly, the Whitewash Resolution is being proposed at the General Meeting and will be taken on a poll. To be passed, the Whitewash Resolution will require a simple majority of votes entitled to be cast to vote in favour.

**Following the Acquisition, the Epic Concert Party will hold more than 50 per cent. of the Enlarged Share Capital and, for so long as the members of the Epic Concert Party continue to be treated as**

acting in concert, the Epic Concert Party may accordingly increase their aggregate interest in shares in the Company without incurring any obligation under Rule 9 to make a general offer, although an individual member of the Epic Concert Party will not be able to increase his percentage interests in shares through or between a Rule 9 threshold without the Takeover Panel's consent.

Further details concerning members of the Epic Concert Party are set out in Part IV of this document.

#### **8. Lock-in and orderly market arrangements**

Under the terms of a lock-in agreement, each Epic Locked-in Party has agreed, conditional on Admission, that he will not (subject to certain exceptions) sell, transfer or dispose of any interest in Ordinary Shares held by him or any related parties (as defined in the AIM Rules for Companies) until the expiry of 12 months from Admission. In addition, each Epic Locked-in Party has agreed for a further period of twelve months after expiry of the twelve month lock-in period that, subject to certain exceptions, they will only sell such interests through Numis and on an orderly market basis.

Those restrictions will not apply in certain limited circumstances which include, amongst others:

- the acceptance of a general, partial or tender offer for the whole or part of the issued share capital of the Company in accordance with the Takeover Code and the ability to provide an irrevocable undertaking to accept such offer; or
- a disposal by the personal representatives of an Epic Locked-in Party on his death; or
- with the prior written consent of Numis.

Further details of the lock-in arrangements relation to the Epic Concert Party are set out in paragraph 12 of Part VIII of this document.

#### **9. Dividend policy**

The Directors recognise the importance of dividend income to Shareholders and intend to adopt a progressive dividend policy. This policy will be subject to the retention of funds needed to fund future growth of the Group's business and its strategic aims. All of the Ordinary Shares will rank *pari passu* for the payment of dividends.

Dividends have been paid by Epic in respect of the financial years 2010 and 2012 and the six months to 30 June 2013. It is expected that the first dividend to be paid by the Company will be announced with the half year results for 2014 and will be payable in respect of all of the issued Ordinary Shares.

#### **10. Share option schemes and new management incentive**

The Company currently has in place the In-Deed Online Share Option Scheme which was adopted on 9 June 2011. However, all options granted under that scheme have either been waived or lapsed. Accordingly, the Company will adopt the New Share Option Scheme with effect from Admission, further details of which are set out in paragraph 4 of Part VIII.

Epic currently has in place the Epic Share Option Scheme which was adopted on 22 May 2012 under which options to subscribe for 2,595,716 Epic Shares have been granted. Option holders in the Epic Share Option Scheme have agreed either to exercise a proportion of their options under that scheme or to roll over their options. Epic Optionholders holding options over a total of 1,117,555 Epic Shares have, subject to Admission, elected to exercise their options and the Epic Shares issued pursuant to the exercise of those options will be sold to In-Deed Online pursuant to the terms of the Acquisition Agreement for a cash sum of £423,254 in aggregate.

The remaining options granted under the Epic Share Option Scheme over 1,478,161 Epic Shares will be amended so that, to exercise, the holders of such options have the right to subscribe instead for In-Deed Online Shares, which options will be exercisable at any time following Admission. The number of such options and the exercise price of such options will be determined by reference to the closing mid-market price of the Ordinary Shares on the day of Admission. The amendment of these options as described will have a neutral affect on the optionholders immediately before and after the amendment of the options.

In addition, 4,247,705 Share Options equating to 1.54 per cent. of the Enlarged Share Capital have been granted to Peter Mountford, 3,392,647 Share Options equating to 1.23 per cent. of the Enlarged Share Capital have been granted to Dale Solomon and 3,392,647 Share Options equating to 1.23 per cent. of the Enlarged Share Capital have been granted to Richard Jones under the New Share Option Scheme, in each case subject to Admission and subject to certain performance criteria in the case of Peter Mountford and Dale Solomon. Each of such options are exercisable at a price 5.88p per

Ordinary Share. In addition, options over 3,282,317 Ordinary Shares equating to 1.19 per cent. of the Enlarged Share Capital have been granted to Richard Jones subject to Admission. Such options will be subject to the New Share Option Scheme but will be unapproved options for tax purposes. Further details of these options are set out in paragraph 4 of Part VIII. The Directors and Proposed Directors believe that the success of the Enlarged Group will depend to a high degree on the management team and senior executives being appropriately motivated and rewarded and additional options are expected to be granted under the New Share Option Scheme.

As a further management incentive to Peter Mountford and Dale Solomon, as soon as reasonably practicable following Admission, the Board intends to implement a management incentive scheme for Peter Mountford and Dale Solomon which will entail each of them subscribing for new A ordinary shares in Epic ("Management Incentive Shares"). These Management Incentive Shares will participate in the future growth in equity value of Epic. It is intended that the Management Incentive Shares may only be sold in certain circumstances which will include a change in control of the Company and a sale by Andrew Brode or Jonathan Satchell of 25 per cent. or more each of their Ordinary Shares. It is also intended that the value attributable to the Management Incentive Shares in the event of their sale will be based upon the growth in value of Epic above £15 million and will be subject to the fulfillment of other performance conditions. Further details of this proposed management incentive will be provided to Shareholders when the scheme is implemented.

## **11. Corporate governance**

The New Board recognises the value of good governance and intends, following Admission, to comply with the provisions of the QCA Guidelines insofar as possible for a company of the size and nature of the Company.

The Company has adopted a share dealing code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company will take steps to ensure compliance by the Board and applicable employees with the terms of such code.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. Following Admission, the New Board intends to hold Board meetings at least ten times a year and at other times as and when required. The Company has established an audit committee and a remuneration committee with effect from Admission. Details of the committees are set out below.

### *Audit Committee*

The Company has established an audit committee, comprising Andrew Brode, Harry Hill and Peter Mountford. The audit committee is chaired by Peter Mountford and will meet at least twice each year following Admission. The audit committee's responsibilities will include ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Company's auditors and reviewing their reports and accounts and the Company's internal controls.

### *Remuneration Committee*

The Company has established a remuneration committee, comprising Andrew Brode, Harry Hill and Peter Mountford. The remuneration committee is chaired by Andrew Brode and will meet at least twice each year following Admission. The remuneration committee's responsibilities will include reviewing the performance of the executive Directors, setting their remuneration levels, determining the payment of bonuses and considering the grant of options under the share option schemes.

## **12. General Meeting**

Attached to this document you will find a notice convening the General Meeting which is to be held at 2 Stone Buildings, Lincoln's Inn, London WC2A 3TH at 10 a.m. on 7 November 2013, for the purpose of considering, and if thought fit, passing the Resolutions.

**Resolution 1** will be proposed as an ordinary resolution and seeks to approve the Acquisition.

**Resolution 2** is conditional upon the passing of Resolutions 1 and 3 and will be proposed as an ordinary resolution to authorise the Directors to allot the Consideration Shares and further Ordinary Shares up to a maximum nominal amount of £517,171 (representing 50 per cent. of the Enlarged Share Capital).

**Resolution 3** the Whitewash Resolution, will be proposed as an ordinary resolution and seeks to approve the waiver of the obligation contained in Rule 9 of the Takeover Code. Resolution 3 will be conducted by way of a poll.

**Resolution 4** will be proposed as a special resolution and is conditional upon the passing of Resolutions 1, 2 and 3 and seeks to empower the New Board to disapply statutory pre-emption rights to allot the Consideration Shares and further Ordinary Shares up to a maximum nominal amount of £517,171 (representing 50 per cent. of the Enlarged Share Capital). This authority shall expire at the conclusion of the next annual general meeting.

**Resolution 5** will be proposed as a special resolution and is conditional upon Completion and Admission and seeks to change the name of the Company to Learning Technologies Group plc.

None of the Proposals will be implemented under the terms of the Acquisition Agreement and the introduction agreement described in paragraph 11.1(c) of Part VIII of this document unless all of the Resolutions are passed and become unconditional in accordance with their terms (save as to matters which involve interconditionality).

### **13. Admission, settlement and CREST**

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies and is therefore dependent on the approval of Shareholders being given at the GM. Subject to the passing of the Resolutions and the satisfaction of the other conditions under the Acquisition Agreement and the introduction agreement described in paragraph 11.1(c) of Part VIII of this document and Admission, the Enlarged Share Capital will be admitted to trading on AIM.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Admission of the Enlarged Share Capital to trading on AIM is, subject to the passing of the Resolutions and the satisfaction of all other conditions, expected to take place on or around 8 November 2013.

The Ordinary Shares are eligible for CREST settlement. Accordingly, settlement of transactions in Ordinary Shares (including the Consideration Shares) following Admission may take place within the CREST system if the relevant Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain certificates will be able to do so.

It is expected that, subject to the satisfaction of the Conditions, the Consideration Shares will be registered in the names of the Epic Shareholders and issued either:

- in certified form, where the Epic Shareholders so elect, with the relevant share certificate expected to be despatched by post, at their risk, by 15 November; or
- in CREST, where the Epic Shareholders so elect and only if they are a system-member (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Consideration Shares subscribed for expected to take place on 15 November.

Notwithstanding the election by the Epic Shareholders as to the form of delivery of the Consideration Shares, no temporary documents of title will be issued. All documents or remittances sent by or to the Epic Shareholders or as they may direct will be sent through the post at their risk.

Pending the despatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register.

### **14. Irrevocable undertakings**

The Directors have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not them) in respect of their entire beneficial holdings totalling in aggregate 4,639,523 Existing In-Deed Online Shares, representing approximately 22.74 per cent. of the Existing In-Deed Online Shares.

In addition, certain other Shareholders have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not them) in respect of their holdings totalling, in aggregate 4,258,769 Existing In-Deed Online Shares, representing approximately 20.87 per cent. of the Existing In-Deed Online Shares.



In total, therefore, the Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of holdings totalling, in aggregate, 8,898,292 Existing In-Deed Online Shares, representing 43.62 per cent. of the Existing In-Deed Online Shares.

#### **15. Related parties**

Details of the historical related party transactions entered into by the Group are summarised in paragraph 19 of Part VIII of this Document.

#### **16. Taxation**

Information regarding certain taxation considerations in the UK is set out in paragraph 20 of Part VIII of this document. These details are, however, intended as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

#### **17. Additional information**

Your attention is drawn to the Risk Factors set out in Part III, to the financial information on In-Deed Online and Epic in Parts V and VI respectively, to the pro forma statement of net assets of the Enlarged Group in Part VII and to the additional information contained in Part VIII of this document.

#### **18. Action to be taken**

You will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Computershare Investor Services PLC, as soon as possible but in any event not later than 10:00 a.m. on 5 November 2013. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you so wish.

#### **19. Recommendation**

**The Directors, who have been so advised by Saffery Champness, consider that the terms of the Acquisition and the Waiver are fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions necessary to approve and implement the Acquisition as they have irrevocably undertaken to do so in respect of their entire beneficial holdings amounting to, in aggregate, 4,639,523 Existing In-Deed Online Shares, representing approximately 22.74 per cent. of the existing issued share capital.**

Yours faithfully,

**Harry Hill**  
*Chairman*

## PART II

### INFORMATION ON EPIC AND THE ENLARGED GROUP

#### 1. INTRODUCTION

As set out in the Chairman's letter, upon Admission In-Deed Online plc will change its name to Learning Technologies Group plc. Learning Technologies Group plc ("LTG") will become the holding company of a new group which is being formed to provide a comprehensive and integrated range of e-learning services and technologies to corporate clients. The Directors expect LTG to achieve organic growth driven by the growth of the e-learning sector, as well as growth by acquiring complementary businesses.

The Directors believe that LTG will be the first company publicly quoted in the UK that is focused on consolidating the corporate e-learning sector. The Directors believe that LTG is well placed to establish a substantial global organisation by combining e-learning companies from Asia, Europe, Latin America and US to form a market leading learning technologies agency.

The first acquisition of LTG is Epic Group Limited which is a leading learning technologies agency, established in 1986 and headquartered in Brighton, United Kingdom with additional offices in Rio de Janeiro, Brazil (established in 2011) and New York, United States (established in 2012). Epic provides a range of services, including e-learning, multi-device learning and learning platforms to leading organisations worldwide, including Bridgestone, Deloitte, easyJet, H&M, Lloyds Banking Group and Pearson. It also has a strong base of public sector customers in the UK, which includes a long-term contract with Civil Service Learning. Epic's success has frequently been recognised within the industry and it is the current holder of E-learning Age's 'E-learning Development Company of the Year' award, the UK's premier e-learning award. Epic has won numerous major industry awards, including gold winner at the 2012 E-learning Age Awards for 'Excellence in the Production of Learning Content – Private Sector' and Gold Winner in the 2012 International E-Learning Awards for 'Mobile Learning'.

Epic has a consistent track record of operating profitability and has enjoyed continued year-on-year improvement in operating profit margin since 2010. In the financial year to 31 December 2012, revenue was £6.9m and operating profit was £0.8m, which represent CAGRs of 16.5 per cent. and 219 per cent. respectively since the financial year to 31 December 2010.

The learning technologies market is growing globally and e-learning is expected to be used increasingly in corporate environments for training purposes. Growth is anticipated to be particularly strong in emerging markets, such as Africa, Asia-Pacific, Latin America and Sub-Saharan Africa. In addition, the Directors anticipate that increasing complexity and regulation in the workplace will lead to an increase in e-learning requirements.

The global e-learning market remains highly fragmented and as such, there is an opportunity to create a new leader in the market through selected acquisitions. The Directors and Proposed Directors intend that the Group will be a key participant in this consolidation.

#### 2. BUSINESS HISTORY

Epic was founded in 1986 and was one of the first companies in Europe to develop computer-based training, producing the first interactive laser-disc training programme in Europe.

In 1996, Epic floated on AIM, and was subsequently acquired by Huveaux plc (now Dods (Group) PLC), a political and educational publisher, in 2005. In December 2007, Jonathan Satchell, the former owner of Executive Business Channel Limited, an e-learning company, was brought in by Huveaux plc as the interim managing director of Epic to address the underperformance of the business since its acquisition. In conjunction with Andrew Brode, a private investor with substantial corporate and financial experience they acquired Epic in June 2008.

The new management team re-focused the business on learning technologies services, transforming it primarily from a provider of e-learning content to a learning technologies agency. This, together with improved financial controls and price discipline, has resulted in strong financial performance outlined further within this document.

### **3. KEY STRENGTHS**

#### **Market leading position in the UK**

Epic has continued to maintain a leading position in the UK e-learning market whilst significantly increasing its operating profit margin from 2010 to 2012 at a year-on-year average of 4.8 per cent. According to post-project review surveys undertaken by Epic in 2012, 100 per cent. of the company's clients were satisfied with Epic's service and final project delivery, and had a 9.3 out of 10 likelihood of recommending the service. 21 per cent. of the company's business originated from "word of mouth" in 2012. In addition, Epic was rated first for "Potential and Performance" by Elearnity in July 2013.

#### **Depth and breadth of services**

Epic provides a wide array of bespoke solutions to its clients within the learning technologies field – ranging from e-learning, mobile learning, learning platforms and consultancy. This allows Epic to provide multiple solutions to a wide client base based on individual client's strategies and needs.

#### **Exposure to a structural high growth market**

E-learning expenditure is projected to grow at 23 per cent. per annum from 2012 to 2017 with 41.7 per cent. of G500 companies already using technology adapted training<sup>1</sup>. Epic's distribution across apps, mobile devices (phone and tablet), and different platforms and portals allows it to take advantage of growth in technology, online content and social media that supports learning.

#### **Longstanding relationships with blue-chip client base**

In the year to July 2013 c.61 per cent. of Epic's revenues came from repeat clients. Moreover, the breadth of Epic's product and service offerings allows it, in the Directors' opinion, to engage those clients on a deeper level than many of its competitors. Epic's private sector clients, which include Bridgestone, Deloitte, easyJet, H&M, Lloyds Banking Group and Pearson constitute c.70 per cent. of the company's revenue. Epic's public sector clients include BBC, Ministry of Defence and UK Civil Service and constitute c.30 per cent. of the company's revenue.

#### **Highly experienced leadership team**

LTG's Board has considerable experience in developing and growing businesses, including Rightmove plc (founded by Harry Hill and currently a constituent of the FTSE 250 Index), Eclipse Group Limited (the management buyout of which was led by Andrew Brode, subsequently sold to Reed Elsevier plc) and RWS Holdings plc (which has grown to become Europe's leading technical translations group, chaired by Andrew Brode).

The executive management team has extensive experience of the international e-learning industry, along with ability to expand the Company globally, evidenced by Epic's successful entry into the United States and Latin America. Furthermore, Jonathan Satchell, to be appointed Chief Executive Officer, has particular experience of transforming businesses in the e-learning sector through the acquisitions of both Executive Business Channel Limited (subsequently sold to Futuremedia plc) and Epic (acquired from Huveaux plc).

#### **Proven financial track record**

Epic has achieved strong organic growth in revenue and profits throughout the recent economic downturn. Over the three year financial period ended 31 December 2012, it has delivered CAGR of 16.5 per cent., 24.5 per cent., 218.7 per cent. and 214.6 per cent. in revenue, gross profit, operating profit and profit before tax respectively. Gross margin was 58.7 per cent. and operating margin was 11.1 per cent. in the 2012 financial year to 31 December. Historically, Epic has been entirely funded from internally generated cash flows. Notwithstanding these investments, Epic is in a cash positive position, with low capital expenditure requirements. It has no reliance on external finance providers.

#### **Multiple organic growth opportunities for Epic**

Epic anticipates year-on-year revenue growth of c.12-15 per cent. during 2013. With a large number of "blue chip" clients, across a range of sectors and geographies, and with differing levels of sophistication in their training programmes, Epic has a clear organic growth opportunity to continue

<sup>1</sup> IBIS Capital, "Global e-Learning Investment Review", January 2013 and Ambient Insight Comprehensive Report, "The Worldwide Market for self-paced e-Learning Products and Services 2010-2015 Forecast and Analysis", July 2011

its expansion by increasingly selling additional learning technologies services in order to more deeply penetrate its existing client base.

Alongside this opportunity for the core UK business, Epic has offices in two additional attractive geographies: Brazil and the US. While these are currently at an early stage, the directors of Epic are pleased with their performance to date and they offer the potential for strong revenue growth in the future. Furthermore, the directors expect that the launch of Epic's proprietary authoring tool, GoMo, as a SaaS platform will provide Epic with a recurring licence revenue stream.

#### **Attractive acquisition opportunities for LTG**

The e-learning market is highly fragmented with *c.*3,000 companies in Europe alone<sup>1</sup>. There is a strong appetite from strategic, private equity and venture capital firms for e-learning opportunities with \$8.5bn M&A deals completed globally in 2012<sup>2</sup>. In the United Kingdom, there are *c.*260 e-learning software development companies making it the largest market in Europe<sup>3</sup>. Epic has already identified three potential UK acquisition targets and the Directors believe that it is well positioned to take advantage of the market's consolidation.

LTG's acquisition strategy will initially focus on increasing scale in the UK and Europe. In the medium to longer term, the Directors expect LTG to leverage its scale in the UK market to expand internationally with in-fill acquisitions securing exposure to additional growth markets, such as Asia.

#### **4. MARKET OVERVIEW**

The global corporate training market in 2011 was estimated to be \$287 billion by trainingindustry.com. IBIS Capital estimates the global corporate training market to be \$200 billion as at January 2013. More specifically, in relation to corporate e-learning, IBIS Capital estimates the e-learning market to be \$26 billion as at January 2013, and Ambient estimates it to be \$35 billion in 2011. E-learning spend as a proportion of corporate training is estimated to be over 35 per cent. in the US and less than 20 per cent. globally. It is estimated that around 45 per cent. of spending on training and e-learning is external. The global corporate e-learning market is expected to double over the next 3 years.<sup>4</sup>

The Directors' believe that the UK and US are recognised to be two of the most developed e-learning markets. The US is the largest market, with US organisations having spent over \$156bn on employee learning in 2012<sup>5</sup>. In 2010 in the US, companies with 500 to 9,999 employees spent \$1,102 on average per employee and firms with more than 10,000 employees spent \$825 on average per employee<sup>6</sup>.

Market acceptance of e-learning has resulted in increasing use in both large and small companies. Companies are increasing their use of e-learning regardless of their size, with 41.7 per cent. of companies in the G500 (the 500 largest companies globally) using technology adapted training. There has been strong corporate demand in Europe, with 51 per cent. of companies using e-learning with over half their employees in 2011<sup>7</sup>. In the US in 2011, 77 per cent. of corporates were using e-learning in some form<sup>8</sup>.

#### **Benefits of e-learning**

Specialised training and skills programmes can be expensive; e-learning can provide more efficient, tailored solutions. Performance measurement and analytics serve as an important aspect to assessing return on investment from corporate training. The Directors expect that the need to improve skills, meet regulatory requirements and manage training costs will result in e-learning increasingly being used across the corporate spectrum.

Benefits include:

- 1 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 2 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 3 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 4 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 5 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 6 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 7 IBIS Capital, "Global e-Learning Investment Review", January 2013
- 8 IBIS Capital, "Global e-Learning Investment Review", January 2013

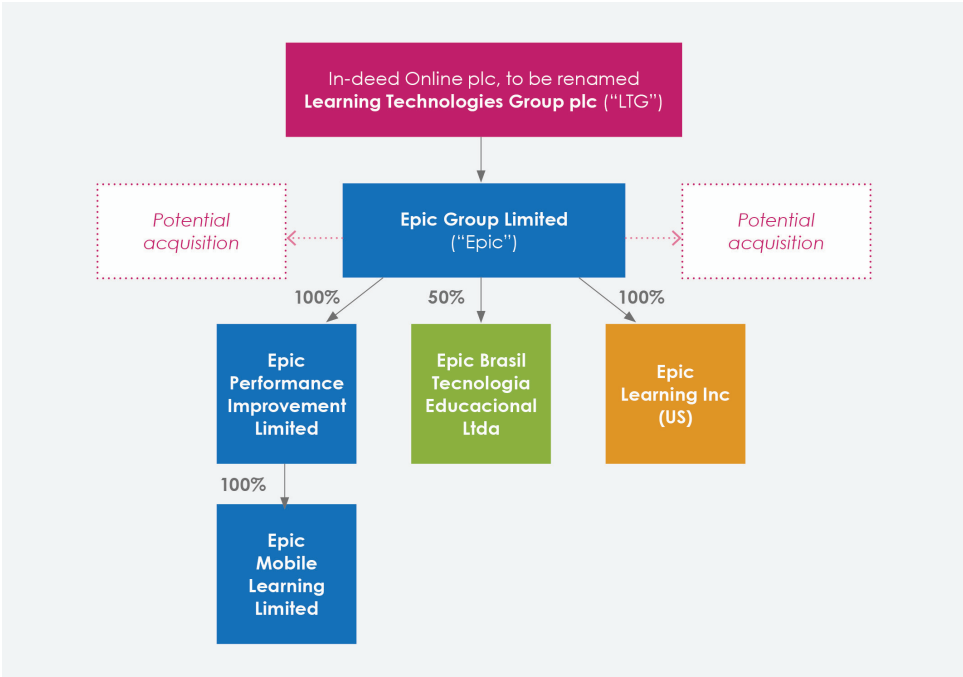
- **Scale:** Easily facilitates a multitude of learning tasks across a large user base. Many learning management systems include planning and management functions such as scheduling courses, allocating and reminding learners about courses. By way of example, Epic consolidated all generic learning and development initiatives for civil servants across government departments, for Civil Service Learning. Over 50 e-learning titles were produced and subsequently used by c.400,000 civil servants.
- **Complexity:** E-learning can deliver alternative formats and teaching techniques to provide a personalised learning experience. Easy to use feedback on the course can be made an integral part of the programme, which aids management oversight. Analytics can be used to enhance efficiency, which can result in large aggregate time savings. The ability to monitor and manage training performance will provide the corporate accountability to assess return on investment.
- **Efficiency:** E-learning can be tailored to specific skill requirements. Immersive learning provides a simulated real world environment, in which complex workplace skills can be taught. Considerable efficiency gains can be achieved, for instance in reducing time required for training programmes. By way of example, Epic helped Nationwide to reduce its 11 week call centre induction and systems training by 3 weeks through the inclusion of e-learning. Epic also provided e-learning modules for parts of British Airways' Aviation Medicine training, which has reduced time spent in training and increased time spent in the air by 12,000 staff days over 3 years.

The industry can be divided into four areas:

- **Consultancy:** Helping business to appraise their learning needs and to specify and provide solutions to meet them.
- **Content:** Involves the production of bespoke learning materials.
- **Learning Management System ("LMS"):** A management learning system is a software platform used to manage the learning process and associated content. LMSs are based on a variety of development platforms and are primarily web-based and employ a database back end. Some are open source and others charge a software licence fee. They vary and are built/customised for specific purposes. Technological advances in LMSs include managing learning over extended periods, creating adaptive learning models and storing a record of individual learning experiences from multiple sources.
- **Distribution:** Via PC, tablet, mobile. Falling costs and increased penetration of tablets and mobile devices allow employees to learn when/where they want, and the increasing reach of telecommunications infrastructure further increases flexibility. E-learning can take place anywhere through the use of mobile technology. By way of example, Epic has built a series of four GCSE maths revision apps for Collins Education, for use on Apple and Android mobile devices, distributed through the Apple App store and Google Play.

