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This document comprises an AIM admission document and has been drawn up in accordance with the requirements of the AIM Rules. This document does not contain an offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA or otherwise and is not a "Prospectus" (as defined in the AIM Rules). Accordingly, this document has not been prepared in accordance with the "Prospectus Rules" (as defined in the AIM Rules), nor has it been examined or pre-approved by the Financial Conduct Authority ("FCA") pursuant to section 85 of the FSMA and a copy has not been and will not be delivered to the FCA.

The Directors, whose names appear on page 5 of this document, and Redcentric, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of Redcentric and the 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 does not omit anything likely to affect the import of such information.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 6 December 2013.

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. 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 plc has not itself examined or approved the contents of this document.

Redcentric plc

(Incorporated under the Companies Act 2006 and registered in England & Wales with registered number 08397584)

Acquisition of InTechnology Managed Services Limited

Placing of 80,000,000 Placing Shares at a price of 80 pence per Placing Share

Notice of General Meeting and

Admission to trading on AIM

Nominated Adviser and Joint Broker

N+1 SINGER

Joint Broker

finnCap

N+1 Singer Advisory LLP ("N+1 Singer"), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is acting as Nominated Adviser and Joint Broker to Redcentric in connection with Admission for the purposes of the AIM Rules and is acting exclusively for Redcentric and no one else in connection with the Admission and will not be responsible to any person other than Redcentric for providing the regulatory and legal protections afforded to customers (as defined by the FCA Rules) of N+1 Singer nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of N+1 Singer as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to Redcentric or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document.

finnCap Limited ("finnCap"), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is acting as Joint Broker to Redcentric in connection with Admission and is acting exclusively for Redcentric and no one else in connection with the Admission and will not be responsible to any person other than Redcentric for providing the regulatory and legal protections afforded to customers (as defined by the FCA Rules) of finnCap nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it.

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Admission, the Ordinary Shares or the distribution of this document. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or an invitation to subscribe for, Ordinary Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful. This document should not be copied or distributed by recipients and, in particular, should not be taken, distributed, published, reproduced, sent or otherwise made available by any means, directly or indirectly, including electronic transmission, in, into or from the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or any other jurisdiction where to do so would be in breach of any other law and/or regulation. The Ordinary Shares have not been, and will not be registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or under the securities laws of any state of the United States of America or under the applicable securities laws of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan and, subject to certain exemptions, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan. In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

The information contained in this document has been prepared solely for the purposes of the admission of the Enlarged Group's entire issued and to be issued share capital to trading on AIM and is not intended to inform or be relied upon by any subsequent purchaser of shares in Redcentric and accordingly no duty of care is accepted in relation to them. Neither N+1 Singer nor finnCap has authorised the contents of any part of this document, and no liability is accepted by N+1 Singer or finnCap for the accuracy of any information or opinions contained in this document, or the omission of any material information from this document, for which the Company and Directors are solely responsible.

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 N+1 Singer at One Bartholomew Lane, London, EC2N 2AX and finnCap at 60 New Broad Street, London, EC2M 1JJ, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from Redcentric's website at www.Redcentricplc.com.

No person has been authorised to give any information or to make any representation about Redcentric and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in Redcentric's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

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ADMISSION STATISTICS

Number of Existing Ordinary Shares	62,377,120
Issue Price	80 pence
Discount to Existing Ordinary Share price*	4.2%
Number of Placing Shares	80,000,000
Proceeds of the Placing (before expenses)	£64 million
Enlarged Share Capital	142,377,120
Percentage of Enlarged Share Capital represented by the Placing Shares	56%
Market capitalisation of the Company at Admission based on the Issue Price	£113.9 million
ISIN Number	GB00B7TW1V39
AIM ticker	RCN

* *Based on the closing mid-market price of 83.5 pence per Existing Ordinary Share on 15 November 2013, being the last business day prior to the publication of this document.*

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	18 November 2013
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 3 December 2013
General Meeting	10.30 a.m. on 5 December 2013
Completion of the Acquisition	6 December 2013
Admission effective, issue of the Placing Shares and commencement of dealings in Ordinary Shares expected to commence on AIM	6 December 2013
Placing Shares credited to CREST accounts	6 December 2013
Despatch of definitive share certificates for Placing Shares (where applicable)	by 13 December 2013

Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.