**5. GROUP STRUCTURE**

LTG is the holding company of the new group being formed in order to provide a comprehensive and integrated range of services, and technologies, to corporate clients in the field of e-learning. A summary of the Group structure is set out below.



**6. OPERATING OVERVIEW OF EPIC**

**6.1 Epic’s services**

Epic provides a range of learning technology services, such as e-learning, multi-device learning and mobile learning. The Company has an extensive blue-chip client base, consisting of large global companies such as Bridgestone, Deloitte, easyJet, Experian, H&M, Hastings Direct, Lloyds Banking Group, Pearson, QVC and Volkswagen, as well as a number of UK public sector organisations including BBC, Civil Service Learning and the Ministry of Defence. *Circa* 61 per cent. of Epic’s revenue in 2012 came from repeat client business.

Epic is a solutions focused agency, providing a mix of learning technologies and expertise. The company assists organisations with behavioural projects in addition to more traditional e-learning applications. In delivering these projects, Epic’s learning designers implement solutions that communicate complex and detailed learning messages in an effective and efficient manner. Epic delivers projects to customers in over 70 countries and in more than 40 languages. Epic has been providing e-learning solutions for over 27 years and is particularly strong in mobile learning technologies.

Epic's three core services are provided in combination to create bespoke solutions for customers across a wide range of sectors, business areas and geographies:

Consultancy and Research	Content Services	Learning Platforms
<ul style="list-style-type: none"><li>■ Epic provides a full consultancy service for every step of the training cycle</li><li>■ Assessing your readiness</li><li>■ Delivering change</li><li>■ Communication and engagement</li><li>■ Measuring your success</li></ul>	<ul style="list-style-type: none"><li>■ Epic has been providing e-learning content for over 27 years</li><li>■ Bespoke e-learning</li><li>■ Multi-device learning</li><li>■ Mobile learning</li><li>■ Rapid learning</li><li>■ Blended learning</li><li>■ LMS course building</li><li>■ Games-based learning</li><li>■ Social learning</li><li>■ Learning resources</li><li>■ Translation and localisation</li></ul>	<ul style="list-style-type: none"><li>■ Epic creates, implements and supports a range of learning platforms for a variety of uses</li><li>■ GoMo Learning authoring tool</li><li>■ Launch and track</li><li>■ Learning portals</li><li>■ Enterprise LMS</li><li>■ Education VLE</li><li>■ Bespoke portals</li><li>■ Learning record store ("LRS")</li><li>■ User support</li><li>■ Independent testing</li></ul>



### Consultancy and Research

Epic provides strategic advice to clients, advising on the use of technology to improve the effectiveness of learning and development programmes and initiatives through all five steps of the training cycle.

Epic's research and benchmarking services determine how clients compare to best practice within a sector, as well as keeping clients informed of the latest trends and innovation. Its consultants research a client's background, structure, culture and technology. They examine employee's attitudes towards workplace learning and propose a suitable communication strategy to encourage involvement. They will also identify the success criteria that will underpin a learning programme and conduct a full evaluation of the programme to measure usage, acceptance, application and business impact.

Consulting will typically involve research into the use and feasibility of learning technologies in the client's organisations, the selection of authoring tools and capability building of internal staff, the organisation of marketing, communications and rollout, benchmarking and return on investment.

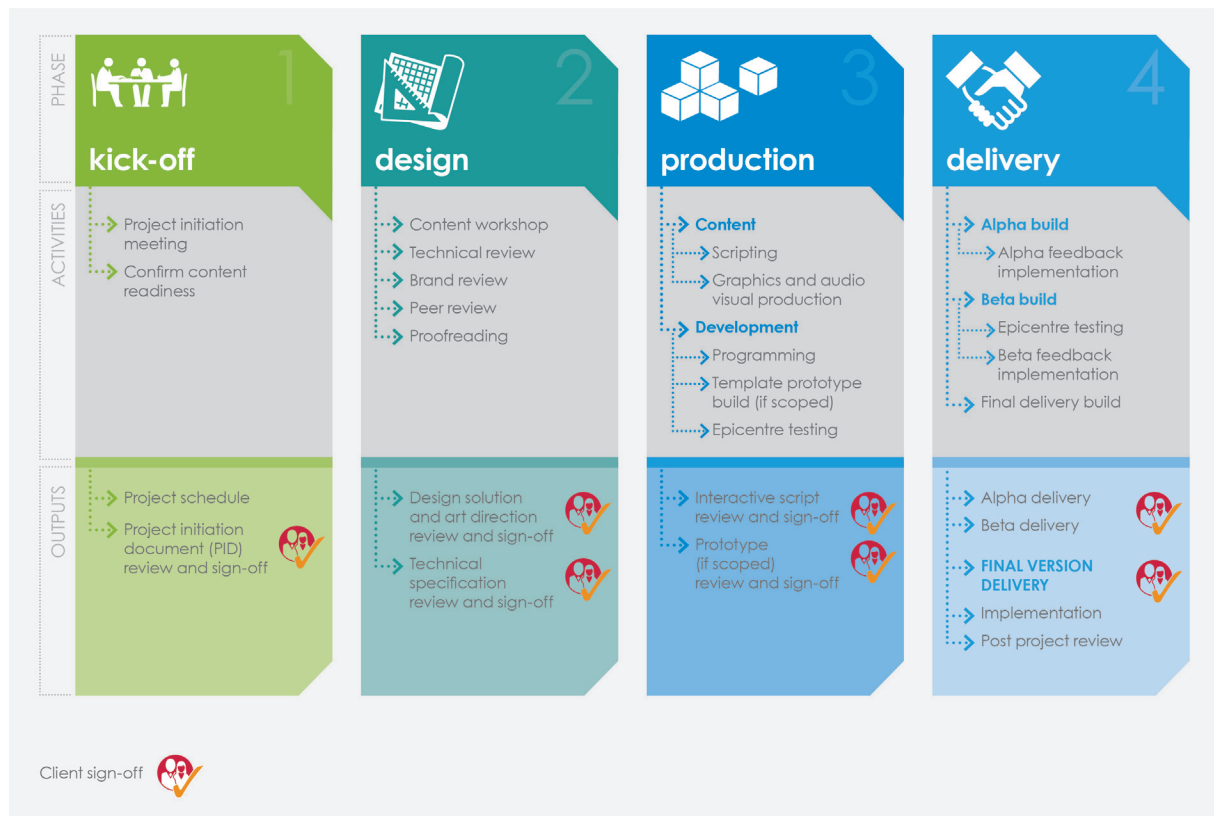
#### *Consultancy and Research Case Study: Linklaters Learning technology strategy*

Linklaters had not used e-learning previously, however they were aware of the potential cost savings of rolling out technology enhanced learning to support their existing training. Epic worked with Linklaters to identify which technologies would suit the audience, developed processes to divide content creation between internally and externally authored, selecting which face-to-face programmes to blend or replace, and to ensure that employees could access information efficiently and in a timely fashion. Due to Linklaters' size and complex organisational structure, one of Epic's senior learning consultants was placed with them for 2.5 days a week over a four month period.



## Content Services

As an ISO 9001 certified company, Epic has developed numerous client-centric processes that allows it to deliver client's projects on time and in budget. An illustration of Epic's content delivery process is shown below:



- **Bespoke e-learning:** Epic provides high end HTML or flash based e-learning for PCs and laptops using its internal authoring tools. The bespoke e-learning courses are tailored to the needs of each client's business. Bespoke programmes encompass the capabilities, culture, environment and corporate language of an organisation, creating unique and engaging learning. Epic works to create powerful and visually appealing learning tools, ranging from infographics to learning games. Many of Epic's bespoke programmes have won awards for creativity and effectiveness.
- **Multi-device learning:** Epic is able to adapt its programmes to be accessible on any device such as PC, tablet or smartphone. Epic uses responsive design which dynamically reformats the content and layout of the content to accommodate different device sizes. Epic also uses adaptive design which creates alternative interactions for each screentype.
- **Mobile learning:** Mobile learning incorporates many different facilities available on mobile phones to optimise the learning experience and uses gaming methods as well as mobile social media services.
- **Rapid learning:** Rapid learning can be put together alongside the client, or Epic can identify the business need with a consultation session. All materials used in the rapid learning process, such as templates, are given to the client so they can be re-used in any other projects. Tools tend to be user-friendly, giving the client greater flexibility in terms of editing they may want to do in the future. Epic's rapid learning solutions are produced on shorter timescales with lower costs, combined with high levels of customisation.
- **Blended learning:** Epic offers blended learning which creates a personalised mix suitable for the client. The combination of different types of learning, such as f2f, webinars, video, e-learning and mobile learning, makes it easier to break down the task into manageable sections. This varied course of learning makes it simpler to digest, whilst being more engaging.
- **Learning Management System course building:** Epic works to put together the right combination of learning bites to aid the learning programme. This could include tools such as discussion forums, surveys, online chats, virtual classrooms, and mentor support.

- **Game-based learning:** Game-based learning aims to teach the players a lesson that will be useful for them to implement outside the gaming environment. It tends to work most effectively in strategic decision-making, economic reasoning, planning skills, and behavioural and interpersonal skills. Game-based learning has the potential to help its users to understand the importance of specific behaviour types in certain situations, and concentrate more on the consequences of decisions as well as the decision-making process. Game-based learning can achieve its objectives quicker than most conventional methods, because it engages users for a longer period of time, hence quickly increasing the level of skill and knowledge.
- **Social learning:** This is a platform designed for learners to express their views and opinions on what they are learning. These debates can result in more knowledge being gained, along with a greater understanding of the material. Integrating social media into learning can create various forums and blogs to further develop the learning process.
- **Learning resources:** Epic provides high-end resources to enhance or replace learning, including video, animation, audio and photography.
- **Translation and localisation:** Epic works with the leading content translator RWS Group to provide translation services. Epic works with its clients when translating to ensure their content is appropriately localised for their learners.

*Content Services Case study: Royal Electrical and Mechanical Engineers Health and Safety learning*

*Safety training had previously been delivered via presentation software but REME wanted to create a new programme which would engage new recruits, many of whom were school leavers with differing levels of numeracy and literacy. Epic converted these presentations into eight hours of e-learning, using extensive audio, video and 360 degree photographic environments to capture surroundings in compelling detail, thereby delivering the learning without losing the sense of context in the workplace.*

## Learning platforms

Epic creates, implements and supports a range of learning platforms for a variety of uses and has created over 100 different platforms for its clients. These platforms include:

- **Launch and track:** Epic uses the Docebo platform which provides an entry level, quick to setup and easy-to-use system which launches e-learning and tracks the results. It features basic user management and straightforward reporting. This is a cloud-based service which features on-demand pricing allowing clients to subscribe and set up the platform. Clients are then able to expand their usage over time.
- **Learning Portal:** This is a mid-range solution designed for a unique programme, or for a group of users who need access to a specific set of resources. This can include formal, social and informal learning. Epic delivers learning portals using the platforms Docebo, Moodle and Microsoft SharePoint and works closely with clients to select the right product.
- **Virtual Learning Environment:** The Virtual Learning Environment is used within the education sector at schools, colleges, universities and distance learning organisations. This platform can host academic curricula for tutors and students using the open source Moodle platform. It is scalable, fully customisable and can be adapted to suit client's specific objectives.
- **Learning Management System:** Epic uses the open source Moodle platform which provides a flexible and scalable LMS solution. This platform features online learning, virtual classrooms, offline classroom events, organisational hierarchy and competencies. The platform offers workplace learning with back-end support for job roles, competencies and certification.
- **Bespoke portals:** Epic builds custom solutions using open source tools such as Moodle and Drupal, or builds platforms entirely from scratch. A custom portal combines great flexibility and fast implementation with low costs and bespoke support.
- **Learning Record Store:** The Learning Record Store is a reporting tool that pulls together details of learning activities from any system. Epic uses the new e-learning standard, Tin Can API, to provide the mechanics for this platform.
- **Hosting Services:** Epic offers its clients a range of support services. These include hosting, training, independent testing, a support desk for both users and administrators and maintenance packages.

### ***LMS Case study: NHS East of England Palliative & End of Life Care Blend***

*NHS East of England's learners included a broad range of care home workers, prison carers, and carers/relatives of terminally ill patients. Epic helped them to develop blended learning including e-learning and face to face materials. A bespoke platform allows staff to improve skills and knowledge and practice key behaviours and is launched and tracked by a Moodle LMS. The e-learning has full audio support as an alternative to reading, and also uses narrated animations and video-based sequences. It is now being implemented nationally.*

## **6.2 GoMo Learning**

Created and launched by Epic in 2011, GoMo Learning is a multi-device e-learning and mobile learning authoring tool that delivers the same content to multiple platforms, automatically optimising it to each kind of device. GoMo was developed in-house by Epic, initially as a tool to increase internal efficiency, and all intellectual property rights to GoMo are owned by Epic.

GoMo allows clients to create new content or re-use existing content and publish e-learning courses. It can be used for a wide range of solutions from one single HTML code base. Content can be easily published to PC, Apple and Android smartphones and tablets, as well as selected BlackBerry devices.

Since the completion of internal development, Epic has made further additional investments in GoMo in order to productise the tool, making it considerably easier to use. GoMo Learning provides a complementary tool to Epic's current core service offering, and is also a potentially significant revenue stream from the lucrative e-learning authoring tool market without cannibalising its existing business. Sales will be on a SaaS (software as a service) basis and therefore such revenue is expected to be of a recurring nature. In order to take advantage of this opportunity, the GoMo sales platform is being developed further and the directors expect to recruit an experienced new Managing Director for GoMo shortly.

### ***GoMo Learning Suite Case study: Civil Service Learning (CSL)***

*Before 2011, central government departments procured e-learning independently leading to inconsistency of training and an overall L&D budget deficit. As part of the government's austerity measures, they formed CSL, an organisation with the primary purpose of centralising all generic learning and development initiatives for civil servants across government departments.*

*Epic's initial task was to develop 13 e-learning multi-device course titles for half a million civil servants across the UK, and re-purpose generic content from third-party vendors: all in 16 weeks. In order to achieve this goal, Epic headed a consortium of generic providers, repurposing existing content for CSL using Epic's in-house authoring tool, GoMo. All courses are available across multiple devices including PC, iPad, iPhone and BlackBerry smartphones. The initial learning suite was successfully rolled out in March 2012, marking the start of a long-term and ongoing partnership with CSL. Epic has now delivered over 50 projects to CSL and recently extended its contract for a further two years.*

## **6.3 Comprehensive bespoke solutions**

Through combining Consultancy and Research, Content Services, and Learning Platforms, Epic is able to create bespoke solutions for multiple learning needs across all sectors and businesses. Over the course of 20 years, Epic has accumulated a breadth of knowledge, allowing the company to create solutions such as:

- Onboarding and induction;
- IT and systems training;
- Compliance and policy;
- Information security awareness;
- Management and leadership;
- Performance management;
- Sales and service;
- Coaching and mentoring;
- Product knowledge;

- Business strategy; and
- Technical training.

#### 6.4 Brazil

Through its Rio de Janeiro office in Brazil, established as a 50:50 joint venture in 2011, Epic has gained access to the emerging South American e-learning market. The directors are pleased with Epic's performance in South America to date, with a significant number of client wins, particularly in the learning platforms market.

EpicBrasil operates through an experienced local partner in the South American education market and is run by its chief executive Richard Vasconcelos with the backing of his family. The Vasconcelos family established one of the largest private universities in Brazil, Estácio Universities in the 1970s. Having divested from Estacio in 2011, the Vasconcelos family are keen to build a substantial learning technologies business in South America.

The 50:50 joint venture is expanding rapidly, with revenue growth of over 400 per cent. in 2013. EpicBrasil has a track record of winning substantial contracts, including services for some of the major sporting events over the coming years. EpicBrasil currently employs c.22 staff in the Rio office, with the head office in the UK providing expert advice to ensure the delivery of high quality services whilst maintaining good margins.

Ambient Insight estimates that 2011-2016 growth rates in the South American e-learning market will be c.14 per cent.; over twice the growth rate of more established markets such as North America and Western Europe. The Directors and Proposed Directors believe LTG will benefit from the structural growth of the South American e-learning market, allowing EpicBrasil to increase its market share through organic growth and local acquisitions.

#### 6.5 US

Epic's initial entry into the North American market in November 2012 was in response to its existing international customers' demand for its services. Epic's directors felt that an office in New York would enable Epic to better deliver its services to customers based in the United States, the world's largest training and education market. In addition, Epic would gain access to those North American companies and public bodies that only procure from within the local market.

Although Epic's New York office is still at an early growth stage and is likely to be loss making during the current financial year, it has already secured several new significant accounts. These include a major global credit card brand and a well-known hotel chain, all of which provide good brand recognition for Epic in North America and testify to the quality of the service the company provides compared to its local, more established competitors.

In the medium term, the Directors and Proposed Directors believe that the New York office will form an important profit centre for LTG through both organic growth and acquisitions as part of the Group's expansion strategy. The North American e-learning market is similar to that of Europe with no single dominant market leader that specifically provides e-learning solutions, creating numerous acquisition opportunities.

#### 6.6 Operational strengths

The Directors consider that Epic's operational strengths include:

- **Customer service:** Epic's production teams are encouraged to take ownership of their work which results in a first class customer experience.
- **Proven and reliable processes:** Epic draws upon over 25 years of experience to deliver projects within its clients' budgets and to defined timelines.
- **Advanced tool sets:** Epic's internal capability and toolsets, such as GoMo Learning, allow it to produce outputs that exceed the capabilities of what clients can do with off-the-shelf tools.
- **Scale:** Epic's resourcing model allows it to rollout projects ranging from 30 minutes to 30 hours and beyond.

## **7. LTG's GROWTH STRATEGY**

In the medium term, the Directors and Proposed Directors intend to grow LTG, both organically and through acquisition, to a business generating annual revenue of *c.*£50 million per year.

Organic growth will be driven by continuing its impressive rate of new client wins and deeper penetration into its existing clients building on its existing expertise to further extend its offering. Epic's offices in New York and Rio de Janeiro are expected to be key growth engines of the Enlarged Group. The US sales team is planned to double and the Brazil sales team to triple in 2014.

Importantly, the Enlarged Group plans to play a leading role in the consolidation of the e-learning industry through selective acquisitions of competitors and complementary businesses.

The e-learning custom content market is highly fragmented. IBIS Capital estimates that there are 3,000 e-learning companies in Europe with no dominant players. Market leading companies, including Epic, tend to generate revenue of less than £10 million. As such, the Directors and Proposed Directors believe that there is an opportunity to consolidate the market by creating a corporate e-learning business with larger scale and reach. The Directors and Proposed Directors note that there is a strong appetite from strategic, private equity and venture capital firms for e-learning opportunities with \$8.5bn M&A deals completed globally in 2012<sup>9</sup>.

It is likely that initial acquisitions will be in the UK where there are *c.*260 e-learning software development companies making it the largest market in Europe<sup>10</sup>. Early acquisitions are likely to focus on custom content providers as the Directors and Proposed Directors believe that such companies will be simpler to integrate with Epic's existing business. This will create a business of a scale and footprint that should enable Epic to add complementary specialist e-learning services through acquisition or organic development. These include authoring tools, learning data analytics, adaptive learning and LaaS (Learning-as-a-Service). Epic has already identified three potential UK acquisition targets. In the medium to longer term, the Directors and Proposed Directors expect LTG to leverage its scale in the UK market to expand internationally with in-fill acquisitions securing exposure to additional growth markets, such as Asia.

A further opportunity for growth is in the development of a SaaS offering, based upon Epic's GoMo multi-device content authoring tool. This software has been in development over 3 years, and *c.*£0.4 million has been invested in its development over this time. The Directors and Proposed Directors consider SaaS revenues to be particularly attractive as they are annual licence based and therefore provide a recurring revenue stream to the Epic Group.

## **8. CURRENT TRADING AND PROSPECTS**

Since the half year to 30 June 2013, the UK operation has continued to perform strongly. Order book intake in the quarter has been less than expected due to the delay of a large project that is now likely to happen in 2014. The overall strength of the order book gives the Board confidence that the UK will finish the year ahead of budget.

The final quarter of the year is often the strongest in terms of new contract wins. The quality of the pipeline of potential business gives the Board confidence that the Company will begin 2014 with a substantial order book.

The US operation has continued to make a loss in the last two months but has just secured a large contract with a global hotel company which the Board believes will ensure profitability from November 2013 onwards.

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<sup>9</sup> IBIS Capital, "Global e-Learning Investment Review", January 2013

<sup>10</sup> IBIS Capital, "Global e-Learning Investment Review", January 2013

## 9. SUMMARY FINANCIAL INFORMATION

The following summary information has been extracted without material adjustment, or derived, from the historical financial information presented in Part VI. Shareholders should read the full historical financial information in Part VI of this document and not rely solely upon the summary provided below.

	<i>Year ended</i> <i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>Six months</i> <i>ended</i> <i>30 Jun</i> <i>2013</i> <i>£'000</i>
Revenue	5,113	5,015	6,945	3,714
<i>Growth (%)</i>		<i>(1.9)%</i>	<i>38.5%</i>	<i>8.9%</i>
Gross profit	2,630	2,859	4,076	2,228
<i>Gross profit margin (%)</i>	<i>51.4%</i>	<i>57.0%</i>	<i>58.7%</i>	<i>60.0%</i>
<b>Adjusted operating profit<sup>(1)</sup></b>	<b>76</b>	<b>267</b>	<b>916</b>	<b>486</b>
<i>Adjusted operating profit margin (%)</i>	<i>1.5%</i>	<i>5.3%</i>	<i>13.2%</i>	<i>13.1%</i>
Interest receivable	3	3	10	4
<b>Adjusted profit before taxation<sup>(1)</sup></b>	<b>79</b>	<b>270</b>	<b>926</b>	<b>490</b>
Income tax release/(expense)	40	(55)	(250)	(141)
<i>Tax expense as percentage of adjusted profit before taxation (%)</i>	<i>N/A</i>	<i>20.4%</i>	<i>27.0%</i>	<i>28.8%</i>
<b>Adjusted profit after taxation<sup>(1)</sup></b>	<b>119</b>	<b>215</b>	<b>676</b>	<b>349</b>
<b>Reported profit after taxation</b>	<b>119</b>	<b>215</b>	<b>532</b>	<b>231</b>
<b>Net cash flow from operating activities</b>	<b>248</b>	<b>894</b>	<b>899</b>	<b>312</b>
<b>Net cash flow used in investing activities</b>	<b>(82)</b>	<b>(120)</b>	<b>(363)</b>	<b>(55)</b>
<b>Net cash flow from/(used in) financing activities</b>	<b>(200)</b>	<b>—</b>	<b>(400)</b>	<b>(300)</b>
Cash and cash equivalents at end of the financial year/period	812	1,586	1,692	1,653

(1) Adjusted operating profit, adjusted profit before taxation and adjusted profit after taxation exclude share option charges of £144,000 in 2012 and £118,000 in the six months ended June 2013.

(2) Revenue growth % in the six months ended 30 June 2013 calculated by reference to the six months ended 30 June 2012.

Revenue has grown by a CAGR of 16.5 per cent. between 2010 and 2012, adjusted operating profit has grown by a CAGR of 247.2 per cent. and adjusted profit before taxation has grown by a CAGR of 242.4 per cent. over the same period.

### Revenue growth

Revenue is currently dominated by the provision of content services, which relates to the revenue generated from the production of bespoke e-learning, platform work and bespoke work for mobile learning. Other revenue streams include testing, products and licenses, hosting, consulting and mobile applications. As the business is project based, management does not consider the business to be seasonal.

Revenue in 2010 was impacted by a challenging macroeconomic environment and reduced public sector spending, and as such represented a trough in the winning of new business, which improved significantly in 2011. The lag between winning new business and revenue recognition meant that lower volumes of new business wins in the six months ended December 2010 subsequently resulted in lower revenue for 2011. Certain organisational changes took place in 2011 to re-shape the sales team and improve productivity. These changes helped to drive new business wins in 2011 which contributed to the revenue growth in 2012. Revenue growth has also been enhanced by Epic's joint ventures in Brazil and New York, which opened in 2012.

### Gross margin

Increasing gross margin since 2010 reflects productivity improvements and re-organisation in February 2011 to streamline costs. Management also took steps to improve budgeting and pricing methodology,

competing on quality rather than cost. When a project is undertaken the costs and budget of a project are logged and kept updated such that margin on individual projects can be managed. Gross margin has increased from 51.4 per cent. in 2010 to 60.0 per cent. in the six months to June 2013.

#### **Administrative expenses**

In the table shown above, adjusted operating profit, adjusted profit before taxation and adjusted profit after taxation exclude share option charges of £144,000 in 2012 and £118,000 in the six months ended June 2013 but include start up costs for the US operation of £82,000 in 2012 and in £101,000 in the six months ended June 2013.

#### **Cash generation**

As a people-based business, Epic is not capital intensive, as exhibited by its strong cash generation. It has been cash generative at the operating level throughout the period reviewed above. Investing activities comprise purchase of PP&E, the development of intangible assets, and investment in joint ventures with financing activities representing dividend payments.

### **10. DIRECTORS AND SENIOR MANAGEMENT**

The board of Directors of the Company and senior management of the Enlarged Group on Admission will be as follows:

#### **Board of Directors**

##### **Andrew Brode, Non-executive Chairman, aged 73**

Andrew is a chartered accountant and was chief executive of Wolters Kluwer (UK) Plc between 1978 and 1990. In 1990, he led the management buyout of Eclipse Group Limited, which was sold to Reed Elsevier Plc in 2000. In 1995, he led the management buy-in of AIM-listed RWS Holdings plc, Europe's largest technical translations group. Andrew is also non-executive Chairman of AIM listed Electric Word plc and a non-executive director of Vitesse Media plc, also listed on AIM.

He acquired Epic together with Jonathan Satchell in 2008 and has acted as non-executive Chairman since that time. He is also a non-executive director of a number of private-equity backed media companies, including Reading Room Limited.

##### **Jonathan Satchell, Chief Executive Officer, aged 46**

Jonathan is responsible for the overall strategic development of the Enlarged Group with a particular focus on innovation and international opportunities. He has a strong sales and entrepreneurial background, having started his first business in 1992 selling subscriptions for Accountancy TV, a joint venture of the Institute of Chartered Accountants in England and Wales and the BBC which created continuing professional development content for training programmes. He has been involved in the education and training industry ever since, acquiring Executive Business Channel Limited in 1997, which he helped to transform from a provider of training videos to a bespoke e-learning company. The Company was sold to Futuremedia in 2006.

He became interim Managing Director of Epic in 2007 and the following year he purchased the Company with Andrew Brode.

##### **Peter Mountford, Executive Deputy Chairman, aged 56**

Peter has been a director of a number of private and public companies including a non-executive director of RWS Holdings plc. He is the Chairman of Heropreneurs, an organisation formed to help ex-service men and women become entrepreneurs.

He was the co-founder of Bradmount Investments Limited, which was formed in 1993 as a private investment company, and through which he completed many successful investments and acquisitions. He qualified as a Chartered Accountant in 1982, and in 1986 became one of the founding directors of Arthur Andersen Corporate Finance. Between 1989 and 1991 he was seconded to the Takeover Panel where he advised on many high profile takeovers and public company transactions.

Peter will, working closely with the Chief Executive Officer, execute the Board acquisition strategy, be responsible for corporate finance related matters and, together with the Chairman, lead on corporate governance matters.

**Harry Hill, Non-executive director, aged 65**

Harry was Chief Executive Officer of Countrywide plc for 20 years until 2008. During his tenure at Countrywide, it founded and subsequently sold Chesnara plc and Rightmove plc. Harry was also responsible for forming Countrywide Property Lawyers, which was established to take advantage of conveyancing referrals from within the estate agency chain. His current directorships include Jupiter Second Split Trust plc and Bluethroat Limited (a privately owned property development company) and Commercial Property Digital Limited.

**Other Directors and Senior Management**

**Dale Solomon, Commercial Director, aged 34**

Dale oversees Epic's sales, bid, and marketing functions globally.

Before joining Epic in 2010, he spent 12 years as both an internal and external learning consultant. He has extensive experience in learning design, development and facilitation methodology, analysing training needs and measuring Return on Investment for global organisations. He also has considerable understanding of developing sales strategies and growing sales teams and networks of re-seller channels and agents.

**Richard Jones, Finance Director, aged 49**

Richard joined Epic in 2006. He is a member of the ICAEW and has a BA (Hons) degree in Accounting and Finance. He qualified as a Chartered Accountant with Grant Thornton and subsequently worked in Sydney for Price Waterhouse.



## PART III

### RISK FACTORS

*The Acquisition and any investment in the Company are subject to a number of risks. Accordingly, investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the specific risks described below, before making any investment decision. The information below does not purport to be an exhaustive list.*

*Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an independent adviser authorised under FSMA. If any of the following risks were to materialise, the Company's business, financial position, results and/or future operations may be materially adversely affected.*

*The market value of the Ordinary Shares may go up or down and an investor may lose all or part of his or her investment. Additional risks and uncertainties not presently known to the Directors or Proposed Directors, or which the Directors or Proposed Directors currently deem immaterial, may also have an adverse effect upon the performance and value of the Company. An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). There can be no certainty that the Company will be able to implement successfully the strategy set out in the document.*

*No representation is or can be made as to the performance of the Enlarged Group and there can be no assurance that the Enlarged Group will achieve its objectives.*

#### **RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE ENLARGED GROUP**

**The risks noted below do not necessarily comprise all those faced by the Enlarged Group and are not intended to be presented in any assumed order of priority.**

##### **Reliance on key personnel**

The Enlarged Group's future growth and success depends, in part, upon the leadership and performance and continuing service of the New Board and the senior management team. The Enlarged Group's current directors and senior managers possess technical, finance, marketing and administrative skills and experience that are important to the operation of the Enlarged Group's business. The Enlarged Group's ability to meet its operational requirements and its future growth and profitability is dependent upon, amongst other things, its directors and senior management personnel. If any key person resigns, a suitable replacement with requisite skills, contacts and experience may not be immediately found and the Enlarged Group may experience negative market or industry perception, which could have a material adverse effect on its business, financial condition, prospects and results of operations. **Whilst the Company has entered into service agreements with each member of the New Board (excluding non-executive directors), the retention of their services cannot be guaranteed.**

##### **Material litigation, claims or arbitration**

The Enlarged Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material effect on its financial position, and the Directors and Proposed Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the Enlarged Group's position or business.

However, there can be no assurance that there would be no proceedings in the future that could adversely affect the position, financial performance, prospects or business of the Enlarged Group.

##### **Technological evolution**

The market for the Enlarged Group's products and services is characterised by continued evolution in technology, evolving industry standards, changes in customer needs, competition and frequent new product introductions. As such the Enlarged Group will require significant investment of resources in its software and services to ensure that the fast changing needs of its target markets are met. If the Enlarged Group is unable to anticipate changes in technology and customer requirements, or fails to develop and introduce its software and services on a timely basis, it may have an adverse impact on

the Enlarged Group's business and prospects. There can be no assurance that the Enlarged Group will have sufficient resources to make such investments. Furthermore, if any technical or other difficulties that could delay the introduction of new technologies or enhancements are encountered, further investment may be required to ensure the desirability of the Enlarged Group's software and services to customers.

#### **Availability of future financing**

It is possible that the Company may need to raise extra capital in the future to develop the Enlarged Group's business. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Enlarged Group or to the Shareholders. Further equity financing may be dilutive to the Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to the holders of Ordinary Shares. The Board may seek debt finance to fund all or part of any future development. There can be no assurance that the Company will be able to raise such debt funds, whether on attractive terms (including acceptable covenants) or at all.

#### **Scarcity of experienced technical personnel**

The nature of the Enlarged Group's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. There can be no guarantee that the Enlarged Group will be able to recruit more suitably experienced employees in the future, should the team need to expand or should the existing employees leave the Enlarged Group. Inability to recruit suitably experienced employees may have an adverse impact on the operations of the Enlarged Group.

#### **Ability to win or maintain market share**

The e-learning market is highly fragmented and there may be services and competitors of which the Enlarged Group is currently unaware. Whilst the Directors and Proposed Directors believe that the Enlarged Group has developed a strong position in its chosen markets and has a proven track record of software innovation, there are no assurances that the strength of the Enlarged Group's competitors will not improve or that the Enlarged Group will win any additional market share from its competitors or maintain its existing market share. The Enlarged Group's competitors may be able to respond more quickly to new or emerging technologies, changes in client requirements and/or demands or devote greater resources to the development, promotion and sales of their products and services than the Enlarged Group can. The Enlarged Group's current and potential competitors may develop and introduce new products and services that could be priced lower, provide superior performance or achieve greater market acceptance than the Enlarged Group's products and services. The Enlarged Group's current and potential competitors may establish financial and strategic relationships amongst themselves or with existing or potential clients or other third parties to increase the ability of their products to address client needs. Accordingly, it is possible that new competitors or alliances amongst competitors could emerge and acquire significant market share. Existing and/or increased competition could, therefore, adversely affect the Enlarged Group's market share and/or force the Enlarged Group to reduce the price of its products, which could have a material adverse effect on the Enlarged Group's performance, financial condition or business prospects.

#### **Operational risks**

The Enlarged Group is exposed to various operational risks such as accidents, fire breakout, extraordinary events, theft, data losses and power disruption, the occurrence of which are sudden and unexpected and could affect the Enlarged Group's business operation.

The Enlarged Group seeks to limit this risk through the implementation of operational risk management practices. **This includes the use of suitable backup and recovery mechanisms to protect electronic data and information, as well as access control and system and data security infrastructure to protect against unauthorised data use and theft.**

#### **Overseas and local markets**

The Enlarged Group's ability to sell its services and products is influenced by the economic environment of the countries in or into which it provides its services and products. The global economic downturn may have an impact on the demand for these services and products in the countries in which they are provided. The Enlarged Group could further be affected by a number of

factors which could result in a downturn in the markets in which it operates, including but not limited to (a) changes in customer preferences; (b) a decrease in customer purchasing power; (c) an increased supply of similar services and products from existing competitors or new entrants to the market; and (d) changes in laws and governmental regulations, including those relating to taxes and governmental charges.

### **Protection of Intellectual Property**

One of Epic's assets is its GoMo Learning authoring tool developed by Epic which the Proposed Directors believe will create opportunities for long term growth. This is not covered by trademarks or protected by registered rights (such as patents). There can be no guarantee that third parties have not managed and/or will not manage to independently develop a similar product with the same or similar functionality without infringing intellectual property rights. There can be no guarantee that any such competing product would not have a material adverse effect on the future prospects of GoMo. It is difficult to prevent third parties from copying the functionality of the product as it is not protected by any registered rights.

Monitoring unauthorised use of intellectual property is difficult and costly. Much of the Enlarged Group's proprietary rights in its software and systems, in particular in respect of the platform, are not protected by registration (such as patent) and therefore the Enlarged Group is reliant on internal processes and systems to protect such rights. Whilst the Directors and Proposed Directors believe that the Enlarged Group's efforts to protect its proprietary rights in its proprietary systems, processes and software are adequate, there is a risk that they may not suffice to prevent misappropriation of its intellectual property and it may not be able to take appropriate steps to enforce its intellectual property rights.

No assurance is given that the Enlarged Group will continue to develop products and solutions which are capable of being protected or that any protection gained will be sufficiently broad in scope to protect the Enlarged Group's intellectual property rights and exclude competitors from producing similar competing products and solutions.

### **Currency and foreign exchange risks**

The Enlarged Group will operate in a number of currencies, including the Brazilian Reals, Euro, Sterling and the US Dollar. As the Enlarged Group expands into new territories, this may generate foreign exchange gains and losses to the extent that sterling depreciates or appreciates against the currency of the relevant country. Accordingly, the Enlarged Group is exposed to the risk of fluctuation of those counterparties' currencies. Such fluctuations may adversely affect the Enlarged Group's performance statistics and have a material adverse effect on its business, financial condition and results of operations.

### **The Enlarged Group may not successfully manage its growth**

Expansion of the business of the Enlarged Group may place additional demands on the Enlarged Group's management, administrative and technological resources and marketing capabilities, and may require additional capital expenditures. If the Enlarged Group is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cashflow and reputation of the Enlarged Group.

### **Expansion through acquisitions entails certain risks**

Part of the Enlarged Group's strategy involves expanding its business through acquisitions of other businesses or establishing new businesses. Acquisitions will require the integration of new operations into the Enlarged Group's business. The Enlarged Group's ability to realise the expected benefits from future acquisitions will depend, in large part, upon its ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly large business. It will also depend upon the Enlarged Group's ability to recruit additional management as it cannot be assured that management of acquired businesses will continue to work for the Enlarged Group or that any of its recruiting efforts will succeed.

In addition, the Enlarged Group's acquisition strategy will involve numerous risks, including the potential inability to identify appropriate acquisition opportunities, possible failures of acquisitions to be profitable or to generate anticipated cash flows, the entry into markets and geographic areas where the Enlarged Group has limited or no experience, diversion of management's time and resources from core operations and potential difficulties in integrating operations and systems with those of acquired

companies. Also, possible antitrust review by UK, European or other antitrust authorities could result in such authorities seeking to impede the Enlarged Group's acquisition of new businesses.

#### **Customers and payment terms**

Some of the Enlarged Group's customers may have substantial purchasing power and negotiating leverage. There can be no assurance that the Enlarged Group will be able to negotiate suitable contractual terms in the future.

#### **Dependence on key customers**

A substantial part of Epic's revenues are concentrated in a relatively small number of key customers. The business is therefore dependent on maintaining strong customer relationships with these key customers and the loss of such customers may have a material adverse effect on the Enlarged Group's revenue. The volume of business placed by such customers within the Epic Group can also vary significantly. Services for customers can sometimes be delayed or cancelled which can make it difficult to recover Epic's costs.

#### **Change of control**

Some of the contracts entered into by the Epic Group with customers require the customer's consent upon the change of ownership or management of the Epic Group. Whilst the Directors and the Proposed Directors do not believe that consent is required in the current circumstances, the circumstances may change in the future, for example following further acquisitions, which may trigger the change of control provisions in such contracts. If such customers are entitled to terminate their contracts with the Epic Group and do so, this may materially adversely affect the Enlarged Group's financial performance.

#### **The Enlarged Group will rely on the retention of, and formation of, new business relationships**

The Enlarged Group will rely significantly on maintaining good relationships with other entities and also on good relationships with regulatory and government departments of the countries in which the Enlarged Group operates. There can be no assurance that the Enlarged Group's existing relationships will continue or that new ones will be successfully formed and the Enlarged Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of any of these key business relationships could adversely impact upon the Enlarged Group, its business, development, financial condition, operating results or prospects.

#### **Internal controls**

Future growth and prospects for the Enlarged Group will depend on its management's ability to manage the business of the Enlarged Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

#### **The Enlarged Group's objectives**

The Enlarged Group's objectives may not be fulfilled. The value of an investment in the Enlarged Group is dependent upon it achieving the aims set out in this document. There can be no guarantee that the Enlarged Group will achieve the level of success that the Directors and the Proposed Directors expect.

#### **Third Party Intellectual Property Rights**

Although the Directors and the Proposed Directors believe that the Enlarged Group's intellectual property rights do not infringe the intellectual property rights of others, third parties may assert claims that the Enlarged Group has violated a patent or infringed a particular copyright, trade mark or other proprietary right or confidential information belonging to them. Any such intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and information.

### **Estimates in financial statements**

Preparation of consolidated financial statements requires the Enlarged Group to use estimates and assumptions. Accounting for estimates requires the Enlarged Group to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Enlarged Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances. However, the actual amounts could differ from those based on estimates and assumptions. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Enlarged Group could be required to write down the value of certain assets.

### **The Enlarged Group is exposed to political and economic risks in Brazil**

The Brazilian market is subject to greater risks than more developed markets, including greater legal, economic and political risks. In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, Brazil's gross domestic product, foreign trade or economy in general.

Whilst the Enlarged Group's operations in Brazil are at an early stage of development, the Directors and the Proposed Directors believe it will be an engine of growth for the Enlarged Group in the future. The Enlarged Group's performance could be significantly affected by events beyond its control in Brazil, such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation and the environment), the condition of the financial markets in Brazil and interest and inflation rate fluctuations. Such events could reduce the Enlarged Group's profits and, consequently, could have an adverse impact on the Enlarged Group's ability to pay dividends and the Enlarged Group's net asset value.

With any investment in a foreign country there exists the risk of adverse political or regulatory developments including, but not limited to nationalisation, confiscation without fair compensation, terrorism, war or currency restrictions. This latter risk may be imposed to prevent capital flight and may make it difficult or impossible to exchange or repatriate foreign currency.

### **Emerging Markets**

It is the intention of the Enlarged Group to acquire complementary businesses overseas including in emerging markets and investors should be aware that these markets are subject to greater legal, economic and political risks than mature markets and are subject to rapid change. In general, investing in the securities of issuers with substantial operations in emerging markets like Brazil and the Far East involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions. As is the case for the equity securities of many emerging market issuers, the market value of the Ordinary Shares may be subject to significant fluctuation, which may not necessarily be related to the Enlarged Group's financial performance. In addition, changes in economic and political situations in one emerging market country may have a negative related or unrelated consequential impact on the economic and political situation in other emerging market countries.

### **Risks relating to taxation**

There can be no certainty that the current taxation regime in the UK or overseas jurisdictions within which the Enlarged Group currently operates or may operate in the future will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Enlarged Group, which may have a material adverse effect on the Enlarged Group's financial position.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **An investment in an AIM company may be (or may be perceived to be) higher risk than an investment in a company listed on the main list of the London Stock Exchange**

The Ordinary Shares will be admitted to trading on AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Further, neither the London Stock Exchange nor the UK Listing Authority or any other regulatory authority has examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### **Volatility in the value of the Ordinary Shares**

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Enlarged Group.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Enlarged Group's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative, regulatory or taxation changes, industry conditions, competition, political and diplomatic events and trends and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

### **Ordinary Shares available for future sale**

The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market at any particular time, especially following termination of the lock-in agreements (the terms of which are summarised in paragraph 12 in Part VIII of this document). Any sales of substantial amounts of Ordinary Shares in the open market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares, resulting in a loss of some or all of an investor's investment in the Ordinary Shares.

### **There is no guarantee that dividends will be paid by the Company**

Any dividend on the Ordinary Shares will be limited by the performance of the Enlarged Group. The Company's dividend policy is described in paragraph 9 of Part II of this document and should not be construed as a dividend forecast. As a holding company, the Company's ability to pay dividends (including any special dividends) in the future is affected by a number of factors, principally the generation of distributable profits within the Enlarged Group and the receipt of sufficient dividends from its subsidiaries. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

### **Dilution of Shareholders' interest as a result of additional equity fundraising**

As mentioned above, the Company may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

### **Concentration of ownership**

As at the date of Admission the Epic Concert Party will be interested in approximately 92 per cent. of the Enlarged Share Capital. This means that the Epic Concert Party has the power to exercise significant influence over all matters requiring Shareholder approval, including the election and removal of the Directors, amendment to the Articles, approval of dividends and share buybacks, compromises and schemes of arrangement and mergers. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other Shareholders.

**This document contains forward-looking statements that involve risks and uncertainties. All statements, other than those of historical fact, contained in this document are forward-looking statements. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors. Investors are urged to read this entire document carefully before making an investment decision.**

The forward-looking statements in this document are based on the relevant Directors' and Proposed Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors and the Proposed Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets.

There may be additional risks and uncertainties that the Directors and the Proposed Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Company.

If any of the risks referred to in this part of the document crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

## PART IV

### RULE 9 WAIVER INFORMATION

The parties described in this Part III are deemed to be acting in concert under the terms of the Takeover Code.

#### 1. Background

The Epic Concert Party comprises Andrew Brode and Jonathan Satchell. Immediately upon Admission, pursuant to the terms of the Acquisition Agreement, the Epic Concert Party will hold 255,000,000 In-Deed Online Shares representing approximately 92.45 per cent. of the Enlarged Share Capital. Further details regarding the terms of the Acquisition are set out at paragraph 11.1(a) of Part VIII of this document. Accordingly, the Epic Concert Party would be required under Rule 9 of the Takeover Code to make a mandatory offer for the remainder of the share capital of the Company. However, the Panel has agreed, subject to the Whitewash Resolution being passed (on a poll) by the Shareholders at the General Meeting, to waive the obligation on the Epic Concert Party, under Rule 9 of the Takeover Code, to make an offer for the entire issued share capital of the Company.

#### 2. Epic Concert Party

2.1 The Epic Concert Party's details are set out below:

2.2 Details of each member of the Epic Concert Party's existing interests in Epic are set out below:

	<i>Current interests in Epic % of issued share capital</i>	
	<i>No. of shares</i>	<i>share capital</i>
Andrew Brode	12,241,802	50
Jonathan Satchell	12,241,801	50
<b>Total</b>	<b>24,483,603</b>	<b>100</b>

2.3 At Admission, the Epic Concert Party will hold an interest in 255,000,000 In-Deed Online Shares, representing 92.45 per cent. of the Enlarged Share Capital. Details of each member of the Epic Concert Party's existing interests in In-Deed Online and their proposed interests in the Enlarged Share Capital at Admission are set out below:

	<i>Current interests in In- Deed Online</i>		<i>Proposed interests in In- Deed Online on Admission</i>	
	<i>No. of shares</i>	<i>% of issued share capital</i>	<i>No. of In- Deed Online Shares</i>	<i>% of Enlarged Share Capital</i>
Andrew Brode	—	—	127,500,005	46.23
Jonathan Satchell	—	—	127,499,995	46.22
<b>Total</b>	—	—	<b>255,000,000</b>	<b>92.45</b>

#### 3. Disclosure of interests and dealings in shares

##### 3.1 Definitions

For the purposes of this Part IV:

- (a) "acting in concert" has the meaning attributed to it in the Takeover Code;
- (b) "arrangement" includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (c) "connected person" means in relation to any person a person whose interest in shares is one in which the first mentioned person is also taken to be interested pursuant to Part 22 of the 2006 Act;



- (d) “control” means an interest or interests, in shares carrying in aggregate 30 per cent., or more of the voting rights of a company, irrespective of whether the holding or aggregate holding gives de facto control;
- (e) “dealing” or “dealt” includes the following:
  - (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attaching to relevant securities, or of general control of relevant securities;
  - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including without limitation a traded option contract) in respect of any relevant securities;
  - (iii) subscribing or agreeing to subscribe for relevant securities (whether in respect of existing or new securities);
  - (iv) the exercise or conversion, (whether in respect of new or existing relevant securities), of any relevant securities carrying conversion or subscription rights;
  - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
  - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
  - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (f) “derivative” includes any financial product whose value in whole or in part is determined, directly or indirectly, by reference to the price of an underlying security;
- (g) “disclosure date” means 21 October 2013, being the latest practicable date prior to the publication of this document;
- (h) “disclosure period” means the period commencing on 21 October 2012, being the date 12 months prior to the date of publication of this document and ending on the disclosure date;
- (i) being “interested” in relevant securities includes where a person:
  - (i) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
  - (ii) owns relevant securities;
  - (iii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to the relevant securities or has general control of them;
  - (iv) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
  - (v) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
- (j) “relevant securities” includes:
  - (i) shares and any other securities carrying voting rights;
  - (ii) equity share capital (or derivatives referenced thereto); and
  - (iii) securities carrying conversion or subscription rights;
- (k) “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, agreement to sell or any delivery obligation or right to require any other person to purchase or take delivery.

### 3.2 Dealings in Shares

3.2.1 The dealings in Ordinary Shares by members of the Epic Concert Party have taken place during the disclosure period:

<i>Name of Shareholder</i>	<i>Number of Existing In-Deed</i>		<i>Nature of transaction</i>	<i>Date</i>	<i>Price per Ordinary Share (p)</i>
	<i>Online Shares</i>				
Andrew Brode	—		—	—	—
Jonathan Satchell	—		—	—	—

3.2.2 The dealings in Ordinary Shares by Directors, their respective immediate families and related trusts, persons acting in concert with the Company or persons with whom the Company or persons acting in concert with the Company have an arrangement have taken place during the disclosure period:

<i>Name of Shareholder</i>	<i>Number of Existing In-Deed</i>		<i>Nature of transaction</i>	<i>Date</i>	<i>Price per Ordinary Share (p)</i>
	<i>Online Shares</i>				
Peter Gordon	—		—	—	—
Harry Hill	—		—	—	—
Philip Williamson	—		—	—	—
Boris Zhilin	—		—	—	—

3.3 At the close of business on the disclosure date:

- (a) no member of the Epic Concert Party (including any members of their respective immediate families, related trusts or connected persons) has any interest in or a right to subscribe for, or has any short position in relation to any relevant securities of the Company;
- (b) no person acting in concert with the Epic Concert Party has any interest in, or right to subscribe for, or has any short position in relation to any relevant securities of the Company;
- (c) no member of the Epic Concert Party (including any members of their respective immediate families, related trusts or connected persons) nor any person acting in concert with the Epic Concert Party has borrowed or lent any relevant securities of the Company, save for any borrowed shares which have either been on-lent or sold; and
- (d) no member of the Epic Concert Party (including any members of their respective immediate families, related trusts or connected persons) nor any person acting in concert with the Epic Concert Party has dealt in relevant securities of the Company during the disclosure period.

3.4 At the close of business on the disclosure date, save as disclosed in paragraph 7 of Part VIII of this document:

- (a) none of the Directors or the Proposed Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) has any interest in or a right to subscribe for, or has any short position in relation to any relevant securities of the Company;
- (b) no person acting in concert with the Company has any interest in, or right to subscribe for, or had any short position in relation to any relevant securities of the Company; and
- (c) none of the Directors or the Proposed Directors (including any members of their respective immediate families, related trusts or connected persons) nor any person acting in concert with the Company nor the Company has borrowed or lent any relevant securities of the Company, save for any borrowed shares which have either been on-lent or sold.