FORWARD LOOKING STATEMENTS

This document includes “forward looking statements” which includes all statements other than statements of historical facts, including, without limitation, those regarding the Enlarged Group’s financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include forward-looking terminology such as the words “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Enlarged Group’s control that could cause the actual results, performance, achievements of or dividends paid by the Enlarged Group to be materially different from future results, performance or achievements, or dividends payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Enlarged Group’s present and future business strategies and the environment in which the Enlarged Group will operate in the future. No reliance should be placed by any person on such forward looking statements. Among the important factors that could give rise to the Enlarged Group’s actual results, performance, achievements or dividends paid differing materially from those in forward looking statements are those factors entitled “Risk Factors” set out in Part II of this document. Any forward looking statements relate only to the position as at the date of this document. Neither the Directors nor the Enlarged Group undertake any obligation to update forward looking statements or risk factors other than as required by the AIM Rules.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Richard Alexander McGregor Ramsay (<i>Non-Executive Chairman</i>) Anthony Charles Weaver (<i>Chief Executive Officer</i>) Peter John Hallett (<i>Chief Financial Officer</i>) Fraser St. John Fisher (<i>Chief Operating Officer</i>) David Graham Payne (<i>Non-Executive Director</i>) Andrew Ian Smith (<i>Non-Executive Director</i>)
Company Secretary	Paul Myhill
Company Website	www.Redcentricplc.com
Registered Office	Newton House Cambridge Business Park Cowley Road Cambridge CB4 0WZ
Nominated Adviser and Joint Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX
Joint Broker	finnCap Limited 60 New Broad Street London EC2M 1JJ
Financial Adviser	MXC Capital Advisory LLP 15 Buckingham Gate London SW1E 6LB
Auditors	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
Solicitors to the Company	DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN
Solicitors to the Nominated Adviser and Joint Brokers	K&L Gates LLP One New Change London EC4M 9AF
Registrars to the Company	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Reporting Accountants to the Company	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

DEFINITIONS AND GLOSSARY

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

“Acquisition”	the proposed acquisition of the entire issued share capital of InTechnology pursuant to the terms of the Share Purchase Agreement;
“Act”	the Companies Act 2006, as amended;
“Admission”	the admission to trading on AIM of the Existing Ordinary Shares and the Placing Shares;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time which set out the rules and responsibilities in relation to companies whose shares are admitted to trading on AIM;
“Articles”	the articles of association of Redcentric;
“Capita Asset Services”	the trading name of Capita Registrars Limited;
“CAGR”	compound annual growth rate;
“City Code”	the United Kingdom City Code on Takeovers and Mergers;
“certificated form” or “in certificated form”	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST);
“Cloud”	a technology enabling the provision of elastic, scalable computing resources to end users over a public or private network where such computing resources are delivered as a service (and not a product);
“Company” or “Redcentric”	Redcentric plc, a company incorporated in England and Wales with company registration number 08397584;
“Consideration”	the consideration payable by the Company to InTechnology plc for the entire issued share capital of InTechnology pursuant to the terms of the Share Purchase Agreement;
“Continuing Redstone Group”	Redstone and its subsidiaries and subsidiary undertakings excluding those companies which, in respect of the period following 8 April 2013, form part of the Redcentric Group;
“Completion”	completion of the Acquisition in accordance with the terms of the SPA;
“Cornerstone Warrants”	the warrants for 1,381,055 new Ordinary Shares to be issued pursuant to the Cornerstone Warrant Instrument;
“Cornerstone Warrant Instrument”	the warrant instrument of the Company which dates 15 November 2013 pursuant to which the Cornerstone Warrants will be issued, details of which are set out at paragraph 13.1.5 of Part V of this document;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the operator;
“CRM”	Customer Relationship Management;