#### **4. Additional disclosures required by the Takeover Code**

- 4.1 Save as disclosed in this document, none of the Directors or the Proposed Directors have any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director or a Proposed Director is materially interested and which is significant in relation to the business of the Enlarged Group.
- 4.2 Save as disclosed in this document, there is no agreement, arrangement or understanding (including, without limitation, any compensation arrangement) which exists between the Epic Concert Party or any person acting in concert with the Epic Concert Party and any of the Directors, the Proposed Directors, recent directors of the Company, Shareholders or recent Shareholders or any person interested in or recently interested in shares in the Company which are connected with or dependent on the outcome of the Proposals.
- 4.3 There is no agreement, arrangement or understanding whereby the legal and/or beneficial ownership of any In-Deed Online Shares to be issued to the Epic Concert Party pursuant to the Acquisition will be transferred to any other person as a result of the Proposals or otherwise.

#### **5. Epic Concert Party intentions regarding the Enlarged Group's business**

The New Board has determined the strategy of the Enlarged Group going forward and further details regarding the Enlarged Group's business and strategy are set out in Part II of this document.

As required by the Takeover Code, the Epic Concert Party has confirmed to the Company that, save for the future intentions and strategy of the Enlarged Group as described in Part II of this document, it does not intend to make any changes regarding the future strategy of the Enlarged Group's business, the locations of the Enlarged Group's places of business, the continued employment of the Enlarged Group's employees and management, including any material change in conditions of employment, the deployment of the fixed assets of the Enlarged Group and the stakeholder pension scheme operated by Epic.

#### **6. Market Quotations**

The following table shows the Closing Price on the first business day of each of the six months immediately before the date of this document and on 21 October 2013 (being the latest practicable date of publication of this document).

<i>Date</i>	<i>Closing Price (pence)</i>
21 October 2013	9.0
2 September 2013	9.5
1 August 2013	9.5
1 July 2013	9.5
3 June 2013	11.5
1 May 2013	16
1 April 2013	19

## PART V

### HISTORICAL FINANCIAL INFORMATION ON IN-DEED ONLINE PLC

Published report and accounts for each of the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013

#### *Historical financial information*

1. Pursuant to Rule 28 of the AIM Rules for Companies the published Annual Report and Accounts of In-Deed Online plc for the three financial years ended 31 March 2013 are not reproduced in this document and have been incorporated into this document by reference.
2. The accounts for each of the three financial years ended 31 March 2013 were prepared under International Financial Reporting Standards, as adopted by the EU (“IFRS”).
3. The Annual Report and Accounts for each of the three financial years ended 31 March 2013 include, on the pages specified in the table below, the following information:

<i>For the year to 31 March</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
<i>Nature of information</i>	<i>Page</i>	<i>Page</i>	<i>Page</i>
Independent auditors’ report	4	8	8
Statement of comprehensive income	6	10	10
Statement of financial position	7	11	12
Statement of changes in equity	8	12	14
Statement of cash flow	9	13	15
Accounting policies	10	14	17
Notes to the financial statements	10	14	17

4. Moore Stephens LLP of 25 Bothwell Street, Glasgow, G2 6NL is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of In-Deed Online plc included in the Annual Report and Accounts of In-Deed Online plc for each of the three financial years ended 31 March 2013.
5. The published accounts can be viewed on the Company’s website at <http://www.in-deedplc.co.uk/investor-relationsdocuments>.

**PART VI**  
**FINANCIAL INFORMATION ON EPIC**

**Section A: Accountants' Report on Epic**



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22 October 2013

The Directors and Proposed Directors  
In-Deed Online plc  
Elizabeth House  
39 York Road  
London SE1 7NQ

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

Dear Sirs

**Introduction**

We report on the audited financial information of the Epic Group set out in Part VI, section B. The financial information has been prepared for inclusion in Part VI of the AIM Admission Document dated 22 October 2013 (the "Document") of In-Deed Online plc (the "Company"), on the basis of the accounting policies set out in Note 3 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purposes of complying with the AIM Rules for Companies and for no other purpose.

**Responsibilities**

The Directors are responsible for preparing the financial information on the basis of preparation set out in Note 1(b) below and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

**Basis of Opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Epic Group as at the dates stated and of the results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1(b) to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

**Section B: Historical Consolidated Financial Information on Epic****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The consolidated statement of comprehensive income of the Epic Group for each of the three years ended 31 December 2010, 2011 and 2012 and the six month period ended 30 June 2013 is set out below:

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six months</i>
		<i>31 Dec</i>	<i>31 Dec</i>	<i>31 Dec</i>	<i>ended</i>
		<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>30 Jun</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	4	5,113	5,015	6,945	3,714
Cost of sales		(2,483)	(2,156)	(2,869)	(1,486)
Gross profit		2,630	2,859	4,076	2,228
Administrative expenses		(2,554)	(2,592)	(3,143)	(1,748)
Other expenses – share option charge	26	—	—	(144)	(118)
Share of (losses)/profits of joint venture		—	—	(17)	6
<b>Operating profit</b>		76	267	772	368
Interest receivable		3	3	10	4
<b>Profit before taxation</b>	5	79	270	782	372
Income tax release/(expense)	6	40	(55)	(250)	(141)
<b>Profit after taxation</b>		119	215	532	231
Other comprehensive (expense)/income		—	—	—	(1)
<b>Total comprehensive income for the financial year/period</b>		<b>119</b>	<b>215</b>	<b>532</b>	<b>230</b>
Earnings per share attributable to owners of the Parent					
Basic, (pence)	7	0.49	0.88	2.17	0.94
Diluted, (pence)	7	0.49	0.88	2.05	0.86

All amounts stated above are attributable to the equity owners of the parent company to the Epic Group.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statements of financial position of the Epic Group as at 31 December 2010, 2011 and 2012 and at 30 June 2013 are set out below:

		<i>31 Dec</i> 2010 £'000	<i>31 Dec</i> 2011 £'000	<i>31 Dec</i> 2012 £'000	<i>30 Jun</i> 2013 £'000
	<i>Note</i>				
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	103	66	266	254
Intangible assets	9	55	88	148	139
Investments	10	—	19	32	38
		<u>158</u>	<u>173</u>	<u>446</u>	<u>431</u>
<b>CURRENT ASSETS</b>					
Trade receivables	11	644	691	809	1,198
Other receivables, deposits and prepayments	12	93	56	31	120
Amounts recoverable on contracts	13	643	530	702	667
Deferred tax assets	14	30	28	—	—
Fixed deposits with licensed banks	15	550	750	1,000	1,000
Cash and bank balances		262	836	692	653
		<u>2,222</u>	<u>2,891</u>	<u>3,234</u>	<u>3,638</u>
<b>TOTAL ASSETS</b>		<b><u>2,380</u></b>	<b><u>3,064</u></b>	<b><u>3,680</u></b>	<b><u>4,069</u></b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	16	245	245	245	245
Share premium account	17	526	526	526	526
Capital redemption reserve	17	28	28	28	28
Merger reserve	17	275	275	275	275
Share-based payment reserve	17	—	—	144	262
Foreign exchange translation reserve	17	—	—	—	5
Retained profits		348	563	695	625
<b>TOTAL EQUITY</b>		<u>1,422</u>	<u>1,637</u>	<u>1,913</u>	<u>1,966</u>
<b>ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>					
Trade and other payables	18	941	1,314	1,555	1,875
Corporation tax		—	—	74	177
Amount owing to related parties	19	—	19	30	30
Deferred tax liabilities	14	—	—	22	21
Provisions	20	17	94	86	—
		<u>958</u>	<u>1,427</u>	<u>1,767</u>	<u>2,103</u>
<b>TOTAL LIABILITIES</b>		<b><u>958</u></b>	<b><u>1,427</u></b>	<b><u>1,767</u></b>	<b><u>2,103</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,380</u></b>	<b><u>3,064</u></b>	<b><u>3,680</u></b>	<b><u>4,069</u></b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Capital redemp- tion reserve £'000</i>	<i>Merger reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Share based payments reserve £'000</i>	<i>Retained profits £'000</i>	<i>Total equity £'000</i>
Balance at 1 January 2010		245	526	28	275	—	—	429	1,503
Profit after taxation		—	—	—	—	—	—	119	119
Total comprehensive income for the year		—	—	—	—	—	—	119	119
Dividend paid	21	—	—	—	—	—	—	(200)	(200)
<b>Balance at 31 December 2010</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>—</b>	<b>—</b>	<b>348</b>	<b>1,422</b>
Profit after taxation		—	—	—	—	—	—	215	215
Total comprehensive income for the year		—	—	—	—	—	—	215	215
<b>Balance at 31 December 2011</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>—</b>	<b>—</b>	<b>563</b>	<b>1,637</b>
Profit after taxation		—	—	—	—	—	—	532	532
Total comprehensive income for the year		—	—	—	—	—	—	532	532
Share based payment charge credited to equity		—	—	—	—	—	144	—	144
Dividend paid	21	—	—	—	—	—	—	(400)	(400)
<b>Balance at 31 December 2012</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>—</b>	<b>144</b>	<b>695</b>	<b>1,913</b>
Profit after taxation		—	—	—	—	—	—	231	231
Foreign currency translation differences		—	—	—	—	5	—	(1)	4
Total comprehensive income for the period		—	—	—	—	5	—	230	235
Dividend paid	21	—	—	—	—	—	—	(300)	(300)
Share based payment charge credited to equity		—	—	—	—	—	118	—	118
<b>Balance at 30 June 2013</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>5</b>	<b>262</b>	<b>625</b>	<b>1,966</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Year ended</i> <i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>Six months</i> <i>ended</i> <i>30 Jun</i> <i>2013</i> <i>£'000</i>
<b>Cash flow from operating activities</b>				
Profit before taxation	79	270	782	372
Adjustments for:-				
Share option charge	—	—	144	118
Amortisation of intangible assets	28	26	49	36
Depreciation of plant and equipment	91	79	54	41
Share of loss (profit) of joint venture	—	—	17	(6)
Interest income	(3)	(3)	(10)	(4)
<b>Operating cash flow before working capital changes</b>	195	372	1,036	557
Decrease/(increase) in trade and other receivables	241	(8)	(226)	(449)
Decrease/(increase) in amount recoverable on contracts	22	113	(156)	34
(Decrease)/increase in payables	(137)	447	362	276
	321	924	1,016	418
Interest received	3	3	10	4
Income tax paid	(76)	(33)	(127)	(110)
<b>Net cash flow from operating activities</b>	248	894	899	312
<b>Cash flow used in investing activities</b>				
Purchase of property, plant and equipment	(26)	(42)	(254)	(29)
Development of intangible assets	(56)	(59)	(109)	(26)
Investment in joint venture	—	(19)	(30)	—
<b>Net cash flow used in investing activities</b>	(82)	(120)	(393)	(55)
Dividends paid	(200)	—	(400)	(300)
<b>Net cash flow from/(used in) financing activities</b>	(200)	—	(400)	(300)
Net (decrease)/increase in cash and cash equivalents	(34)	774	106	(43)
Cash and cash equivalents at beginning of the financial year/period	846	812	1,586	1,692
Effects of foreign exchange rate changes	—	—	—	4
Cash and cash equivalents at end of the financial year/period	22 812	1,586	1,692	1,653

## 1. General information

The historical financial information of the Epic Group for each of the three years ended 31 December 2012 and the six month period ended 30 June 2013 (together, the “Consolidated Financial Information”).

### (a) The Epic Group

The principal activity of Epic is that of a holding company.

The principal operating companies within the Epic Group are set out below, all of which are private companies limited by shares.

	<i>Country of Registration or Incorporation</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held by Company</i>
Epic Mobile Learning Limited	England and Wales	Mobile e-learning	100%
Epic Performance Improvement Limited	England and Wales	Bespoke e-learning	100%
Epic Learning Inc	USA	Bespoke e-learning	100%
Epic Brasil Tecnologia Educacional Ltda (Joint Venture)	Brazil	Bespoke e-learning	50%

### (b) Basis of preparation

The Consolidated Financial Information has been prepared under the historical cost convention, in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) issued by the International Accounting Standards Board (“IASB”), including related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Consolidated Financial Information presents the consolidated results of Epic and its subsidiaries.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial information of the Epic Group is presented in Pounds Sterling, which is the presentation currency for the Consolidated Financial Information. The functional currency of each of the group entities is the local currency of each individual entity.

## 2. Standards, amendments and interpretations to published standards not yet effective

At the date of approval of the Consolidated Financial Information, the following Standards and Interpretations which have not been applied in the Consolidated Financial Information were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The transfer to these new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements of the Epic Group in future periods.

IFRS 1 (amended) – Government loans  
IFRS 7 (amended) – Disclosures: offsetting financial assets and financial liabilities  
IFRS 9 – Financial instruments (not EU approved)  
IFRS 10 – Consolidated financial statements  
IFRS 11 – Joint arrangements  
IFRS 12 – Disclosure of Interests in other entities  
IFRS 13 – Fair value measurement  
IFRS 10, 11 and 12 (amended) – Transition guidance  
IAS 19 (amended) – Employee benefits  
IAS 27 (revised) – Separate financial statements  
IAS 28 (revised) – Investments in associates and joint ventures  
IAS 32 (amended) – Offsetting of financial assets and financial liabilities  
IFRIC 20 – Stripping costs in the production phase of a surface mine

### **3. Summary of significant accounting policies**

#### **(a) Critical accounting estimates and judgments**

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors of Epic to exercise their judgement in the process of applying the accounting policies which are detailed below. These judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Revenue recognition*

The Epic Group recognises revenue from service contracts to customers.

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are considered to be recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18 'Revenue'. The directors of Epic are satisfied that the significant risks and rewards are transferred and that the recognition of revenue over the duration of a contract is appropriate.

##### *Recovery of development expenditure*

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

In making its judgement, management considered the detailed criteria set out in IAS 38 'Intangible Assets'. Management considers estimates of anticipated revenues from the asset and monitors the need for any impairment adjustments arising from changes to underlying assumptions if future market activity indicates this is appropriate.

##### *Amounts recoverable on contracts*

Amounts recoverable on contracts are stated at costs incurred, less those transferred to profit or loss, after deducting foreseeable losses and payments on account not matched with revenue. The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

In making its judgement, management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments to underlying assumptions if this indicates it is appropriate

#### **(b) Basis of consolidation**

The Consolidated Financial Information includes the financial information of Epic and its subsidiaries for each of the three financial years ended 31 December 2012 and the six month period ended 30 June 2013.

A subsidiary is defined as an entity in which the parent company has, directly or indirectly, the power to exercise control over its financial and operating policies so as to obtain benefits from its activities.

The substance of the share for share acquisition of Epic Performance Improvement Limited and its subsidiary companies by Epic on 10 May 1996 was that of a re-organisation of entities which were under common control. As such, that combination falls outside the scope of IFRS 3 'Business Combinations' (Revised 2008). The directors of Epic have therefore decided that it is appropriate to reflect the combination using the merger basis of accounting in order to give a true and fair view. No fair value adjustments were made as a result of that combination.

Business combinations other than noted above are accounted for under the acquisition method.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Consolidated Financial Information. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Epic Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Epic Group.

**(c) Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Epic Group and other parties undertake an economic activity that is subject to joint control (i.e. where the strategic, financial and operational policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Interests in joint ventures are accounted for using the equity method. The Epic Group's share of the net assets of its joint venture is disclosed in the consolidated statement of financial position. The Epic Group's share of the joint venture's operating profit or loss, net interest payable and taxation are included in the consolidated statement of comprehensive income.

**(d) Intangible assets**

*Research and development expenditure*

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

Capitalised development expenditure is amortised on a straight-line method over a period of 3 years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

**(e) Functional and foreign currencies**

*(i) Functional and presentation currency*

The individual financial statements of each entity in the Epic Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Consolidated Financial Information is presented in Pounds Sterling, which is the Epic Group's presentation currency.

*(ii) Transactions and balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

*(iii) Foreign operations*

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

**(f) Financial instruments**

Financial instruments are recognised in the statements of financial position when the Epic Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Epic Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Epic Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(i) *Financial assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial assets at fair value through profit or loss*  
As at the end of each reporting period in this Consolidated Financial Information, there were no financial assets classified under this category.
- *Held-to-maturity investments*  
As at the end of each reporting period in this Consolidated Financial Information, there were no financial assets classified under this category.
- *Loans and receivables financial assets*  
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.
- *Available-for-sale financial assets*  
As at the end of each reporting period in this Consolidated Financial Information, there were no financial assets classified under this category.

(ii) *Financial liabilities*

Financial liabilities are recognised when, and only when, the Epic Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. As at the end of each reporting period in this Consolidated Financial Information, there were no financial liabilities classified under this category.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(iii) *Equity instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Computer equipment	33.33%
Furniture and fittings	20%
Office equipment	20%
Leasehold improvements	over the remaining life of the lease

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Epic Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Epic Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the income statement within "other income/(expenses)". Any revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### **(h) Long term contracts**

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those amounts transferred to profit or loss, after deducting foreseeable losses and payments on account not matched with revenue.

Amounts recoverable on contracts are included in current assets and represent revenue recognised in excess of payments on account.

#### **(i) Impairment**

##### *(i) Impairment of financial assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



(ii) *Impairment of non-financial assets*

The carrying values of assets, other than those to which IAS 36 – ‘Impairment of Assets’ does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets’ fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(j) **Income taxes**

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the business combination costs.

(k) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(l) Employee benefits**

*(i) Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Epic Group.

*(ii) Defined contribution plans*

The Epic Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Epic Group has no further liability in respect of the defined contribution plans.

**(m) Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Epic Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Epic Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Epic Group. The Epic Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(n) Related parties**

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(o) Revenue and other income**

*(i) Services*

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

*(ii) Interest income*

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

**(p) Operating segments**

An operating segment is a component of the Epic Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Epic Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(q) Share-based payment arrangements**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26 to the Consolidated Financial Information.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Epic Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Epic Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

**(r) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

As at the end of each reporting period in this Consolidated Financial Information, there were no leases classified under the category of finance leases.

**4. Segment analysis**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Epic Group that are regularly reviewed by the chief operating decision maker (which takes the form of the board of directors of Epic) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The directors of Epic consider the principal activity of the Epic Group to be the production of interactive multimedia programmes, and to consummate one reportable segment, that of the production of interactive multimedia programmes. A majority of sales were generated by the operations in the United Kingdom in each of the three years ended 31 December 2012 and the six month period ended 30 June 2013. Overseas sales relate to the fulfillment of sales generated outside the UK but actioned within the UK.

All other segments primarily comprise income and expenses relating to the Epic Group's administrative functions. Interest income and interest expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Epic Group. Accordingly, this information is not separately reported to the board of directors.

### Geographical information

All revenues of the Epic Group are derived from its principal activity, the production of interactive multimedia programmes. The Epic Group's revenue from external customers and net assets by geographical location are detailed below.

	<i>UK</i> £'000	<i>Europe</i> £'000	<i>America</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
<b>30 June 2013</b>					
Revenue	3,228	434	52	—	3,714
Net assets	1,901	—	27	38	1,966
<b>31 December 2012</b>					
Revenue	6,665	248	26	6	6,945
Net assets	1,857	—	24	32	1,913
<b>31 December 2011</b>					
Revenue	4,818	92	105	—	5,015
Net assets	1,637	—	—	—	1,637
<b>31 December 2010</b>					
Revenue	4,717	327	69	—	5,113
Net assets	1,422	—	—	—	1,422

### Information about major customers

In the year ended 31 December 2012 one customer generated revenues of £973,000 and in the year ended 31 December 2011 one customer generated revenue amounting to £694,000. No other customers accounted for more than 10 per cent of reported revenues.

## 5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):-

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Amortisation of intangible assets	28	26	49	35
Auditors' remuneration	11	11	11	7
Other fees payable to auditors	2	2	2	—
Bad debts written off	2	—	2	—
Depreciation of property, plant and equipment	91	79	54	41
Directors' fees	59	143	262	132
Directors' pension contributions	2	2	2	1
Staff costs (including Directors):				
– salaries, allowances and bonuses	3,061	2,718	3,224	1,807
– social security costs	309	292	385	209
– defined contribution pension plan costs	82	71	74	49
Rental of office	145	145	138	64
Rental of equipment	2	1	—	—
Interest income	3	3	10	4
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 6. Income tax

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Current tax (release)/expense:				
– for the financial year/period	16	53	200	142
– under/(over)provision in the previous financial year/period	(53)	—	—	—
	<u>(37)</u>	<u>53</u>	<u>200</u>	<u>142</u>
Deferred tax assets: (Note 7):				
– for the financial year/period	(3)	2	28	—
Deferred tax liabilities: (Note 18):				
– for the financial year/period	—	—	22	(1)
– underprovision in the previous financial year/period	—	—	—	—
	<u>(3)</u>	<u>2</u>	<u>50</u>	<u>(1)</u>
Income tax (release)/expense	<u>(40)</u>	<u>55</u>	<u>250</u>	<u>141</u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense/(release) at the effective tax rate of the Epic Group is as follows:

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Profit before taxation	<u>79</u>	<u>270</u>	<u>782</u>	<u>372</u>
Tax at the applicable statutory tax rates of 23.5% (2012 and 2011: 24%, 2010: 21%)	17	65	188	87
Tax effects of:				
Non-deductible expenses	—	7	(16)	(2)
Capital allowances and other short term differences not recognised for tax purposes	(1)	(19)	(31)	5
Share-based payments not recognised for tax purposes	—	—	35	27
Overseas losses not subject to UK tax relief	—	—	24	24
	<u>16</u>	<u>53</u>	<u>200</u>	<u>141</u>
Income tax expense for the financial year/period	<u>16</u>	<u>53</u>	<u>200</u>	<u>141</u>

## 7. Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares.

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Profit after tax attributable to owners of the Epic Group:	119	215	532	231
Weighted average number of shares:				
Basic	24,483,603	24,483,603	24,483,603	24,483,603
Diluted	24,483,603	24,483,603	25,911,813	26,884,325
Basic (pence)	0.49	0.88	2.17	0.94
Diluted (pence)	0.49	0.88	2.05	0.86

## 8. Property, plant and equipment

	<i>Computer equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 January 2010	662	37	74	773
Additions	22	2	2	26
At 31 December 2010	684	39	76	799
Additions	42	—	—	42
At 31 December 2011	726	39	76	841
Additions	109	145	—	254
At 31 December 2012	835	184	76	1,095
Additions	15	2	12	29
<b>At 30 June 2013</b>	<b>850</b>	<b>186</b>	<b>88</b>	<b>1,124</b>
<b>Accumulated Depreciation</b>				
At 1 January 2010	541	22	42	605
Charge for year	70	8	13	91
At 31 December 2010	611	30	55	696
Charge for the year	58	7	14	79
At 31 December 2011	669	37	69	775
Charge for the year	39	8	7	54
At 31 December 2012	708	45	76	829
Charge for the period	18	22	1	41
<b>At 30 June 2013</b>	<b>726</b>	<b>67</b>	<b>77</b>	<b>870</b>
<b>Net Book Value</b>				
At 31 December 2010	73	9	21	103
At 31 December 2011	57	2	7	66
At 31 December 2012	127	139	—	266
<b>At 30 June 2013</b>	<b>124</b>	<b>119</b>	<b>11</b>	<b>254</b>

## 9. Intangible assets – development expenditure

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
<b>Cost</b>				
At 1 January – brought forward	66	122	181	290
Additions	56	59	109	26
At 31 December/30 June	<u>122</u>	<u>181</u>	<u>290</u>	<u>316</u>
<b>Accumulated amortisation:</b>				
At 1 January – brought forward	39	67	93	142
Additions	28	26	49	35
At 31 December/30 June	<u>67</u>	<u>93</u>	<u>142</u>	<u>177</u>
<b>Net Book Value</b>				
At 31 December/30 June	<u><u>55</u></u>	<u><u>88</u></u>	<u><u>148</u></u>	<u><u>139</u></u>

### Development costs

Development costs principally comprise expenditure incurred on major software development projects where it is reasonably anticipated that the costs will be recovered through future commercial activity.

### Amortisation

Capitalised development costs are amortised over the estimated useful life of 3 years. The amortisation charge is recognised in administrative expenses.

## 10. Investments

	<i>31 Dec</i> <i>2010</i> <i>£000</i>	<i>31 Dec</i> <i>2011</i> <i>£000</i>	<i>31 Dec</i> <i>2012</i> <i>£000</i>	<i>30 Jun</i> <i>2013</i> <i>£000</i>
Investment in Joint Venture:				
Cost of investment	—	19	49	49
Share of accumulated losses	—	—	(17)	(11)
	<u>—</u>	<u>19</u>	<u>32</u>	<u>38</u>

### Joint Venture

Epic acquired a 50 per cent. interest in Epic Brasil Tecnologia Educacional Ltda in November 2011, for a total consideration of 150,000 Brazilian Real (“BRL”) payable in two instalments of 50,000 BRL (approximately £19,000) and 100,000 BRL (approximately £30,000) respectively.

Under the equity method of accounting, the Epic Group has included £6,000 as its share of joint venture losses in the six month period ended 30 June 2013 (year ended 31 December 2012: loss of £17,000, year ended 31 December 2011: £nil).

## 11. Trade receivables

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
Trade receivables	654	701	819	1,208
Allowance for impairment losses	(10)	(10)	(10)	(10)
	<u>644</u>	<u>691</u>	<u>809</u>	<u>1,198</u>
Impairment losses:				
At 1 January	10	10	10	10
Additions	—	—	—	—
Amounts written-back	—	—	—	—
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
At year/period end	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

The Epic Group's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case by case basis.

## 12. Other receivables, deposits and prepayments

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
Sundry receivables	1	1	7	6
Prepayments	92	55	24	114
	<u>93</u>	<u>56</u>	<u>31</u>	<u>120</u>

## 13. Amount recoverable on contracts

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
Cost incurred to date	1,187	1,213	1,425	1,107
Attributable profits	1,232	1,244	1,730	1,546
Progress billings	(1,776)	(1,927)	(2,453)	(1,986)
	<u>643</u>	<u>530</u>	<u>702</u>	<u>667</u>
Represented by:				
Amount owing by contract customers	<u>643</u>	<u>530</u>	<u>702</u>	<u>667</u>
Amount of contract revenue recognised as revenue (Note 4)	5,113	5,015	6,945	3,714
Amount of contract costs recognised as expenses	<u>2,483</u>	<u>2,156</u>	<u>2,869</u>	<u>1,486</u>



#### 14. Deferred tax assets (liabilities)

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
At 1 January – brought forward	27	30	28	(22)
Recognised in profit or loss (Note 6)	3	(2)	(50)	1
At 31 December/30 June 2013	<u>30</u>	<u>28</u>	<u>(22)</u>	<u>(21)</u>

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered.

#### 15. Fixed deposits with licensed banks

The weighted average effective interest rates and the maturity periods of the fixed deposits at the end of reporting periods are as follows:-

	<i>31 Dec</i> <i>2010</i>	<i>31 Dec</i> <i>2011</i>	<i>31 Dec</i> <i>2012</i>	<i>30 Jun</i> <i>2013</i>
Weighted average effective interest rates	0.30%	0.30%	0.62%	0.515%
Maturity periods	30 days	90 days	100 days	100 days

#### 16. Share capital

The authorised, called-up and fully paid share capital of Epic is as follows:-

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Ordinary shares of £0.01 each: 24,483,603	245	245	245	245
	<u>245</u>	<u>245</u>	<u>245</u>	<u>245</u>

#### 17. Reserves

The foreign exchange reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

The merger reserve arose on the acquisition of Epic Performance Improvement Limited in 1996, as detailed in note 3 (b) to the Consolidated Financial Information.

The share-based payment reserve relates to share options granted by Epic.

The balance on the capital redemption reserve represents the aggregate nominal value of all the ordinary shares repurchased and cancelled and is not distributable by way of dividends.

The share premium account represents the amount received on the issue of ordinary shares in excess of their nominal value and is non-distributable.

## 18. Trade and other payables

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Trade payables	105	142	183	199
Payments received on account	529	673	689	999
Tax and social security	210	362	436	447
Accruals and others	97	137	247	230
	<u>941</u>	<u>1,314</u>	<u>1,555</u>	<u>1,875</u>

## 19. Amounts owing to related parties

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Amount owing (to) joint venture: <b>Current</b>				
Non-trade balances	—	(19)	(30)	(30)
	<u>—</u>	<u>(19)</u>	<u>(30)</u>	<u>(30)</u>

The amounts owing to related parties are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

## 20. Provisions

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
<b>Property costs</b>				
At 1 January – brought forward	—	17	94	86
Paid in the year/period	—	—	(37)	(68)
Recognised in profit or loss	17	77	29	(18)
	<u>17</u>	<u>77</u>	<u>29</u>	<u>(18)</u>
At 31 December (30 June 2013)	<u>17</u>	<u>94</u>	<u>86</u>	<u>—</u>

The provision relates to the Epic Group's share of dilapidation costs at the end of a property lease surrendered in June 2012.

## 21. Dividends

	<i>31 Dec</i> <i>2010</i> £'000	<i>31 Dec</i> <i>2011</i> £'000	<i>31 Dec</i> <i>2012</i> £'000	<i>30 Jun</i> <i>2013</i> £'000
Interim dividend for the year/period	200	—	400	300
	<u>200</u>	<u>—</u>	<u>400</u>	<u>300</u>
Dividend per share (pence)	0.82	—	1.63	1.22
	<u>0.82</u>	<u>—</u>	<u>1.63</u>	<u>1.22</u>

## 22. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
Fixed deposits with licensed banks (Note 15)	550	750	1,000	1,000
Cash and bank balances	262	836	692	653
	<u>812</u>	<u>1,586</u>	<u>1,692</u>	<u>1,653</u>

## 23. Related party disclosures

Balances and transactions between Epic and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Epic Group and other related parties are disclosed below.

### Remuneration of directors and key management personnel

The remuneration of the senior Executive Management Committee members, who are the key management personnel of the Epic Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
Short-term employee benefits	276	325	504	210
Share-based payments	—	—	72	58
Post-retirement benefits	2	2	2	1
	<u>278</u>	<u>327</u>	<u>578</u>	<u>269</u>

### Other transactions

Andrew Brode is considered to be the ultimate controlling party of Epic. During the normal course of business, the Epic Group purchased translation services from RWS Group Limited totalling £35,000 in the six month period ended 30 June 2013 (2012: £84,000, 2011: £9,000, 2010: £20,000). Andrew Brode is the Chairman of RWS Group Limited. The amount due to RWS Group Limited at 30 June 2013 was £31,000 (31 December 2012: £12,238, at 31 December 2011: £3,015, and at 31 December 2010: £763).

In November 2011, Epic acquired a 50 per cent. interest in EpicBrasil for a total consideration of 150,000 Brazilian Real (BRL) payable in two instalments of 50,000 BRL (approximately £19,000) and 100,000 BRL (approximately £30,000) respectively. The first tranche was payable to the joint venture within three months of acquisition and the second tranche is due within two years of acquisition. These amounts are included in amounts owing to related parties (Note 19).

## 24. Financial instruments

The Epic Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Epic Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Epic's financial performance.

### (a) Financial risk management policies

The Epic Group's policies in respect of the major areas of treasury activity are as follows:

#### (i) Market risk

##### (i) Foreign currency risk

The Epic Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar and the Brazilian Real. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Epic Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The carrying amounts of the Epic Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period were as follows:

	<i>United States Dollar £'000</i>	<i>Brazilian Real £'000</i>	<i>Total £'000</i>
30 June 2013			
Financial assets	40	—	40
Financial liabilities	12	—	12
31 December 2012			
Financial assets	34	—	34
Financial liabilities	5	30	35
31 December 2011			
Financial liabilities	—	19	19

The directors of Epic consider that the Epic Group was not exposed to material foreign currency risk prior to 2011.

(i) *Foreign currency risk*

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Epic Group is exposed as at the end of the reporting period, with all other variables held constant:

	<i>31 Dec</i> 2012	<i>30 Jun</i> 2013
	<i>Increase/ (Decrease)</i>	<i>Increase/ (Decrease)</i>
	<i>£'000</i>	<i>£'000</i>
<b>Effects on profit after taxation/equity</b>		
United States Dollar		
– strengthened by 10%	(8)	(10)
– weakened by 10%	8	10
Brazilian Real:		
– strengthened by 10%	(2)	1
– weakened by 10%	2	(1)
	<u>          </u>	<u>          </u>

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Epic Group's exposure to interest rate risk arises mainly from interest-bearing financial assets. The Epic Group's policy is to obtain the most favourable interest rates available. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

A 100 basis points strengthening/weakening of the interest rate as at the end of each reporting period would have immaterial impact on profit after taxation and/or equity. This assumes that all other variables remain constant.

(ii) **Credit risk**

The Epic Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Epic Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Epic Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Epic Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

Apart from one customer at 31 December 2010, which constituted approximately 15.7 per cent. of the Epic Group's trade receivables at that date, and two customers at 30 June 2013, which accounted for 34.4 per cent. of the Epic Group's trade receivables at that date, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Epic Group defines major credit risk as exposure to a concentration exceeding 10 per cent. of a total class of such asset.

### Exposure to credit risk

As the Epic Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

The exposure of credit risk for trade receivables by geographical region as at each of the three years ended 31 December 2012 and the six month period ended 30 June 2013 is as follows:

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
United Kingdom	638	694	793	981
United States	3	7	9	28
Europe	13	—	17	199
Allowance for impairment losses	(10)	(10)	(10)	(10)
	<u>644</u>	<u>691</u>	<u>809</u>	<u>1,198</u>

### Ageing analysis

The ageing analysis of the Epic Group's trade receivables as at each of the three years ended 31 December 2012 and the six month period ended 30 June 2013 is as follows:

	<i>31 December</i> <i>2010</i> <i>£'000</i>	<i>31 December</i> <i>2011</i> <i>£'000</i>	<i>31 December</i> <i>2012</i> <i>£'000</i>	<i>30 June</i> <i>2013</i> <i>£'000</i>
Not past due	348	503	538	822
Past due:				
– less than 3 months	248	105	281	344
– 3 to 6 months	58	93	—	42
Gross amount	<u>654</u>	<u>701</u>	<u>819</u>	<u>1,208</u>

At the end of each reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Collective impairment allowances, are determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

#### *Trade receivables that are past due but not impaired*

The Epic Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

### **(iii) Liquidity risk**

Liquidity risk is the risk that the Epic Group will not be able to meet its financial obligations as they fall due. The Epic Group exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Epic Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The maturity profile of the financial liabilities of the Epic Group as at the end of each reporting is short term, all amounts falling due within 12 months.

### **(b) Capital risk management**

The Epic Group defines capital as the total equity of the Epic Group. The Epic Group's objectives when managing capital are to safeguard the Epic Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders

and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Epic may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Epic ensures that distributions to shareholders do not exceed working capital requirements.

The Epic Group has no external debt finance and is not subject to any externally capital requirements.

(c) **Classification of financial instruments**

	<i>31 Dec</i> <i>2010</i> <i>£'000</i>	<i>31 Dec</i> <i>2011</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>	<i>30 Jun</i> <i>2013</i> <i>£'000</i>
<b>Financial assets</b>				
<u>Loans and receivables financial assets</u>				
Trade receivables	644	691	809	1,198
Amounts recoverable on contracts	643	530	702	667
Deferred tax assets	30	28	—	—
Other receivables, deposits and prepayments	93	56	31	120
Fixed deposits with licensed banks	550	750	1,000	1,000
Cash and bank balances	262	836	692	653
	<u>2,222</u>	<u>2,891</u>	<u>3,234</u>	<u>3,638</u>
<b>Financial liabilities</b>				
<u>At amortised cost</u>				
Trade and other payables	941	1,314	1,555	1,875
Corporation tax	—	—	74	177
Amount owing to related parties	—	19	30	30
Deferred tax liabilities	—	—	22	21
Provisions	17	94	86	—
	<u>958</u>	<u>1,427</u>	<u>1,767</u>	<u>2,103</u>

(d) **Fair values of financial instruments**

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Epic Group had no financial assets or liabilities carried at fair values at the end of each reporting date.

**25. Operating lease arrangements**

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	<i>At 31 Dec</i> <i>2010</i> <i>£000</i>	<i>At 31 Dec</i> <i>2011</i> <i>£000</i>	<i>At 31 Dec</i> <i>2012</i> <i>£000</i>	<i>At 30 Jun</i> <i>2013</i> <i>£000</i>
Operating leases which expire:				
Within one year	—	73	—	—
In the second to fifth years inclusive	145	—	—	128
Over five years	—	—	—	—
	<u>145</u>	<u>73</u>	<u>—</u>	<u>128</u>
Aggregate amounts payable	<u>218</u>	<u>73</u>	<u>—</u>	<u>512</u>

Payments recognised as an expense under these operating leases were as follows:

	<i>Year ended 31 Dec 2010 £000</i>	<i>Year ended 31 Dec 2011 £000</i>	<i>Year ended 31 Dec 2012 £000</i>	<i>Six months ended 30 Jun 2013 £000</i>
Minimum lease payments	145	145	138	128

## 26. Share-based payment transactions

During the year ended 31 December 2012, Epic introduced two share-based payment arrangements which are summarised below.

### EMI Share option plan

	<i>Year ended 31 December 2012</i>		<i>Six months ended 30 June 2013</i>	
	<i>Number of options 2012</i>	<i>Weighted average exercise price (pence)</i>	<i>Number of options 2013</i>	<i>Weighted average exercise price (pence)</i>
Balance at beginning of period	—	—	2,312,341	17.8227
Granted	2,312,341	17.8227	272,020	25.7315
Lapsed during the period	—	—	(124,685)	17.8227
Balance at end of period	2,312,341	17.8227	2,459,696	18.7014

### Consultants Unapproved Share option plan

	<i>Year ended 31 December 2012</i>		<i>Six months ended 30 June 2013</i>	
	<i>Number of options 2012</i>	<i>Weighted average exercise price (pence)</i>	<i>Number of options 2013</i>	<i>Weighted average exercise price (pence)</i>
Balance at beginning of period	—	—	136,020	17.8227
Granted	136,020	17.8227	—	—
Lapsed during the period	—	—	—	—
Balance at end of period	136,020	17.8227	136,020	17.8227



<i>Type of arrangement</i>	<i>Enterprise Management Incentive (EMI) Share Option Plan on behalf of certain senior employees of subsidiary companies</i>	<i>Consultants Unapproved Share Option Plan</i>
Date of Grant	30 May 2012	30 May 2012
Number Granted	2,187,656	136,020
Contractual life	10 years	10 years
Vesting conditions	544,080 subject to exercise conditions based on agreed performance criteria	68,010 subject to exercise conditions based on agreed performance criteria
Earliest Exercise date	30 May 2013	30 May 2013
Exercise price	£0.178227	£0.178227
Date of Grant	20 June 2013	
Number Granted	272,040	
Contractual life	10 years	
Vesting conditions	136,020 subject to exercise conditions based on agreed performance criteria	
Earliest Exercise date	20 June 2014	
Exercise price	£0.257315	

The estimated fair value of each share option granted in the senior employee share option plan £0.1007.

This estimated fair value was calculated by applying a Black-Scholes option pricing model. In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore the directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The model inputs were:

- share prices at grant date of £0.178227 and £0.257315;
- exercise prices of £0.178227 and £0.257315;
- expected volatility of 45 per cent.;
- contractual life of 10 years; and
- a risk-free interest rate of 1.78 per cent..

The expense and equity reserve arising from share based payment transactions recognised in the six months ended 30 June 2013 was £118,000 (year ended 31 December 2012: £144,000).

## **27. Nature of financial information**

The Consolidated Financial Information presented above does not constitute statutory financial statements for the Epic Group for each of the three years ended 31 December 2012 and the six month period ended 30 June 2013.

**Section C: Audited Interim Results of Epic for the 6 months ended 30 June 2013**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<i>Six months ended 30 Jun 2013 (Audited) £'000</i>	<i>Six months ended 30 Jun 2012 (Unaudited) £'000</i>	<i>Year ended 31 Dec 2012 (Audited) £'000</i>
Revenue	2	3,714	3,410	6,945
Cost of sales		(1,486)	(1,500)	(2,896)
Gross profit		2,228	1,910	4,076
Administrative expenses		(1,748)	(1,465)	(3,143)
Other expenses – share option charge		(118)	(21)	(144)
Share of (losses)/profits of joint venture		6	(8)	(17)
<b>Operating profit</b>		<b>368</b>	<b>416</b>	<b>772</b>
Interest receivable		4	2	10
<b>Profit before taxation</b>		<b>372</b>	<b>418</b>	<b>782</b>
Income tax release/(expense)	3	(141)	(110)	(250)
<b>Profit after taxation</b>		<b>231</b>	<b>308</b>	<b>532</b>
Other comprehensive (expense)/income		(1)	—	—
<b>Total comprehensive income for the financial year/period</b>		<b>230</b>	<b>308</b>	<b>532</b>
Earnings per share attributable to owners of the Parent				
Basic, (pence)	4	0.94	1.26	2.17
Diluted, (pence)	4	0.86	1.25	2.05

All amounts stated above are attributable to the equity owners of the parent company to the Epic Group.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<i>30 Jun 2013 (Audited) £'000</i>	<i>30 Jun 2012 (Unaudited) £'000</i>	<i>31 Dec 2012 (Audited) £'000</i>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		254	117	266
Intangible assets		139	67	148
Investments		38	41	32
		<u>431</u>	<u>225</u>	<u>446</u>
<b>CURRENT ASSETS</b>				
Trade receivables		1,198	1,032	809
Other receivables, deposits and prepayments		120	127	31
Amounts recoverable on contracts		667	567	702
Deferred tax assets		—	28	—
Fixed deposits with licensed banks		1,000	1,000	1,000
Cash and bank balances		653	811	692
		<u>3,638</u>	<u>3,565</u>	<u>3,234</u>
<b>TOTAL ASSETS</b>		<b><u>4,069</u></b>	<b><u>3,790</u></b>	<b><u>3,680</u></b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		245	245	245
Share premium account		526	526	526
Capital redemption reserve		28	28	28
Merger reserve		275	275	275
Share-based payment reserve		262	21	144
Foreign exchange translation reserve		5	—	—
Retained profits		625	471	695
<b>TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>		<b>1,966</b>	<b>1,566</b>	<b>1,913</b>
Trade and other payables		1,875	2,010	1,555
Corporation tax		177	74	74
Amount owing to related parties		30	30	30
Deferred tax liabilities		21	—	22
Provisions		—	110	86
		<u>2,103</u>	<u>2,224</u>	<u>1,767</u>
<b>TOTAL LIABILITIES</b>		<b><u>2,103</u></b>	<b><u>2,224</u></b>	<b><u>1,767</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>4,069</u></b>	<b><u>3,790</u></b>	<b><u>3,680</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Other reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Share based payments reserve £'000</i>	<i>Retained profits £'000</i>	<i>Total equity £'000</i>
Balance at 1 January 2012		245	526	28	275	—	—	563	1,637
Profit after taxation		—	—	—	—	—	—	308	308
Total comprehensive income for the period		—	—	—	—	—	—	308	308
Dividend paid	6	—	—	—	—	—	—	(400)	(400)
Share based payment charge credited to equity		—	—	—	—	—	21	—	21
<b>Balance at 30 June 2012</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>—</b>	<b>21</b>	<b>471</b>	<b>1,566</b>
Profit after taxation		—	—	—	—	—	—	224	224
Total comprehensive income for the period		—	—	—	—	—	—	224	224
Dividend paid		—	—	—	—	—	—	—	—
Share based payment charge credited to equity		—	—	—	—	—	123	—	123
<b>Balance at 31 December 2012</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>—</b>	<b>144</b>	<b>695</b>	<b>1,913</b>
Profit after taxation		—	—	—	—	—	—	231	231
Foreign currency translation differences		—	—	—	—	5	—	(1)	4
Total comprehensive income for the period		—	—	—	—	5	—	230	235
Dividend paid	6	—	—	—	—	—	—	(300)	(300)
Share based payment charge credited to equity		—	—	—	—	—	118	—	118
<b>Balance at 30 June 2013</b>		<b>245</b>	<b>526</b>	<b>28</b>	<b>275</b>	<b>5</b>	<b>262</b>	<b>625</b>	<b>1,966</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Six months ended 30 Jun 2013 (Audited) £'000</i>	<i>Six months ended 30 Jun 2012 (Unaudited) £'000</i>	<i>Year ended 31 Dec 2012 (Audited) £'000</i>
<b>Cash flow from operating activities</b>			
Profit before taxation	372	418	782
Adjustments for:			
Share option charge	118	21	144
Amortisation of intangible assets	36	21	49
Depreciation of plant and equipment	41	30	54
Share of loss (profit) of joint venture	(6)	8	17
Interest income	(4)	(2)	(10)
<b>Operating cash flow before working capital changes</b>	557	496	1,036
Decrease/(increase) in trade and other receivables	(449)	(412)	(226)
Decrease/(increase) in amount recoverable on contracts	34	(37)	(156)
(Decrease)/increase in payables	276	776	362
	418	823	1,016
Interest received	4	2	10
Income tax paid	(110)	(89)	(127)
<b>Net cash flow from operating activities</b>	312	736	899
<b>Cash flow used in investing activities</b>			
Purchase of property, plant and equipment	(29)	(81)	(254)
Development of intangible assets	(26)	—	(109)
Investment in Joint Venture	—	(30)	(30)
<b>Net cash flow used in investing activities</b>	(55)	(111)	(393)
Dividends paid	(300)	(400)	(400)
<b>Net cash flow from/(used in) financing activities</b>	(300)	(400)	(400)
Net (decrease)/increase in cash and cash equivalents	(43)	225	106
Cash and cash equivalents at beginning of the financial year/period	1,692	1,586	1,586
Effects of foreign exchange rate changes	4	—	—
Cash and cash equivalents at end of the financial year/period	1,653	1,811	1,692

## 1. General information

The historical financial information of the Epic Group for the six month period ended 30 June 2013 (together, the “Interim Consolidated Financial Information”).

### (a) The Epic Group

The principal activity of Epic is that of a holding company.

The principal operating companies within the Epic Group are set out below, all of which are private companies limited by shares.

	<i>Country of Registration or Incorporation</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held by Company</i>
Epic Mobile Learning Limited	England and Wales	Mobile e-learning	100%
Epic Performance Improvement Limited	England and Wales	Bespoke e-learning	100%
Epic Learning Inc	USA	Bespoke e-learning	100%
Epic Brasil Tecnologia Educativa Ltda (Joint Venture)	Brazil	Bespoke e-learning	50%

### (b) Basis of preparation

The Interim Consolidated Financial Information has been prepared under the historical cost convention, in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) issued by the International Accounting Standards Board (“IASB”), including related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Interim Consolidated Financial Information presents the consolidated results of Epic and its subsidiaries.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Interim Consolidated Financial Information of the Epic Group is presented in Pounds Sterling, which is the presentation currency for the Consolidated Financial Information. The functional currency of each of the group entities is the local currency of each individual entity.

The audited Interim Consolidated Financial Information for the six months ended 30 June 2013 and the comparative audited Consolidated Financial Information for the year ended 31 December 2012 have been extracted without adjustment from the audited Consolidated Financial Information on the Epic Group set out in Section B of Part VI of this AIM Admission Document. The unaudited Interim Consolidated Financial Information for the six months ended 30 June 2012 has been prepared on a basis consistent with, and on the basis of the accounting policies set out in, the financial information on the Epic Group set out in Section B of Part VI of this AIM admission document.

## 2. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Epic Group that are regularly reviewed by the chief operating decision maker (which takes the form of the board of directors of Epic) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The directors of Epic consider the principal activity of the Epic Group to be the production of interactive multimedia programmes, and to constitute one reportable segment, that of the production of interactive multimedia programmes. A majority of sales were generated by the operations in the United Kingdom in the six month period ended 30 June 2013. Overseas sales relate to the fulfillment of sales generated outside the UK but actioned within the UK.

All other amounts comprise income and expenses relating to the Epic Group’s administrative functions. Interest income and interest expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Epic Group. Accordingly, this information is not separately reported to the board of directors.

### Geographical information

All revenues of the Epic Group are derived from its principal activity, the production of interactive multimedia programmes. The Epic Group's revenue from external customers and net assets by geographical location are detailed below:

	<i>UK</i> <i>£'000</i>	<i>Europe</i> <i>£'000</i>	<i>America</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b>30 June 2013</b>					
<b>Revenue</b>	3,228	434	52	—	3,714
<b>Net assets</b>	1,901	—	27	38	1,966
<b>30 June 2012</b>					
<b>Revenue</b>	3,222	162	26	—	3,410
<b>Net assets</b>	1,526	—	—	40	1,566
<b>31 December 2012</b>					
<b>Revenue</b>	6,665	248	26	6	6,945
<b>Net assets</b>	1,857	—	24	32	1,913

### Information about major customers

In the year ended 31 December 2012 one customer generated revenue amounting to £973,000. Of this £797,000 was in the six months to June 2012. No other customers accounted for more than 10 per cent of reported revenues.