“Demerger”	the demerger of Redcentric Holdings from Redstone, pursuant to the Demerger Agreement;
“Demerger Agreement”	the demerger agreement between Redstone and Redcentric, details of which are set out in paragraph 13.1.11 of Part V of this document;
“Directors” or “Board”	the directors of the Company whose names are set out on page 5 of this document, or any duly authorised committee thereof, and “Director” means any one of them;
“DMS”	Data Management System;
“Enlarged Group”	the Group, including InTechnology, following completion of the Acquisition;
“Enlarged Share Capital”	the issued Ordinary Shares immediately following completion of the Placing and Admission comprising the Existing Ordinary Shares and the Placing Shares;
“ERP”	Enterprise Resource Planning;
“Existing Ordinary Shares”	the 62,377,120 Ordinary Shares in issue at the date of this document;
“FCA”	the Financial Conduct Authority;
“finnCap”	finnCap Limited, a company registered in England and Wales with company registration number 06198898;
“Firm Placees”	certain institutional investors who have agreed to participate in the terms of the Firm Placing Letters;
“Firm Placing Letters”	the placing letters dated 1 November 2013 sent to certain cornerstone investors as further described in paragraph 13.1.4 of Part V of this document;
“Form of Proxy”	the form of proxy which accompanies this document for use in connection with the General Meeting;
“General Meeting”	the general meeting of the Company proposed to be held at 10.30 a.m. on 5 December 2013, notice of which is set out at the end of this document;
“Group” or “Redcentric Group”	the Company and its subsidiary undertakings;
“HMRC”	Her Majesty’s Revenue & Customs;
“ICT”	information and communications technology;
“Infrastructure Solutions Business”	the business of designing and building the physical infrastructure that powers corporate offices and data-centres and delivering end point services for customers as well as responding to support issues and providing structured cabling moves, adds and changes;
“InTechnology”	InTechnology Managed Services Limited, a company incorporated in England and Wales with company registration number 08322856;
“InTechnology plc”	InTechnology plc, a company incorporated in England and Wales with company registration number 03916586;
“IP”	internet protocol;

“ISP”	internet service provider;
“Issue Price”	80 pence per new Ordinary Share;
“IT”	information technology;
“London Stock Exchange”	London Stock Exchange plc;
“Maxima”	Maxima Holdings Limited (previously Maxima Holdings plc), a company incorporated in England and Wales with company registration number 05043538 which was discussed on 24 September 2013;
“MPLS”	Multiprotocol Label Switching, a mechanism in high-performance telecommunications networks that directs data from one network node to the next base on short path labels rather than long network addresses, avoiding complex lookups in a routing table;
“MXC Capital” or “MXC”	MXC Capital Limited, a company incorporated in England and Wales with company registration number 07039551;
“N+1 Singer”	Nplus1 Singer Advisory LLP a limited liability company registered in England and Wales with registration number OC314131;
“Network-Based Managed Services” or “Managed Services”	the provision of Cloud, data-centre, ISP and network services and managed Wide Area Networks;
“Options”	the options over Ordinary Shares, details of which are set out in paragraph 21 of Part V of this document;
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of Redcentric;
“Overseas Shareholders”	Shareholders with registered addresses outside the UK or who are incorporated in, registered in or otherwise resident or located in, countries outside the UK;
“Panel”	the UK Panel on Takeovers and Mergers;
“PCI”	Payment Card Industry;
“Placees”	investors in the Placing;
“Placing”	the conditional issue and allotment at the Issue Price of the Placing Shares to the Firm Placees and the Placees as further described in paragraph 8 of Part I of this document;
“Placing Agreement”	the conditional agreement dated 15 November 2013 between (i) the Company, (ii) the Directors, (iii) N+1 Singer, and (iv) finnncap relating to the Placing, details of which are set out in paragraph 13.1.1 of Part V of this document;
“Placing Shares”	the 80,000,000 new Ordinary Shares to be issued pursuant to the Placing;
“PwC”	PricewaterhouseCoopers LLP;
“QCA Guidelines”	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance;
“Redcentric Group” or “Group”	Redcentric and its subsidiaries and subsidiary undertakings;