### 3. Income tax

	<i>30 Jun</i> <i>2013</i> <i>£'000</i>	<i>30 Jun</i> <i>2012</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>
Current tax (release)/expense:			
– for the financial year/period	142	110	200
– under/(over)provision in the previous financial year/ period	—	—	—
	<u>142</u>	<u>110</u>	<u>200</u>
Deferred tax assets:			
– for the financial year/period	—	—	28
Deferred tax liabilities:			
– for the financial year/period	(1)	—	22
– underprovision in the previous financial year/period	—	—	—
	<u>(1)</u>	<u>—</u>	<u>50</u>
Deferred tax (release)/expense	(1)	—	50
Income tax (release)/expense	<u>141</u>	<u>110</u>	<u>250</u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense/(release) at the effective tax rate of the Epic Group is as follows:

	<i>30 Jun</i> <i>2013</i> <i>£'000</i>	<i>30 Jun</i> <i>2012</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>
Profit before taxation	<u>372</u>	<u>418</u>	<u>782</u>
Tax at the applicable statutory tax rates of 23.5% (30 Jun 2012: 23.5%, 31 Dec 2012: 24%)	87	98	188
Tax effects of:			
Non-deductible expenses	(2)	5	(16)
Capital allowances and other short term differences not recognised for tax purposes	5	(31)	—
Share-based payments not recognised for tax purposes	27	5	35
Overseas losses not subject to UK tax relief	24	2	24
	<u>141</u>	<u>110</u>	<u>200</u>
Income tax expense for the financial year/period	<u>141</u>	<u>110</u>	<u>200</u>

### 4. Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares.

	<i>30 Jun</i> <i>2013</i> <i>£'000</i>	<i>30 Jun</i> <i>2012</i> <i>£'000</i>	<i>31 Dec</i> <i>2012</i> <i>£'000</i>
Profit after tax attributable to owners of the Epic Group:	230	308	532
Weighted average number of shares:			
Basic	24,483,603	24,483,603	24,483,603
Diluted	26,884,325	24,687,633	25,911,813
Basic (pence)	0.94	1.26	2.17
Diluted (pence)	0.86	1.25	2.05



## 5. Share capital

The authorised, called-up and fully paid share capital of Epic is as follows:

	<i>30 Jun</i> 2013 £'000	<i>30 Jun</i> 2012 £'000	<i>31 Dec</i> 2012 £'000
Ordinary shares of £0.01 each: 24,483,603	245	245	245
	<u>245</u>	<u>245</u>	<u>245</u>

## 6. Dividends

	<i>30 Jun</i> 2013 £'000	<i>30 Jun</i> 2012 £'000	<i>31 Dec</i> 2012 £'000
Interim dividend for the year/period	300	400	400
	<u>300</u>	<u>400</u>	<u>400</u>

## 7. Share-based payment transactions

During the year ended 31 December 2012, Epic introduced two share-based payment arrangements which are summarised below.

### EMI Share option plan

	<i>Six months ended</i> <i>30 June 2012 and year</i> <i>ended</i> <i>31 December 2012</i>		<i>Six months ended</i> <i>30 June 2013</i>	
	<i>Number of</i> <i>options</i> <i>2012</i>	<i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>	<i>Number of</i> <i>options</i> <i>2013</i>	<i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>
Balance at beginning of period	—	—	2,312,341	17.8227
Granted	2,312,341	17.8227	272,020	25.7315
Lapsed during the period	—	—	(124,685)	17.8227
Balance at end of period	<u>2,312,341</u>	<u>17.8227</u>	<u>2,459,696</u>	<u>18.7014</u>

### Consultants Unapproved Share option plan

	<i>Six months ended</i> <i>30 June 2012 and year</i> <i>ended 31 December 2012</i>		<i>Six months ended</i> <i>30 June 2013</i>	
	<i>Number of</i> <i>options</i> <i>2012</i>	<i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>	<i>Number of</i> <i>options</i> <i>2013</i>	<i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>
Balance at beginning of period	—	—	136,020	17.8227
Granted	136,020	17.8227	—	—
Lapsed during the period	—	—	—	—
Balance at end of period	<u>136,020</u>	<u>17.8227</u>	<u>136,020</u>	<u>17.8227</u>

<i>Type of arrangement</i>	<i>Enterprise Management Incentive (EMI) Share Option Plan on behalf of certain senior employees of subsidiary companies</i>	<i>Consultants Unapproved Share Option Plan</i>
Date of Grant	30 May 2012	30 May 2012
Number Granted	2,187,656	136,020
Contractual life	10 years	10 years
Vesting conditions	544,080 subject to exercise conditions based on agreed performance criteria	68,010 subject to exercise conditions based on agreed performance criteria
Earliest Exercise date	30 May 2013	30 May 2013
Exercise price	£0.178227	£0.178227
Date of Grant	20 June 2013	
Number Granted	272,040	
Contractual life	10 years	
Vesting conditions	136,020 subject to exercise conditions based on agreed performance criteria	
Earliest Exercise date	20 June 2014	
Exercise price	£0.257315	

The estimated fair value of each share option granted in the senior employee share option plan £0.1007.

This estimated fair value was calculated by applying a Black-Scholes option pricing model. In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore the directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The model inputs were:

- share prices at grant date of £0.178227 and £0.257315;
- exercise prices of £0.178227 and £0.257315;
- expected volatility of 45 per cent.;
- contractual life of 10 years; and
- a risk-free interest rate of 1.78 per cent..

The expense and equity reserve arising from share based payment transactions recognised in the six months ended 30 June 2013 was £118,000 (year ended 31 December 2012: £144,000).

## **8. Nature of financial information**

The Consolidated Financial Information presented above does not constitute statutory financial statements for the Epic Group for the six month period ended 30 December.

## PART VII

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP



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22 October 2013

The Directors and Proposed Directors  
In-Deed Online plc  
Elizabeth House  
39 York Road  
London SE1 7NQ

The Directors  
Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

Dear Sirs

#### **Introduction**

We report on the unaudited *pro forma* financial information of In-Deed Online plc (the “Company”) set out in Part VII of the AIM Admission Document dated 22 October 2013 (the “Document”). The *pro forma* financial information has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Epic Group Limited and its subsidiaries (the “Epic Group”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company as at 30 September 2013 and for the period ended 30 June 2013 for the Epic Group and its subsidiaries. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that scheduled and for no other purpose.

#### **Responsibilities**

It is the responsibility of the Directors and the Proposed Directors to prepare the unaudited *pro forma* financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited *pro forma* financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited *pro forma* financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source

documents, considering the evidence supporting the adjustments and discussing the unaudited *pro forma* financial information with the Directors and Proposed Directors.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited *pro forma* financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the unaudited *pro forma* financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

Set out below is an unaudited *pro forma* statement of aggregated net assets of In-Deed Online plc (the “Company”), which has been prepared on the basis of the Company’s audited financial information for the year ended 31 March 2013 and the audited financial information on the Epic Group Limited and its subsidiaries (together, the “Epic Group”) for the period ended 30 June 2013. It has been prepared for illustrative purposes only. Because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position.

	<i>The Company</i> 31 March 2013 (Audited) £'000 (Note 1)	<i>Company</i> adjustments £'000 (Note 2)	<i>The Epic</i> Group 30 Jun 2013 (Audited) £'000 (Note 3)	<i>Pro forma</i> adjustments £'000 (Notes 4,5)	<i>Pro forma</i> net assets (Unaudited) £'000
<b><i>Non-current assets</i></b>					
Property, plant and equipment	7	(7)	254	—	254
Intangible assets	—	—	139	—	139
Investments	—	—	38	—	38
	<u>7</u>	<u>(7)</u>	<u>431</u>	<u>—</u>	<u>431</u>
<b><i>Current assets</i></b>					
Trade receivables	38	(38)	1,198	—	1,198
Other receivables, deposits and prepayments	—	—	120	—	120
Amounts recoverable on contracts	—	—	667	—	667
Fixed deposits, cash and bank balances	1,362	(562)	1,653	(1,837)	616
	<u>1,400</u>	<u>(600)</u>	<u>3,638</u>	<u>(1,837)</u>	<u>2,601</u>
<b><i>Current liabilities</i></b>					
Trade and other payables	77	(77)	1,875	—	1,875
Corporation tax	—	—	177	—	177
Amount owing to related parties	—	—	30	—	30
Deferred tax liabilities	—	—	21	—	21
	<u>77</u>	<u>(77)</u>	<u>2,103</u>	<u>—</u>	<u>2,103</u>
<b><i>Net assets/(liabilities)</i></b>	<b><u>1,330</u></b>	<b><u>(530)</u></b>	<b><u>1,966</u></b>	<b><u>(1,837)</u></b>	<b><u>929</u></b>

**Notes:**

The unaudited *pro forma* financial information has been prepared on the following basis:

- The net assets of the Company have been extracted without adjustment from the entity only balance sheet of the Company included at page 13 in its audited financial statements for the year ended 31 March 2013.
- Adjustments made to reflect the subsequent disposal of the Company’s online business completed on 2 July 2013 as described on page 2 of its audited financial statements for the year ended 31 March 2013. No further account has been taken of the activities of the Company subsequent to 31 March 2013.
- The net assets of the Epic Group have been extracted without adjustment from the audited financial information on the Epic Group set out in Part VI, Section B of the Admission Document. No account has been taken of the activities of the Epic Group subsequent to 30 June 2013.
- The pro-forma adjustments reflect:
  - net cash consideration of approximately £1,323,000 payable to certain shareholders in Epic under the terms of the acquisition; and
  - transaction costs of approximately £514,000 (including VAT) in relation to the acquisition and admission
- The Directors and Proposed Directors consider that the substance of the acquisition of the Epic Group by the Company is that it is effectively a reverse acquisition and that, in order to give a true and fair view, the reverse acquisition accounting method, as permitted by IFRS 3 ‘Business combinations’, will be adopted as the basis for consolidation in the first published accounts of the Company following completion of the acquisition. Goodwill arising under reverse acquisition accounting, which by reference to the Closing Price it is estimated would be approximately £1,036,000, will be accounted for within the Income Statement on consolidation.

## PART VIII

### ADDITIONAL INFORMATION

#### 1. Responsibility Statements

- 1.1 The Directors and the Proposed Directors, whose names and functions are set out on page 4 of this document, and the Company, accept responsibility, both individually and collectively, for all of the information contained in this document (save for the recommendation on page 16 of this document for which the Directors take sole responsibility) and for compliance with the AIM Rules for Companies (other than information for which responsibility is taken by others pursuant to paragraphs 1.2 and 1.3 below). To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Crowe Clark Whitehill LLP accepts responsibility for its reports set out in Parts VI and VII of this document and for any information sourced from that report in this document. To the best of the knowledge and belief of Crowe Clark Whitehill LLP (which has taken all reasonable care to ensure that such is the case) the information contained therein is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 For the purposes of Rule 19.2 of the Takeover Code, each member of the Epic Concert Party accepts responsibility for the information contained in this document relating to each of them as members of the Epic Concert Party. To the best of each member of the Epic Concert Party's knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company is domiciled in England and was incorporated and registered in England and Wales under the 2006 Act on 3 March 2010 as a private limited company with the name Rightmove Lawyers Limited and registered number 07176993.
- 2.2 The liability of the Company's members is limited to the amount (if any) unpaid on Ordinary Shares held by them.
- 2.3 The Company is governed by and its securities were created under the laws of England and Wales.
- 2.4 The Company's registered office is located at Elizabeth House, 39 York Road, London, SE1 7NQ and its telephone number is 020 8412 0184. With effect from Admission, the registered office of the Company will change to 52 Old Steine, Brighton, East Sussex, BN1 1NH and the telephone number will change to +44 1 273 468889.
- 2.5 The Company's website is [www.in-deedplc.co.uk](http://www.in-deedplc.co.uk) but will change to [www.ltgplc.com](http://www.ltgplc.com) on Admission.
- 2.6 The Company has no administrative, management or supervisory bodies other than the Board.
- 2.7 The accounting reference date of the Company is 31 March. The accounting reference date of the Company will be changed to 31 December after Admission.
- 2.8 The Company changed its name to "Crossbill Limited" on 8 July 2010, and to "In-Deed Online Limited" on 4 April 2011.
- 2.9 The Company was re-registered as a public limited company under the 2006 Act on 4 April 2011 with the name "In-Deed Online plc".

2.10 On Admission, following the Acquisition, the Company will have the following subsidiaries:

<i>Company Name</i>	<i>Principal activity</i>	<i>Country of incorporation and registered number</i>	<i>Proportion of issued ordinary share capital held</i>	
			<i>By the Company</i>	<i>By a subsidiary</i>
Epic Group Limited		England and Wales, No. 04131113	100%	—
Epic Mobile Learning Limited	Provision of learning technology services	England and Wales No. 03175632	—	100% (held by Epic Performance Improvement Limited)
Epic Performance Improvement Limited		England and Wales, No. 02371375	—	100% (held by Epic Group Limited)
Epic Learning Inc.		USA, No. 61-1691916	—	100% (held by Epic Group Limited)
Epic Brazil Technologia Educational Ltda		Brazil, No. 14.643.974/001-06	—	50% (held by Epic Group Limited)

2.11 The Company's principal activity is that of a holding company for the Enlarged Group as well as performing all administrative, corporate finance, strategic, and governance functions for the Enlarged Group.

### 3. Share Capital of the Company

3.1 The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission, is as follows:

<i>Ordinary Shares</i>	<i>Number</i>	<i>Nominal Value (£)</i>
As at the date of this document	20,400,000	76,500
Immediately following Admission	275,825,000	1,034,343.75

3.2 The following changes in the issued share capital of the Company have taken place between the Company's incorporation and the date of this document:

(a) on 3 August 2010:

- (i) the 1 ordinary share of £1.00 in the capital of the Company then in issue (being the only share in issue in the Company's capital at that date) was reclassified and subdivided into 100 A ordinary shares of £0.01 each;
- (ii) the authorised but unissued share capital of the Company was reclassified and subdivided into 999,900 A ordinary shares of £0.01 each and 250,000 B ordinary shares of £0.01 each; and
- (iii) the Company issued an aggregate of 999,999 A ordinary shares of £0.01 each in connection with a fund raising;

(b) on 29 March 2011:

- (i) each of the 1,000,000 issued A ordinary shares of £0.01 each in the capital of the Company were subdivided into 8 A ordinary shares of £0.00125 each; and

- (ii) each of the 250,000 authorised but unissued B ordinary shares of £0.01 each in the capital of the Company were subdivided into 8 B ordinary shares of £0.00125 each;
  - (c) on 4 May 2011, the Company issued an aggregate of 6,928,874 A ordinary shares of £0.00125 each in connection with a further fund raising;
  - (d) between 11 and 16 May 2011 the Company issued an aggregate of 1,700,000 B ordinary shares of £0.00125 each following the exercise in full of certain share options over such number of B ordinary shares; and
  - (e) on 24 May 2011:
    - (i) 29,857,148 A ordinary shares of £0.00125 each and 3,400,000 B ordinary shares of £0.00125 were issued as bonus shares on the basis of:
      - (A) 2 new A ordinary shares for every A ordinary share held by such shareholders; and
      - (B) 2 new B ordinary shares for every B ordinary share held by such shareholders, such shares being paid up in full by way of the capitalisation of an amount equal to £41,571.44 out of the Company's share premium account (the balance of the Company's share premium account was reduced to nil);
    - (ii) all of the Company's issued A ordinary shares of £0.00125 each and all of its issued B ordinary shares of £0.00125 each were reclassified as ordinary shares of £0.00125 each; and
    - (iii) every 3 issued ordinary share of £0.00125 each were consolidated into 1 ordinary share of £0.00375 each (such shares being the Existing In-Deed Online Shares).
- 3.3 The Directors are seeking Shareholder consent (Resolution 2) in accordance with section 551 of the 2006 Act, to allot the Consideration Shares and further Ordinary Shares up to a maximum aggregate nominal amount of £517,171 (representing 50 per cent. of the enlarged issued ordinary share capital immediately following Admission). In the event that Shareholder consent to Resolutions 1 and 2 is not received, the Acquisition will not complete and the Consideration Shares will not be allotted.
- 3.4 The Directors are seeking Shareholder consent (Resolution 4), conditional upon the passing of Resolutions 1 and 2 and in accordance with sections 570 and 571 of the 2006 Act to disapply statutory pre-emption rights to allot the Consideration Shares and further Ordinary Shares up to an aggregate nominal amount of £517,171 (representing 50 per cent. of the enlarged issued ordinary share capital immediately following Admission). This authority shall expire at the conclusion of the next annual general meeting.
- 3.5 The Consideration Shares will rank *pari passu* in all respects with the In-Deed Online Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the ordinary share capital.
- 3.6 Save as disclosed in this Part VIII, since 3 March 2010 (being the date of incorporation of the Company):
- (a) no share or loan capital in the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
  - (b) no share or loan capital of the Company has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;
  - (c) no person has any preferential subscription rights for any share capital of the Company;
  - (d) no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
  - (e) there are no Existing In-Deed Online Shares held by or on behalf of the Company or by any of the Company's subsidiaries;
  - (f) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
  - (g) there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.



- 3.7 The Ordinary Shares have been created under the Companies Acts.
- 3.8 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Company's articles of association permit the Company to issue shares in uncertificated form.
- 3.9 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.10 The Company does not have in issue any securities not representing share capital.
- 3.11 There are no issued but not fully paid Ordinary Shares.
- 3.12 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.
- 3.13 The Ordinary Shares have not been admitted to dealing on any Recognised Investment Exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 3.14 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

#### **4. Share Option Schemes**

- 4.1. As part of its strategy for executive and key employee remuneration, the Company has established subject to Admission, the New Share Option Scheme under which Share Options may be granted to officers and employees or members of the Group. The Board shall be responsible for administering the rules of the New Share Option Scheme and may recommend that options are granted under the New Share Option Scheme from time to time.
- 4.2. Under the rules of the New Share Option Scheme, the Company may grant EMI Options and/or Unapproved Options. A Share Option takes the form of an individual agreement between the Company and the employee and is entered into subject to the rules of the New Share Option Scheme. The New Share Option Scheme includes the ability for other persons who are authorised for the purposes of the New Share Option Scheme to grant options to employees to purchase Ordinary Shares subject to the rules of the New Share Option Scheme.
- 4.3. There is no limit on the number of shares, or the percentage of issued share capital, that can be used by the Company for Share Options. The rules of the New Share Option Scheme do not comply with the ABI's guidelines on policies and practices in respect of executive remuneration.
- 4.4. Share Options may be granted at any time during the period of 42 days from Admission or within 42 days after the date of announcement of the Company's annual or half yearly results. The Board may also resolve to grant Share Options at other times in exceptional circumstances which justify them doing so. Options may not be granted when prohibited by law or in breach of the AIM Rules for Companies. Share Options may not be granted after the tenth anniversary of the date of adoption of the New Share Option Scheme.
- 4.5. The exercise of Share Options are capable of being made subject to the satisfaction of appropriate and objective performance conditions.
- 4.6. It is intended that Share Options shall not be granted with an exercise price per Ordinary Share which is at a discount to the prevailing market value of an Ordinary Share at the time of grant.
- 4.7. Each individual Share Option agreement will specify the date after which the Share Option may be exercised subject to an earlier exercise event or lapse. Save in the case of the cessation of employment of the option-holder with any member of the Group due to death or a change of control of the Company.
- 4.8. A Share Option will lapse on cessation of the option-holder's employment with the Group other than where such cessation is due to the death in service of the option-holder, the disposal of the business unit or Group Company which employs the option-holder or, where the Board resolves in its discretion to permit exercise, in other exceptional circumstances. In the case of death of the option-holder, exercise must take place within one year of death, failing which the Share Option will lapse. Share Options will also lapse to the extent that any performance or other exercise condition becomes incapable of fulfilment.

4.9. Share Options are not pensionable. Exercise of a Share Option is conditional upon the option-holder paying to his or her employer an amount equal to the amount of any income taxes and, to the extent permissible, national insurance and social security contributions for which the employer is obliged to account on the exercise of the Share Option.

4.10 The following Share Options have been granted subject to Admission:

<i>Name</i>	<i>Number of options over Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Exercise price (pence)</i>
Peter Mountford	4,247,705	1.54%	5.88p
Dale Solomon	3,392,647	1.23%	5.88p
Richard Jones	3,392,647	1.23%	5.88p

In the case of Peter Mountford and Dale Solomon the above Share Options may only be exercised with effect from three years from Admission and provided that the mid market price of the Ordinary Shares is at least 11.76 pence.

In addition, Richard Jones has been granted options over a total of 3,282,317 Ordinary Shares equating to 1.19 per cent. of the Enlarged Share Capital. Such options have been granted under the provisions of the New Share Option Scheme but are unapproved for tax purposes. These options are exercisable at a price of 5.88p per share and are exercisable following the third anniversary of Admission.

4.11. The additional principal terms of the New Share Option Scheme are summarised below.

(a) Eligibility

EMI Options may be granted to any employee of the Group selected by the Board who works either at least 25 hours per week or commits 75 per cent of his working time to the business of the Company or the business of the Group and who does not already beneficially own either directly or indirectly through his associates more than 30 per cent of the Ordinary Shares of the Company. Employees selected for the grant of an Unapproved Option do not have to satisfy these eligibility requirements. EMI Options may only be granted when the Company is a qualifying company for the purposes of paragraph 8, Schedule 5 of the ITEPA 2003.

(b) Individual Limit on Participation

An individual employee's participation in EMI Options is limited so that the aggregate market value of the shares placed under the EMI Option together with any unexercised EMI Options granted under the New Share Option Scheme and any New Share Option Scheme approved by HMRC under Chapter 8 of Part I and Schedule 4 of ITEPA 2003, valued at the date of the grant of the EMI Options which are held by that employee in any three year period cannot exceed £250,000. This limit on individual participation does not apply for Unapproved Options.

(c) Company Limit

The maximum value of unexercised qualifying EMI Options (valued as at the date of grant) that may exist under the New Share Option Scheme is restricted to £3 million.

(d) Non transferability of Share Options

Share Options are non-transferable, except on death to the personal representatives of the employee. A Share Option shall lapse immediately if it is purportedly transferred or assigned.

(e) Voting, Dividend and Other Rights

An option-holder has no voting or dividend rights in the Company before the exercise of a Share Option.

(f) Variation of share capital

For these purposes "variation" of share capital includes any capitalisation, rights issue, subdivision, consolidation or reduction or any other variation in the ordinary share capital of the Company occurring after the date of grant. Upon a variation of the ordinary share capital of the Company, the Directors may adjust either the number of Ordinary Shares an employee is entitled to acquire under the Share Option agreement or adjust the exercise price in a manner they consider fair and reasonable.

(g) Change of Control

In the event of a change of control, an EMI Option granted to an employee may be exchanged for qualifying options pursuant to paragraph 42 of Schedule 5 of the ITEPA 2003. The Board also has discretion to permit early exercise of Share Options in the case of a change of control of the Company, conditional upon such change of control taking place.

- 4.12. Epic has granted a total of 2,595,716 options to subscribe for Epic Shares pursuant to the Epic Share Option Scheme, Holders of 1,478,161 options to subscribe for Epic Shares have agreed to exchange those options for options to subscribe for Ordinary Shares under that scheme. Holders of 1,117,555 options to subscribe for Epic Shares have elected to exercise their option prior to Admission and will sell the Epic Shares allotted to them to the Company for cash pursuant to the Acquisition Agreement. There are no conditions attaching to these options which may be exercised at any time provided that in the event of exercise before the first anniversary of Admission, the relevant option holders will be required to enter into lock-in agreements with the Company and Numis which will restrict the sale of any Ordinary Shares issued as a result of such exercise and any sale of such shares beyond the first anniversary of Admission will be subject to an orderly market requirement for a further period of twelve months.

**5. Memorandum and Articles of Association of the Company**

**5.1 Memorandum of Association**

Under the 2006 Act, as from 1 October 2009, all provisions of the Company's memorandum of association are deemed to form part of the Company's articles of association including, in particular, the statement of objects and the statement of authorised share capital. The 2006 Act does not require a company to set out its objects. It provides that, unless the articles of association state otherwise, a company's objects will be unrestricted. The 2006 Act also removes the requirement for a company to have an authorised share capital. The Company's articles of association do not contain an objects clause and accordingly, pursuant to the provisions of the 2006 Act, the Company's objects are unrestricted.

**5.2 Articles of Association**

The following summary, which does not purport to be complete or exhaustive, contains a description of the significant rights attached to the Ordinary Shares as set out in the articles of association adopted by special resolution of the Company on 24 May 2011 ("Articles"). The Articles specifically incorporate provisions limiting members' liability to any amount unpaid on shares held by them.

(a) *Votes of members*

Subject to the provisions of the Companies Acts and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by the Articles:

(i) on a show of hands:

(A) every member who is present in person shall have one vote;

(B) where a proxy is appointed by more than one member (provided that, where some only of those members by whom the proxy is appointed instruct the proxy to vote in a particular way, those members all instruct such proxy to vote in the same way on a resolution (either "for" or "against")) such proxy shall be entitled to cast a second vote the other way in relation to any discretionary vote(s) given to him by other members by whom such proxy is appointed; and

(C) every corporate representative present who has been duly authorised by a corporation shall have the same voting rights as the corporation would be entitled to;

(ii) on a poll every member who is present in person or by duly appointed proxy or corporate representative shall have one vote for every share of which he is the holder or in respect of which his appointment of proxy or corporate representative has been made.

(b) *Restriction on rights of members where calls outstanding*

No member shall be entitled to receive any dividend or to be present and vote at any general meeting either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum or to exercise any other privilege as a member unless and until he

shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

(c) *Transfer of shares*

(i) Form of transfer

Each member may transfer all or any of his shares, in the case of certificated shares, by instrument of transfer in writing in any usual form or in any form approved by the Board, or, in the case of uncertificated shares, without a written instrument in accordance with the CREST Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members of the Company in respect of it.

(ii) Right to refuse registration

The Board may in its absolute discretion refuse to register any transfer of a certificated share unless it is:

- (A) in respect of a share which is fully paid up;
- (B) in respect of a share on which the Company has no lien;
- (C) in respect of only one class of shares;
- (D) in favour of a single transferee or not more than four joint transferees;
- (E) duly stamped (if so required); and
- (F) delivered for registration to the registered office for the time being of the Company, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a financial institution where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

(d) *Dividends*

(i) Declaration of dividends

Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.

(ii) Interim dividends

Subject to the provisions of the Companies Acts and of the Articles, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution and the position of the Company. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer in consequence of the declaration of, or by the lawful payment of, any interim dividend on any shares ranking after those with preferential rights.

(iii) Accrual of dividends

Except as otherwise provided by the Articles and by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

(iv) Dividends not to bear interest

Unless otherwise provided by the rights attached to the share no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

(v) Payment of dividends

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.

(vi) Waiver of dividends

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death, bankruptcy or mental disorder of the holder or otherwise by operation of law) and delivered to the Company and only if or to the extent that the same is accepted as such or acted upon by the Company.

(vii) Unclaimed dividends

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

(viii) Distribution in specie

The Company in general meeting may, on the recommendation of the Board, by ordinary resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways. Where any difficulty arises in regard to such distribution the Board may settle it as it thinks fit. In particular, subject to the provisions of the Companies Acts, the Board may:

- (A) issue fractional certificates or authorise any person to sell and transfer any fractions or disregard fractions altogether;
- (B) fix the value for distribution of such assets or any part of them and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and
- (C) vest any such assets in trustees on trust for the persons entitled to the dividend.

(e) *Capitalisation of reserves*

The Board may with the authority of an ordinary resolution of the Company:

- (i) subject as provided in this article, resolve to capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;
- (ii) appropriate the sum resolved to be capitalised on the date specified in the resolution to the holders of Ordinary Shares in proportion to the nominal amount of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum was then distributable and was distributed by way of dividend, and apply such sum on their behalf in or towards paying up the amount, if any, for the time being unpaid on any share held by them respectively and/or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as they may direct in those proportions provided that:
  - (A) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this article, only be applied in paying up unissued shares to be allotted to holders of Ordinary Shares credited as fully paid; and
  - (B) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment of it;
- (iii) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;
- (iv) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of such fractions to the Company rather than to the holders of Ordinary Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions; and
- (v) generally do all acts and things required to give effect to such resolution.

The Directors may appoint any person to sign any contract with the Company on behalf of those who are entitled to shares under the resolution.

(f) *Share capital*

(i) Allotment

Subject to the provisions of the Companies Acts and to any relevant authority of the Company in general meeting, the Board may allot, grant options over, offer or otherwise deal with or dispose of unissued shares as it may decide, provided that no share shall be issued at a discount.

(ii) Variation of Rights

Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with:

- (A) the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class; or

- (B) with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles (but not otherwise).

The foregoing provisions of this article shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or to cease to be a Participating Security.

In this article:

“Participating Security” means a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of an Uncertificated System in accordance with the CREST Regulations; and

“Uncertificated System” means a relevant system (as such is defined in the CREST Regulations).

(iii) Class meetings

Save as provided in the Companies Acts, all the provisions in the Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares, save that in the case of a meeting held in connection with the variation or abrogation of the rights attached to the shares of the class:

- (A) subject to paragraph (D) of this article, the quorum at every such meeting shall be not less than two persons present holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares);
- (B) every holder of shares of the class in question present in person or by proxy may demand a poll;
- (C) each such holder shall on a poll be entitled to one vote for every share of the class held by him;
- (D) if at any adjourned meeting of such holders, such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum; and
- (E) where a person is present by proxy or proxies, he is treated as holding only the shares in respect of which those proxies are authorised to exercise voting rights.

(iv) Deemed variation

Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Acts and the Articles.

(g) *Forfeiture of shares*

(i) Notice if call not paid

If any member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment the Board may at any time serve a notice in writing on such member, or on any person entitled to the shares by transmission, requiring payment, on a date not less than 14 clear days from the date of the notice,

of the amount unpaid and any interest which may have accrued on it and any reasonable costs, charges and expenses incurred by the Company by reason of such non-payment.

(ii) Forfeiture for non-compliance

If the notice referred to in the above paragraph (g)(i) (Notice if call not paid) is not complied with, any share in respect of which it was given may, at any time after the date appointed for payment pursuant to the notice, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or other moneys payable in respect of the forfeited shares and not paid before the forfeiture, and shall be deemed to occur at the time of the passing of the said resolution of the Board.

(iii) Notice after forfeiture

When any share has been forfeited notice of the forfeiture shall be served on the person who was before forfeiture the holder of the share or the person entitled to such share by transmission (as the case may be). An entry of such notice having been given and of the forfeiture with the date of it shall forthwith be made in the register of members of the Company in respect of such share together with a note that dealings are not permitted in the share. However, no forfeiture shall be invalidated by any omission to give such notice or to make such entry as aforesaid.

(iv) Forfeiture may be annulled

The Board may at any time before any share so forfeited has been cancelled or sold, re-allotted or otherwise disposed of annul the forfeiture, on the terms that payment shall be made of all calls and interest due thereon and all expenses incurred in respect of the share and on such further terms (if any) as the Board shall see fit.

(v) Surrender

The Board may accept a surrender of any share liable to be forfeited under the Articles upon such terms and conditions as may be agreed and, subject to any such terms and conditions, a surrendered share shall be treated as if it had been forfeited. In such case, references in the Articles to forfeiture shall include surrender.

(vi) Disposal of forfeited shares

Every share which shall be forfeited shall thereupon become the property of the Company. The Company shall not exercise any voting rights in respect of such a share. Subject to the provisions of the Companies Acts, any such share may be sold, re-allotted or otherwise disposed of either to the person who was before forfeiture its holder or entitled to it or to any other person on such terms and in such manner as the Board shall determine and, in the case of re-allotment, whether with or without all or any part of the amount previously paid up on the share being treated as so paid up. The Board may, for the purposes of the disposal in the case of certificated shares, authorise some person to transfer the share in question and may enter the name of the transferee in respect of the transferred share in the register of members of the Company notwithstanding the absence of any share certificate being lodged in respect of it and may issue a new certificate to the transferee in respect of certificated shares transferred to it. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of or the person entitled by transmission to the share. In the case of un-certificated shares the Board may exercise any power conferred on it by article 19.5 of the Articles (Forfeiture and sale) to effect a transfer of the shares. The Company may, if the Board considers it just and equitable to do so, receive the consideration (if any) given for the share on its disposal.

(vii) Effect of forfeiture

A member whose shares have been forfeited shall cease to be a member in respect of the shares forfeited and shall in the case of a certificated share surrender to the Company for cancellation the certificate for such shares. He shall nevertheless be liable (unless payment is waived in whole or in part by the Directors) to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest on them from the date of the forfeiture to the date of payment at the rate at



which interest was payable on those amounts before the forfeiture or, if no interest was so payable, at such rate not exceeding 15 per cent. per annum as the Board may determine, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) claims, demands and liabilities which the Company might have enforced in respect of the shares at the time of forfeiture without any reduction or allowance for the value of the shares at the time of forfeiture or for any consideration received on the disposal.

(viii) Extinction of claims

The forfeiture of a share shall include all dividends and other payments or distributions declared in respect of the forfeited shares and not paid or distributed before forfeiture.

(ix) Evidence of forfeiture

A statutory declaration by a Director or the secretary that a share has been forfeited in pursuance of the Articles and stating the date on which it was forfeited shall as against all persons claiming to be entitled to the share adversely to its forfeiture, be conclusive evidence of the facts stated in it. The declaration, together with the receipt of the Company for the consideration (if any) given for the share on its sale or disposition and a certificate for the share delivered to the person to whom it is sold or disposed of, shall (subject if necessary to the execution of an instrument of transfer) constitute a good title to the share. Subject to the execution of any necessary transfer in the case of a certificated share, such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of the purchase money or other consideration (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture or disposal of the share. Such person shall not (except by express agreement with the Company) become entitled to any dividend which might have accrued on the share before the completion of the sale or disposition thereof.

(h) *Directors*

Unless and until otherwise determined by the Company by ordinary resolution the number of Directors (other than any alternate Directors) shall be not less than two or more than 10.

(i) Share qualification

A Director shall not be required to hold any shares of the Company.

(ii) Directors' fees

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £200,000 per annum in aggregate or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day.

(iii) Additional remuneration

If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

(iv) Directors' expenses

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

(v) Remuneration of executive Directors

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to the Articles.

(vi) Directors' pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for or to institute and maintain any institution, association, society, club, trust, other establishment or profit sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a Director of the Company or any company which is a subsidiary company of or allied to or associated with the Company or any such subsidiary or any predecessor in business of the Company or of any such subsidiary and for any member of his family (including a spouse or former spouse or civil partner or former civil partner) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Companies Acts, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with, any of the aforesaid matters or bodies. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under this Article and shall not be obliged to account for it to the Company.

(vii) Disclosure of interests to the Board

(A) A Director must declare the nature and extent of his interest to the other Directors in any matter of situation in which the Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it).

(B) If a Director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other Directors.

(C) If a Director is in any way, directly or indirectly, interested in a transaction or arrangement which has already been entered into by the Company, he must declare the nature and extent of his interest to the other Directors.

The declaration of interest must (in the case of paragraph (C) of this article) and may, but need not (in the case of (A) or (B) of this article), be made: (i) at a meeting of the Directors; or (ii) by notice to the Directors in accordance with: (a) Section 184 of the 2006 Act (Notice in writing); or (b) Section 185 of the 2006 Act (General notice).

No declaration is required in relation to an interest of which the Director is not aware, or where the Director is not aware of the transaction or arrangement in question. For this purpose, a Director is treated as being aware of matters of which he ought reasonably to be aware.

(i) *Appointment and retirement of directors*

(i) Power of Company to appoint directors

Subject to the provisions of the Articles and to the Companies Acts, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any additional Directors are to retire, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

(ii) Power of Board to appoint directors

Without prejudice to the power of the Company to appoint any person to be a Director pursuant to the Articles, the Board shall, subject to the provisions of the Companies Acts, have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

(iii) Retirement by rotation

(A) Any Director appointed by the Board shall retire at the annual general meeting of the Company next following his appointment.

(B) At any annual general meeting of the Company, any Director who has not been appointed or re-appointed at either two previous annual general meetings of the Company shall retire and be required to seek re-election.

(C) If, at any annual general meeting of the Company, the number of Directors required to retire pursuant to paragraph (B) of this article above is less than one third of the total number of Directors calculated in accordance with paragraph (D) of this article (rounded down to the nearest whole number (the "Relevant Proportion"), such number of additional Directors ("Additional Directors") as is required (when taken together with the Directors required to retire pursuant to paragraph (D) of this article) to constitute the Relevant Proportion shall retire at such annual general meeting of the Company. Subject to the penultimate sentence of article 84 of the Articles (Removal by ordinary resolution), the Additional Directors to retire shall be those who have been the longest to have held office since their appointment or re-appointment but, as between persons who were appointed or were last appointed or re-appointed Directors on the same day, those to retire shall (unless otherwise agreed between them) be determined by lot.

(D) In calculating the "total number of Directors" for the purposes of article (iii)(C) above, any Director who:

(i) wishes to retire and not be re-elected; or

(ii) is subject to re-election in accordance with paragraph (A) of this article, shall be disregarded.

(iv) Re-election of retiring directors

A Director who retires at an annual general meeting of the Company (whether by rotation or otherwise) may, if willing to act, be re-appointed. If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy created by his retirement, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is expressly resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost or unless the retiring Director has given notice in writing to the Company that he is unwilling to be re-elected or unless the default in filling the vacancy is due to the moving of a resolution in contravention of the above article (Resolution for appointment).

(v) Timing of retirement

The retirement of any Director retiring at an annual general meeting in accordance with the Articles shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost in which case the retirement shall take effect at the time of election of his replacement or the time of the losing of that resolution as the case may be. A retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

(vi) Vacation of office by Director

Without prejudice to any provisions for retirement contained in the Articles, the office of a Director shall be vacated if:

- (A) he resigns by notice in writing delivered to the company secretary at the registered office of the Company or tendered at a Board meeting in which event he shall vacate that office on the service of that notice on the Company or at such later time as is specified in the notice or he offers in writing to resign from his office and the Directors resolve to accept such offer; or
- (B) he ceases to be a Director by virtue of any provision of the Companies Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director; or
- (C) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the Court for an interim order under Section 253, Insolvency Act 1986 in connection with a voluntary arrangement under that Act; or
- (D) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or
- (E) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (F) he shall be absent, without the permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director appointed by him attends) and the Board resolves that his office be vacated; or
- (G) he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and signed by all the other Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company); or
- (H) he is convicted of an indictable offence and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director of the Company; or
- (I) the conduct of that Director (whether or not concerning the affairs of the Company) is the subject of an investigation by an inspector appointed by the Secretary of State or by the Serious Fraud Office (or any successor body or body equivalent in any foreign jurisdiction thereto) and the Board shall resolve that it is undesirable that he remains a Director; or
- (J) notice is given to terminate his contract of employment or engagement with the Company where he is in breach of such contract; or
- (K) he has been disqualified from acting as a Director.

(vii) Removal by ordinary resolution

The Company may by ordinary resolution (of which special notice has been given in accordance with Section 312, 2006 Act) remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and

the Company, may (subject to the Articles and the provisions of the Companies Acts) by ordinary resolution (of which special notice has been given in accordance with Section 312, 2006 Act) appoint another person at that meeting who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire by rotation, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director. In default of such appointment the vacancy arising upon the removal of a Director from office may be filled by a casual vacancy.

(viii) *Resolution as to vacancy conclusive*

A resolution of the Board declaring a Director to have vacated office under the terms of paragraph vi above (Vacation of office by Director) shall be conclusive as to the fact and grounds of vacation stated in the resolution.

(ix) *Meetings and proceedings of directors*

Subject to the provisions of the Articles and the Companies Acts, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. One Director may and the company secretary at the request of a Director shall summon a Board meeting at any time. Notice of a Board meeting shall be deemed to be properly given to a Director if is given to him personally or by word of mouth or sent in writing (whether in hard copy form or electronic form) to him at his last known address or any other address (including electronic address) given by him to the Company for this purpose.

(j) *Borrowing powers*

Subject as provided by the Articles, the directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company or any other party. The directors shall so restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries as to secure (so far as by such exercise they can secure) that the aggregate amount for the time being remaining un-discharged of all sums borrowed by the Company and its subsidiaries (exclusive of sums borrowed from or owing to the Company or any such subsidiary) shall not at any time exceed an amount equal to three times the share capital and consolidated reserves (as defined in article 107 of the Articles) without the previous sanction of an ordinary resolution of the Company in general meeting.

(k) *Shareholder meetings*

Subject to the provisions of the Companies Acts, annual general meetings of the Company shall be held at such time and place as the Board may determine. An annual general meeting must be convened, unless all shareholders entitled to attend and vote agree to short notice, on giving 21 clear days' notice in writing to the members of the Company.

The Board may convene a general meeting whenever it thinks fit. A general meeting must be convened, unless a majority in number of the members having a right to attend and vote at the meeting (being a majority who hold together not less than 95 per cent. in nominal value of the shares giving that right) agree to short notice, on giving 14 clear days' notice in writing to the members of the Company.

(l) *Distribution of assets*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively.

## **6. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

### **6.1 Mandatory bids**

Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to an interest (as defined in the Takeover Code) in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent

of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of an interest (as defined in the Takeover Code) in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company in which he is interested.

## 6.2 Squeeze-out

Under the 2006 Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares then, within four months of making its offer, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

## 6.3 Sell-out

The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can, by a written communication to the offeror, require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 7. Directors' and Other Interests

7.1 The interests of the Directors and the Proposed Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons, as at 21 October 2013 (being the latest practicable date prior to publication of this document) within the meaning of Section 252 of the 2006 Act in the issued share capital of the Company, which are required to be disclosed by the AIM Rules for Companies, are as follows:

<i>Name</i>	<i>Current Holding</i>		<i>Following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>% of Existing In-Deed Online Shares</i>	<i>No. of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Andrew Brode	—	—	127,500,005	46.23
Peter Gordon	1,730,000	8.48	1,730,000	0.62
Harry Hill	1,730,000	8.48	1,730,000	0.62
Peter Mountford	—	—	—	—
Jonathan Satchell	—	—	127,499,995	46.22
Philip Williamson	59,523	0.29	59,523	0.02
Boris Zhilin	1,120,000	5.49	1,120,000	0.41

- 7.2 On Admission, the following Directors and Proposed Directors and their respective connected persons will hold the following share options over Ordinary Shares issued pursuant to the New Share Option Scheme:

<i>Name</i>	<i>Number of options over Ordinary Shares</i>	<i>Date of grant</i>	<i>Exercise price (pence)</i>
Andrew Brode	—	—	—
Peter Gordon	—	—	—
Harry Hill	—	—	—
		21 October	
Peter Mountford	4,247,705	2013	5.88
Jonathan Satchell	—	—	—
Philip Williamson	—	—	—
Boris Zhilin	—	—	—

- 7.3 Save as disclosed above and in paragraph 4.12 of this Part VIII, on Admission, the Company will have no outstanding options, warrants or convertible securities pursuant to which the Company may be called to allot or issue any shares or other securities.
- 7.4 The persons, including the Directors and the Proposed Directors, referred to in paragraphs 7.1 and 7.2 of this Part VIII, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder of the Company.
- 7.5 No Director or Proposed Director or members of their immediate families or any of their connected persons within the meaning of section 252 of the 2006 Act has a related financial product (within the meaning of the AIM Rules for Companies) relating to Ordinary Shares.

## **8. Directors' and Proposed Directors' Service Agreements/Letters of Appointment**

- 8.1 The following agreements have been entered into between the Company and the non-executive Directors and non-executive Proposed Directors:
- (a) pursuant to a letter of appointment dated 21 October 2013 Andrew Brode was appointed as a non-executive Director and Chairman of the Company, conditional upon Admission. Mr Brode will not be entitled to a director's fee; and
- (b) pursuant to a letter of appointment dated 21 October 2013 Harry Hill was appointed as a non-executive Director of the Company, conditional upon Admission. Mr Hill will be entitled to a fee of £30,000 per annum.

Each of the non-executive Directors is entitled to be reimbursed in full for all reasonable out of pocket expenses which he properly incurs in the course of performing his duties. The proposed non-executive Director, Andrew Brode, is to consult the New Board in the event of any conflict of interest. Each of the appointments of the proposed non-executive Directors is to continue until being terminated by the Company giving not less than three months written notice or by the respective proposed non-executive Directors giving not less than one months notice or immediately in certain circumstances including by resolution of the Shareholders. If a non-executive Director is removed from office by a resolution of the Shareholders, not re-elected to office or the office is vacated in accordance with the terms of the letters of appointment, such non-executive Directors will not be entitled to compensation.

- 8.2 The following agreements have been entered into between the Company and the Proposed Directors:
- (a) pursuant to a service agreement dated 21 October 2013 between Jonathan Satchell and the Company, Jonathan Satchell will be appointed Chief Executive Officer of the Enlarged Group with effect from Admission. Subject to and conditional upon Admission his remuneration is £75,000 per annum. Pursuant to the terms of the service agreement, Jonathan Satchell is entitled to an annual bonus of an amount equal to 17.5 per cent. of the amount by which the consolidated earnings before interest, tax and depreciation of the Enlarged Group ("EBITDA") in each financial year exceeds the EBITDA target for the relevant financial year as set by the Board prior to the commencement of such financial

year. The service agreement may be terminated by either party at any time after the expiry of 12 months following the date of Admission by either party giving to the other not less than six months prior written notice; and

- (b) pursuant to a service agreement dated 21 October 2013 between Peter Mountford and the Company, Peter Mountford will be appointed Executive Deputy Chairman with effect from Admission. Peter Mountford will be paid an annual salary of £50,000. The service agreement may be terminated by either party at any time after the expiry of 12 months following the date of Admission by either party giving to the other not less than six months prior written notice.

8.3 Jonathan Satchell has entered into a consultancy agreement with Epic dated 21 October 2013 pursuant to which Jonathan Satchell has been supplying consultancy services to the Epic Group since 13 June 2008. The agreement is terminable by either party by three months prior written notice. The services provided by Jonathan Satchell concern the provision of expert advice and other sales and management consultancy services to develop the strategy and improve Epic's performance, are on a non-exclusive basis and the relevant dates per month on which services are provided are agreed in advance with Andrew Brode as chairman of Epic. Jonathan Satchell is entitled to a fee of £1,000 per day plus VAT on which services are provided and is entitled to be reimbursed reasonable out of pocket expenses necessarily incurred by him in the provision of the services.

8.4 Save as disclosed above, there are no service agreements existing or proposed between any Director or any Proposed Director and the Company or any member of the Enlarged Group.

## 9. Additional Information on the Directors and the Proposed Directors

9.1 In addition to directorships of companies within the Enlarged Group, the Directors and the Proposed Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Harry Hill	Bluethroat Limited Colfran Limited Commercial Property Digital Limited Commercial Property Media Limited Countrywide North Limited JSST Securities Limited Jupiter Second Split Trust PLC Michaelieva Business Services Limited The National Hospital For Neurology and Neurosurgery Development Foundation	Abbotts Estate Agents Ltd Alder King Countrywide Limited Asgard Estates Limited Bairstow Eves Kent Limited Balanus Limited BBG Estate Agencies Bureau Estates Limited CAG Overseas Investments Limited CEA Holdings Limited Chappell & Matthews Limited Countrywide (West Midlands) Limited Countrywide Country Houses Limited Countrywide Dorset Limited Countrywide Essex Limited Countrywide Estate Agents Countrywide Estate Agents (South) Limited Countrywide Financial Services (South) Limited Countrywide Group Plc Countrywide Property Auctions Limited Faron Sutaria & Company Limited Fulfords Estate Agents Limited Gascoigne-Pees Three Counties Limited Gertingpet Limited HCW Group Limited Helium Miracle 132 Limited Home From Home Limited Howunalis Limited Howuncea JKM Property Solutions (UK) Limited John D Wood & Co. (Residential & Agricultural) Limited John D Wood & Co. PLC



<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
		Joustroute Limited Jupiter Financial Trust PLC. Loyalstone Limited Mann & Co (Kent) Limited Mann & Co. Limited Mann Countrywide Limited Miller Estate Agents Limited Movehut Ltd Newcrest Management Services Limited Palmer Snell Limited PKL Limited R.A. Bennett & Partners Ltd. RPT Management Services PLC Runnett & Co Limited Spencers Estate Agents Limited Tablesign Limited Taylors (West) Ltd. Taylors Estate Agents Ltd Taylors South West Limited Umberman Limited Vulture Llp Waferprime Limited WB Newco 1 Limited Xanther Ltd
<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Peter Gordon	3i Pan European Buy-Outs 2004-06 LP 3i Pan European Buyouts 2006-08a LP Albemarle (Shoreham) LLP Albemarle Cardiff LLP Bluethroat Limited Commercial Property Digital Limited Commercial Property Media Limited Coronation IV LP Pan European Buy-outs 2004-6 LP Pan European Buyouts 2006-08A LP Pan European Buyouts Co-invest 2006-08 LP	Runnett & Co Limited Vulture LLP
<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Philip Williamson	EBS Building Society Acenden Limited	Investors in People UK JKM Property Solutions (UK) Limited Vulture LLP
<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Boris Zhilin	Abeille Value Holdings, LLC Amor Capital Offshore Limited Amor Capital Offshore Master Limited Armor Advisors, LLC	
<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Andrew Brode	Atom Content Marketing Ltd Beijing RWS Science & Technology Information Consultancy Co Limited Bybrook Limited Communicare Limited Davda & Associates Limited Document Service Center Gmbh Eclipse Translations Ltd. Electric Word PLC Harleystreet World Limited Health Hub Limited Hotbed Group Limited IT Governance Limited	ACJV Limited AD-EX (Translations) Limited AXCO Insurance Information Services Limited Chemical Translations Limited Edgeworth King And Co. Limited European Law Translations Limited HDOL2012 Limited HDTL2012 Limited Independent Media Support Group Plc (now IOW Island Group Limited) Internet Direct Limited Pang Management Limited

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
	Japanese Language Services Limited	Rage Plc
	KK RWS Group	Sport First Plc
	Lawyers And Merchants Translation Bureau Inc	The Language Service Limited
	Pharmaquest Ltd	Trademark Searches Limited
	Plastics Translations Limited	
	Reading Room Limited	
	RWS (Overseas) Limited	
	RWS Group GmbH	
	RWS Group Limited	
	RWS Holdings Plc	
	RWS Information Limited	
	RWS Translations Limited	
	RWS Vault Limited	
	Tributary Limited	
	Vitesse Media Plc	
	Walkwood Properties Limited	
<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Peter Mountford	Bradmount Capital Partners LLP	Bold Products Limited
	Bradmount Holdings Limited	Bradmount Corporate Finance Limited
	Bradmount Investments Limited	Freeplay Strategic Advisors Limited
	Heropreneurs	Growth Innovators Group Limited
	Mountford Capital Limited	Lifeline Energy
	RWS Holdings Plc	Lifeline Technologies Trading Limited
<i>Name</i>	<i>List of current directorships</i>	<i>List of previous 5 years directorships</i>
Jonathan Satchell	Nemo Equity Limited	Epiance Limited
	Ratton School Academy Trust	Ratton School Trust
		Vericomp Limited

9.2 Save as disclosed in this document, none of the Directors nor any of the Proposed Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any individual voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets placed in receivership or a partner in any partnership any asset of which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9.3 Harry Hill was appointed a director of Harvinman Limited on 24 December 1991. On 26 February 1992, the company was placed into voluntary creditors' liquidation and dissolved on 5 August 1997. There was no deficiency as regards creditors.

9.4 Andrew Brode was appointed as a director of Mandis Information Services Limited on 23 December 2003. On 5 October 2006, that company was placed into voluntary creditors' liquidation and dissolved on 14 May 2008. There was no deficiency as regards creditors.

Andrew Brode was appointed as a non-executive director of Rage plc on 12 November 1991. On 15 January 2003, the company was placed into administrative receivership and dissolved on 11 August 2009. There was no deficiency as regards creditors.

- 9.5 Peter Mountford made an investment in Crystalware Ltd and was appointed a non-executive director of the company on 14 July 1999. The company changed its name to Bold Products Limited on 19 October 2006. On 25 October 2006, Bold Products Limited was placed into administrative receivership and then creditors voluntary liquidation on 27 March 2007. The company was dissolved on 2 October 2009 with no deficiency as regards creditors.

Peter Mountford made an investment in The Industry Limited and was appointed a non-executive director of the company on 29 October 2001. On 4 December 2003, the company was placed into administrative receivership and dissolved on 24 July 2007. The deficiency as regards creditors was c.£4.9 million.

- 9.6 Save as disclosed in this document, no Director or Proposed Director has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or its subsidiaries and which was effected by any of them and remains in any respect outstanding or unperformed.
- 9.7 No loans made or guarantees granted or provided by the Company or any member of the Enlarged Group to or for the benefit of any Director or Proposed Director are outstanding.
- 9.8 Save as set out in this document, none of the Directors nor any of the Proposed Directors has any interest in the share capital of any company in the Enlarged Group.
- 9.9 Save as disclosed in this document, none of the Directors nor any of the Proposed Directors has any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Enlarged Group or which are proposed to be so acquired, disposed or leased.
- 9.10 No Director or Proposed Director has any direct or indirect interest in any contract or arrangement subsisting at the date of this document which is significant to the business of the Group.

## 10. Significant Shareholdings

- 10.1 In addition to the interests of the Directors and the Proposed Directors set out in paragraph 7.1 above, as at 21 October 2013 (being the latest practicable date prior to publication of this document) the following persons were, or will at Admission, be directly or indirectly interested (within the meaning of sections 820 to 825 (inclusive) of the 2006 Act) in 3 per cent. or more of the issued share capital of the Company:

<i>Name of shareholder</i>	<i>Current holding</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of existing In-Deed Online Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Hargreave Hale	2,168,771	10.63	2,168,771	0.79
Numis Securities	1,535,678	7.53	1,535,678	0.56
Octopus Investments	1,192,476	5.85	1,192,476	0.43
Mr Laurence Jacobs	1,100,000	5.39	1,100,000	0.40
Mr Anthony Ekins	800,000	3.92	800,000	0.29
Mr Ben Green	800,000	3.92	800,000	0.29
Mr George White	800,000	3.92	800,000	0.29
Mr Paul Kaju	800,000	3.92	800,000	0.29
MD Barnard	687,016	3.37	687,016	0.25

- 10.2 Save as disclosed above and in paragraph 7.1 above, so far as the Company is aware, there are no persons who are or will be immediately following Admission interested directly or indirectly in 3 per cent. or more of the Company's issued share capital, nor so far as the Company is aware, are there any persons who directly, or indirectly, jointly or severally, exercise or could exercise control at a subsequent date, over the Company.

- 10.3 The Company, the Directors and the Proposed Directors are not aware of any arrangements, the operation of which, may at a subsequent date result in a change of control of the Company.
- 10.4 All of the Company's significant Shareholders have the same voting rights as all other Shareholders.

## 11. Material Contracts

- 11.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date of this document and are, or may be, material or contain provisions under which any member of the Enlarged Group has any obligation or entitlement which is, or may be material:
- (a) Pursuant to the Acquisition Agreement dated 22 October 2013, the Company agreed to purchase the entire issued share capital of Epic in consideration of the issue to the Vendors of the Consideration Shares and payment of a cash sum of £900,000. In addition, holders of 1,117,555 options to subscribe for Epic Shares have elected to exercise their options and 1,117,555 Epic Shares will be allotted to subscribers prior to Admission and the Vendors have agreed to procure that all such Epic Shares allotted to holders of options will be sold to the Company for an aggregate cash consideration of £423,254 pursuant to the terms of the Acquisition Agreement. The Acquisition Agreement is conditional upon, amongst other things, publication of this document and of the Resolutions as set out in the Notice of General Meeting being passed and Admission. The Vendors are giving customary warranties about the Epic Group and a customary indemnity relating to tax liabilities and Completion is conditional upon, amongst other things, there having been no material adverse change to the prospects and business of the Epic Group since the date of the Acquisition Agreement and the warranties remaining true. The Company may terminate the Acquisition Agreement prior to Completion if, prior to completion of the Acquisition there is a material adverse change affecting the Epic Group or if there is a material breach of the Vendors' warranties. Material for this purpose is a liability to the Epic Group of £150,000. If the Company becomes aware prior to completion of the Acquisition of a breach of the Vendors' warranties which would entitle it to terminate the Acquisition Agreement but it chooses not to do so and continues to complete the Acquisition, it shall be deemed to have waived its rights to claim in respect of that breach of the Vendors' warranties. The Vendors may terminate the Acquisition Agreement at any time, amongst other things, if there is a material adverse change affecting the Company or if there is a Material breach of certain warranties given by the Company relating to the Company. Material for this purpose is a liability of £150,000. In the event of a claim under the Acquisition Agreement against the Vendors for a breach of warranty or under the indemnities during the period of 12 months following Admission (the "**lock-in period**") and if the Vendors are not, during that time, released from their restrictions on selling any of the Consideration Shares under their respective Lock-in Deeds described in paragraph 12 of this Part VIII, the Company has agreed with the Vendors that the time for payment of the amount of their liability under the relevant warranties and/or indemnities in the Acquisition Agreement will be extended until three months after the expiry of the lock-in period.
- (b) Under a nominated adviser and broker agreement dated 10 June 2011 between Numis, the Company and the Directors (the "**Nomad Agreement**"), Numis agreed to act as nominated adviser and broker to the Company for the purpose of the AIM Rules for an initial period of 24 months and thereafter subject to one month's written notice by either party. Numis may nevertheless terminate its appointment as nominated adviser and broker at any time by giving written notice to the Company in certain circumstances which include, amongst other things, if the Company fails to comply with advice given to the Company and/or the Directors such that in the reasonable opinion of Numis, such failure could jeopardise or damage the reputation of Numis. The Nomad Agreement contains customary indemnities from the Company in favour of Numis.
- (c) An introduction agreement dated 22 October 2013 ("**Introduction Agreement**") between the Company (1), the Directors and the Proposed Directors (2) and Numis (3) relating to the application to be made for Admission. The Introduction Agreement is conditional, amongst other things, on the execution of the lock-in agreements referred to in paragraph

12 of this document, the Acquisition Agreement becoming unconditional in all respects (save for any condition relating to Admission), the passing of the Resolutions and Admission occurring not later than 8 November 2013 (or such later date as may be agreed between the Company and Numis, being no later than 30 November 2013). The Introduction Agreement contains customary warranties and undertakings given by the Company, the Directors and the Proposed Directors as to the accuracy of the information contained in this document and other matters relating to the Ordinary Shares, the Enlarged Group and its business. In addition, the Company has given certain indemnities to Numis in respect of certain customary matters.

Numis is entitled to terminate the Introduction Agreement in certain circumstances prior to Admission, amongst other things, in the event of the occurrence of certain force majeure events, or an unremedied breach of the Introduction Agreement or a breach of any of the warranties or indemnities contained in it. If any of the conditions contained in the Introduction Agreement are not satisfied (or waived, where capable of being waived) or if for any other reason the Acquisition does not proceed, Admission will not take place. In consideration of its services in connection with the Introduction Agreement, the Company has agreed to pay Numis a fee of £125,000 in cash plus VAT and a fee of £25,000 which will be satisfied by the allotment and issue to Numis of 425,000 Ordinary Shares.

The Company has agreed to pay or cause to be paid (together with any related Value Added Tax) certain costs, charges, fees (including legal fees) and expenses of, or in connection with or incidental to Admission.

- (d) Pursuant to an agreement dated 30 May 2013 between the Company and Matthew Lewis, the Company sold the entire issued share capital of Xanther Limited for a consideration of £1. In addition, the Company assigned all of its interests in its intellectual property rights in its systems and technology to Mr Lewis. In addition, pursuant to that agreement the Company capitalised an existing loan balance from Xanther Limited to the Company of £325,000 by way of the issuance of additional shares in Xanther Limited which were sold to Mr Lewis.
- (e) Pursuant to an agreement dated 21 October 2013 between the Company (1) and Peter Gordon (2), Peter Gordon's employment with the Company will be terminated with effect from Admission. Mr Gordon received a compensation payment of £10,775 and agreed to waive any claims he may have against the Company. Mr Gordon will step down as a director of the Company on Admission.
- (f) Pursuant to an agreement dated 21 October 2013 between the Company (1) and Harry Hill (2), Harry Hill's appointment as an executive director and chairman of the Company will be terminated with effect from Admission. Mr Hill will remain a non-executive director of the Company pursuant to the terms of the engagement letter described at paragraph 8.1(b) of this Part VIII. Mr Hill will receive a compensation payment of £1.

11.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Epic or its subsidiaries within the period two years immediately preceding the date of this document and are, or may be, material or contain provisions under which Epic or its subsidiaries has any obligation or entitlement which is, or may be material:

- (a) a shareholders agreement dated 29 February 2012 between (1) Jonathan Satchell and Andrew Brode and (2) Epic concerning matters related to Epic. Jonathan Satchell and Andrew Brode have agreed that this agreement will terminate upon Admission;
- (b) a memorandum of understanding dated 31 May 2011 between Me Digital Tecnologia E Consultoria Educacional Ltda. and Epic in relation to a joint venture in Brazil concerning Epic Brasil Tecnologia Educacional Ltda. Pursuant to this memorandum of understanding each party invested equal amounts for a 50 per cent. stake each in Epic Brazil. A balance of £30,000 is due by Epic to EpicBrasil under this agreement; and
- (c) pursuant to an agreement dated 26 September 2013, Epic entered into a co-existence agreement with Learning Technologies Limited ("LTL") whereby LTL agreed, amongst other things, to change its name to LTL Training Limited, to consent to a newly incorporated company owned by Epic, and to Epic using and registering the trade mark "learning technologies" for any business. Epic agreed, amongst other things, to pay LTL

£10,000 (inclusive of any applicable taxes), to consent to LTL continuing to trade as Learning Technologies and to LTL registering a trade mark but only in respect of its own defined business, goods and services.

## **12. Lock-in Agreements**

12.1 On 22 October 2013 Numis, the Company and each member of the Epic Locked-in Party entered into a lock-in agreement pursuant to which each member of the Epic Locked-in Party agrees with the Company and the Nomad, conditional on Admission, that he will not (subject to certain exceptions) sell, transfer or dispose of Consideration Shares held by him or any related parties (as defined in the AIM Rules for Companies) until the expiry of 12 months from Admission. In addition, each Epic Locked-in Party has agreed for a further period of twelve months after expiry of the twelve month lock-in period that, subject to certain exceptions, they will only sell such interests through Numis and on an orderly market basis. Those restrictions will not apply in certain limited circumstances which include, amongst others:

- (a) the acceptance of a general, partial or tender offer for the whole or part of the issued share capital of the Company in accordance with the Takeover Code and the ability to provide an irrevocable undertaking to accept such offer;
- (b) a disposal by the personal representatives of an Epic Locked-in Party on his death; or
- (c) with the prior written consent of Numis.

## **13. Premises**

The Company's principal place of business is at Elizabeth House, 39 York Road, London, SE1 7NQ. With effect from Admission the Company's principal place of business will be at 52 Old Steine, Brighton, East Sussex, BN1 1NH.

## **14. Employees**

14.1 At the date of this document the Company has 2 full time employees and the Epic Group has 119 full time employees.

14.2 On Admission, the Enlarged Group will have 121 full time employees.

## **15. Principal Investments**

Save as disclosed in this document, the Company has no principal investments for each financial period covered by the historical financial information incorporated by reference into this document by Part V and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.

## **16. Litigation**

No member of the Enlarged Group is, nor has at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company, the Directors and the Proposed Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Enlarged Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company's or the Enlarged Group's financial position or profitability.

## **17. Working Capital**

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that following Admission the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

## **18. Significant Changes**

18.1 Save in relation to the sale of the Company's subsidiary, Xanther Limited, described in paragraph 2 of Part I and paragraph 11.2 of Part VIII of this document, and as set out in the financial information at Part V, there has been no material change in the financial or trading position or prospects of the Company since 31 March 2013.

- 18.2 Save as set out in relation to current trading and prospects referred to in paragraph 8 of Part II of this document and as set out in the financial information at Part VI, there has been no material change in the financial or trading position or prospects of the Epic Group since 30 June 2013.
- 18.3 Save for the termination of the service agreements referred to in paragraphs 11.1(e) and (f) of this Part VIII, there have been no other amendments to or new service contracts entered into in the six months prior to the date of this document.

## 19. Related Party Transactions

### 19.1 *In-Deed Online plc*

Neither In-Deed nor any of its subsidiaries is, nor has been, party to any transactions with related parties which were material to In-Deed or its subsidiaries respectively during the financial periods ended 31 March 2010, 2011 and 2012.

### 19.2 *Epic Group Limited*

With the exception of arrangements between the Epic Group and RWS Holdings plc, a company in which Andrew Brode is a director and substantial shareholder, pursuant to which the Epic Group purchases translation services from RWS Holdings plc on arms length commercial terms, neither Epic nor any of its subsidiaries is, nor has been, party to any transactions with related parties which were material to Epic or its subsidiaries respectively during the financial periods ended 31 December 2010, 2011 and 2012 (as applicable) and the six month period ended 30 June 2013.

## 20. Taxation

**The following statements are intended only as a general guide current as at 21 October 2013 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of the HMRC and do not constitute tax advice. They may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom is strongly recommended to consult his professional advisers immediately.**

### 20.1 *Stamp Duty and Stamp Duty Reserve Tax*

Save in relation to non-EU depository receipt arrangements or clearance services, where special rules apply, no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of ordinary shares.

A subsequent transfer on the sale of ordinary shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration.

Paperless transfers of shares within CREST will be liable to SDRT rather than stamp duty (generally at a rate of 0.5 per cent.) and SDRT on the relevant transactions settled in CREST or reported through CREST for regulatory purposes will generally be settled by CREST.

Special rules apply to market intermediaries, dealers and certain other persons and professional advice should be sought if these rules apply.

### 20.2 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends are as follows:

There is no United Kingdom withholding tax on dividends. Individual holders of ordinary shares will be taxable on the total of the dividend and the related notional tax credit (“**gross dividend**”), which will be regarded as the top slice of the individual’s income.

The notional tax credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Individuals who pay tax at the higher rate of 40 per cent. will pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax

credit of £10 will have a further £22.50 liability. An individual who receives a dividend falling above the higher rate tax band of £150,000 will be subject to tax on the gross dividend of 37.5 per cent.

Generally, holders of ordinary shares will not be entitled to reclaim the tax credit attaching to any dividends paid.

A holder of ordinary shares which is a company resident for tax purposes in the United Kingdom will have to pay corporation tax in respect of any dividends it receives from another company resident for tax purposes in the United Kingdom, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their ordinary shares or in respect of other transactions relating to the shares under the tax law of their country of residence. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim tax relief on the notional tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident and local tax law. Non-UK resident shareholders should consult their own tax advisers as soon as possible concerning their tax liability on dividends received; what relief, credit or entitlement to any tax credit may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the ordinary shares.

### 20.3 *Disposal of shares*

A shareholder who is an individual resident or ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his ordinary shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Capital gains tax is charged at a rate of 28 per cent. where income and gains exceed the threshold for higher rate tax, and 18 per cent. if income and gains are below this level.

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of ordinary shares but will generally be entitled to indexation allowance in respect of these ordinary shares up until the date of disposal. Certain reliefs are available to corporate shareholders that could exempt gains where they have substantial shareholdings and other conditions are met. Such shareholders should seek further advice to determine their eligibility.

A shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his ordinary shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such ordinary shares are to have been used, held or acquired for the purposes of such UK permanent establishment. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of ordinary shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

### 20.4 *Tax reliefs*

Entrepreneurs' Relief may be available to reduce the capital gain liable to tax on a disposal of ordinary shares by a shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent. of the ordinary share capital and voting power of the Company. A holding in the shares of the Company may qualify for other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

**Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.**



**These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that ordinary shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.**

## **21. Third Party Information**

21.1 The Company confirms that the information in this document which has been sourced from third parties has been accurately reproduced and that as far as it is aware and able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

21.2 The source of the third party information had been indicated on the relevant pages.

## **22. General**

22.1 The total costs and expenses relating to the Acquisition and Admission payable by the Company are estimated to be approximately £450,000 excluding taxation.

22.2 Crowe Clark Whitehill LLP have given and not withdrawn their written consent to the inclusion of references to their name herein in the form and context in which they appear and to the inclusion of their reports in this document and have authorised the contents of their accountants' report for the purposes of Schedule Two of the AIM Rules for Companies.

22.3 The nominated adviser to the Company is Numis which is authorised and regulated by the FCA. Numis has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it appears.

22.4 The Rule 3 Advisor is Saffery Champness, chartered accountants. Saffery Champness has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it appears.

22.5 Pursuant to Chapter 5 of the Disclosure and Transparency Rules, a person must notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. Pursuant to Part 22 of the 2006 Act, the Company is empowered by notice in writing to require any person whom the Company knows or has reasonable cause to believe to be interested in the Company's shares or, to have been so interested at any time during the three years immediately preceding the date on which the notice is issued, to disclose to the Company, within a reasonable time, particulars of any interests rights, agreements or arrangements affecting any of the shares held by that person or in which such other person is interested.

22.6 Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

22.7 Save as disclosed in Part I, there are no patents, industrial, commercial or financial contracts or new manufacturing processes which are material to the Enlarged Group's business or profitability.

22.8 Save as disclosed in Part II of this document, there are no investments in progress which are or may be significant to the Enlarged Group.

22.9 There are no environmental issues that may affect the Enlarged Group's utilisation of the Enlarged Group's tangible fixed assets.

22.10 The historical financial information concerning the In-Deed Online Group incorporated by reference and referred to in Part V of this document has been audited (save for the unaudited half yearly report to 30 September 2013) and is unqualified. The historical financial information concerning Epic and contained in Part VI of this document has been audited (save for the unaudited half yearly report to 30 June 2013) and is unqualified, however, the financial information does not constitute full statutory accounts within the meaning of section 434 of the 2006 Act.

- 22.11 The auditors of the Company for the financial year ended 31 March 2013 were Moore Stephens LLP of 25 Bothwell Street, Glasgow, G2 6NL. Moore Stephens LLP are chartered accountants and statutory auditors who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
- 22.12 The Epic Group's current auditors are Crowe Clark Whitehill LLP of St Bride's House, 10 Salisbury Square, London, EC4Y 8EH. Crowe Clark Whitehill LLP are chartered accountants and statutory auditors who are registered to carry out audit work by the Institute of Chartered Accountants in England Wales.
- 22.13 The principal activities of the Enlarged Group are described in Part I and Part II of this document. Save as disclosed in Part I and Part II of this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 22.14 There are no management incentives in place in connection with the whitewash transaction, meant to encourage or facilitate the obtaining of the Waiver.
- 22.15 Except as disclosed in this document, no person (other than professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more; or
  - (b) securities in the Company with a value of £10,000 or more, calculated by reference to the expected opening price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 22.16 Each of the Directors is, or may be deemed to be, a promoter of the Company.

### **23. Document available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded), at the offices of Numis Securities Limited at 10 Paternoster Square, London, EC4M 7LT from the date of this document until one month from the date of Admission. The documents will also be available on the Company's website: [www.ltgplc.com](http://www.ltgplc.com), but hard copies of documents will not be sent unless requested:

- (a) this document;
- (b) the Articles;
- (c) the financial information on the Company and the Epic Group referred to in Parts V, VI and VII of this document;
- (d) the report from Crowe Clark Whitehill LLP on the financial information on Epic set out in Part VI of this document;
- (e) the Directors' service contracts and letters of appointment referred to in paragraph 8 of this Part VIII of the document;
- (f) the written consents of Crowe Clark Whitehill LLP, Numis and Saffery Champness referred to in paragraphs 22.2 to 22.4 of this Part VIII;
- (g) the material contracts referred to in paragraph 11 of Part VIII of this document; and
- (h) the irrevocable undertakings referred to in paragraph 14 of Part I of this document.

22 October 2013

## IN-DEED ONLINE PLC

*(Incorporated and registered in England and Wales with No: 07176993)*

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting (“**Meeting**”) of In-Deed Online plc (the “**Company**”) will be held at the offices of Edwin Coe LLP, 2 Stone Buildings, Lincoln’s Inn, London WC2A 3TH on 7 November 2013 at 10 am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed in the case of resolutions 1 to 3 as ordinary resolutions and in the case of resolutions 4 and 5 as special resolutions. Resolution 3 will be conducted by way of a poll.

This Notice concerns matters described in a circular to shareholders of the Company (comprising an admission document for the purposes of the AIM Rules for Companies published by London Stock Exchange plc) dated 22 October 2013 (the “**Circular**”). Words and expressions defined in the Circular have the same meaning in this Notice.

#### ORDINARY RESOLUTIONS

1. That the proposed acquisition (the “**Acquisition**”) by the Company of Epic Group Limited (“**Epic**”) be hereby approved on the terms and conditions contained in the share purchase agreement dated 22 October 2013 between the Company and the shareholders of Epic (the “**Acquisition Agreement**”) as further described in the Circular with such non-material amendments thereto as the directors of the Company (or any duly constituted committee thereof) (the “**Directors**”) may consider appropriate.
2. That, subject to the passing of Resolutions 1 and 3, pursuant to Section 551 of the Companies Act 2006 (the “**Act**”), the Directors be hereby unconditionally authorised to exercise all the powers of the Company to allot ordinary shares of £0.00375 each in the capital of the Company (“**Ordinary Shares**”) PROVIDED THAT this authority shall be limited to:
  - (a) the allotment of Ordinary Shares up to a maximum aggregate nominal amount of £956,250 pursuant to the Company’s obligations under the Acquisition Agreement; and
  - (b) the allotment of Ordinary Shares generally up to a maximum aggregate nominal amount of £517,171;provided that this authority shall expire on the date of the next annual general meeting of the Company following the date of the passing of this resolution, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired.
3. That the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise for the Epic Concert Party to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the issue of shares to it in connection with the proposals set out in the Circular of which this notice forms part, be and is hereby approved.

#### SPECIAL RESOLUTIONS

4. That, subject to the passing of Resolutions 1, 2 and 3, the Directors be given:
  - (a) in accordance with section 571 of the Act, power to allot equity securities (as defined by section 560 of the Act) for cash pursuant to the authority conferred by sub-paragraph (a) of Resolution 2 above, up to a maximum aggregate nominal amount of £956,250; and
  - (b) in accordance with section 570 of the Act, a general power to allot equity securities (as defined by section 560 of the Act) for cash, pursuant to the authority conferred by sub-paragraph (b) of Resolution 2 above, up to a maximum aggregate nominal amount of £517,171;

in each case, as if section 561(1) of the Act did not apply to any such allotment. The power granted by this Resolution 4 will expire at the conclusion of the Company’s next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require

equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

5. That, conditional on completion of the Acquisition and the admission of the enlarged issued share capital of the Company immediately following completion of the Acquisition to trading on the AIM market of London Stock Exchange plc, the name of the Company be changed from In-Deed Online plc to Learning Technologies Group Plc.

BY ORDER OF THE BOARD

Harry Hill  
Executive Chairman  
Date: 22 October 2013

Registered Office:  
Elizabeth House  
39 York Road  
London  
SE1 7NQ

## EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - 6:00 p.m. on 5 November 2013; or
  - if this Meeting is adjourned, 6:00 p.m. on the day prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy your proxy card or contact Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY to obtain an extra proxy card.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to Computershare Investor Services PLC (at the address shown in note 4 above); and
  - received by Computershare Investor Services PLC no later than 10 a.m. on 5 November 2013.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). 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's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 3RA50) by 5 November 2013. 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.

CREST members and, where applicable, their CREST sponsors or voting service providers 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appoint for proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-name being the most senior).

#### **Changing proxy instructions**

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

10. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services PLC. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Computershare Investor Services PLC no later than 5 November 2013.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Corporate representatives**

11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### **Issued shares and total voting rights**

12. As at 5 p.m. on 21 October 2013, the Company's issued share capital comprised 20,400,000 ordinary shares of £0.00375 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5 pm. on 21 October 2013 is 20,400,000.

#### **Communication**

13. You may not use any electronic address provided either in this notice of meeting or any related documents (including the document with which this notice of meeting was enclosed and proxy form) to communicate with the Company for any purposes other than those expressly stated.

#### **Poll vote**

14. In order to comply with the City Code on Takeovers and Mergers, Resolution 3 will be taken on a poll.