“Redcentric Holdings”	Redcentric Holdings Limited, a company incorporated in England and Wales with company registration number 08399756;
“Redcentric Managed Solutions”	Redcentric Managed Solutions Limited, a company incorporated in England and Wales with company registration number 03410223;
“Redcentric MS”	Redcentric MS Limited, a company incorporated in England and Wales with company registration number 04027996 (previously called Maxima Managed Service Limited);
“Redcentric Solutions”	Redcentric Solutions Private Limited, a company registered in India with company registration number U72200AP2006PTC48738;
“Redeemable Shares”	redeemable shares of £1 each in the capital of the Company as further described in paragraph 3 of Part V of this document;
“Redstone”	Redstone plc, a company incorporated in England and Wales with company registration number 03336134;
“Redstone Group”	in respect of any period prior to 8 April 2013, Redstone and its subsidiaries and subsidiary undertakings including those companies which form part of the Redcentric Group and, in respect of any period following 8 April 2013, the Continuing Redstone Group;
“Registrar”	Capita Asset Services;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755), as amended;
“Regulatory Information Services”	has the same meaning as defined in the AIM Rules;
“Resolutions”	the resolutions contained in the notice of General Meeting set out at the end of this document;
“SDRT”	stamp duty reserve tax;
“Share Purchase Agreement” or “SPA”	the conditional agreement between the Company and InTechnology relating to the Acquisition, details of which are set out in paragraph 13.1.2 of Part V of this document;
“Shareholders”	holders of Ordinary Shares from time to time;
“subsidiary”	has the meaning given in section 1159 of the Act;
“subsidiary undertaking”	has the meaning given in section 1162 of the Act;
“Transaction”	the Acquisition, the Placing and Admission;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	an ordinary share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Securities Act”	the US Securities Act of 1933, as amended;
“VAT”	value added tax;

“WAN”	Wide Area Network, a network that covers a broad area using private or public network transports; and
“Warrants”	the warrants for Ordinary Shares, details of which are set out in paragraph 3.20 of Part V of this document.

All quoted share prices contained in this document have been rounded to two decimal places.

Unless otherwise indicated, all references in this document to times are to London times.

PART I

LETTER FROM THE CHAIRMAN OF REDCENTRIC PLC

*(Incorporated under the Companies Act 2006 and registered in
England & Wales with registered number 08397584)*

Directors:

Richard Alexander McGregor Ramsay (*Non-Executive Chairman*)
Anthony Charles Weaver (*Chief Executive Officer*)
Peter John Hallett (*Chief Financial Officer*)
Fraser St. John Fisher (*Chief Operating Officer*)
David Graham Payne (*Non-Executive Director*)
Andrew Ian Smith (*Non-Executive Director*)

Registered Office:

Newton House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

18 November 2013

To Shareholders and, for information only, to holders of Options and holders of Warrants

Dear Shareholder,

Acquisition of InTechnology Managed Services Limited

Placing of 80,000,000 Placing Shares at a price of 80 pence per Placing Share

Notice of General Meeting and

Admission of the Enlarged Share Capital to trading on AIM

1. INTRODUCTION

As announced on 18 November 2013 Redcentric has conditionally agreed subject, *inter alia*, to Shareholder approval at the General Meeting, to acquire the entire issued share capital of InTechnology, the wholly owned subsidiary of InTechnology plc, for £65 million payable in cash at Completion. The Consideration will be partly funded by way of a placing of 80,000,000 Placing Shares at a price of 80 pence per Placing Share with certain institutional investors to raise £64 million (before expenses), with the remainder being financed by an increase in the Company's existing banking facilities.

In view of the size of the Transaction, the Acquisition is classified as a reverse takeover under the AIM Rules and is therefore conditional, *inter alia*, on the approval of Shareholders. Such approval is being sought at the General Meeting to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.30 a.m. on 5 December 2013.

The Directors expect the Transaction, if completed, to create one of the largest independent mid-market Managed Services businesses in the UK and to deliver synergistic benefits which are explained further below.

The Enlarged Group will provide an offering differentiated by its proprietary networks and data centres, creating an end-to-end client service proposition, with a broad suite of solutions and services including:

- designing, implementing, securing and maintaining ICT networks;
- hosting services, software and data in the Cloud;
- managing the ICT environment utilised in the delivery of the services, software and data;
- providing a range of IP and mobile telephony solutions; and
- providing a range of backup, archiving and data replication services from its proprietary data centres.

Further information on both InTechnology, Redcentric and the Enlarged Group is set out in paragraphs 3, 4 and 5 of this Part I, respectively.

This document, which comprises an AIM admission document, sets out the background to and reasons for the Acquisition and the Placing and explains why the Directors consider that the Transaction is in the best interests of the Company and its shareholders as a whole and recommend that 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. Further details of the Transaction are set out in paragraphs 7 and 8 of Part I of this document.

2. BACKGROUND TO AND REASONS FOR THE ACQUISITION

The Redcentric Group demerged from the Redstone Group in April 2013 in order to maximise its potential as a leading mid-market Network-Based Managed Services provider. At the time of the demerger, the Directors stated their belief that as one of the largest independent Managed Services providers, separate from the Redstone Group's Infrastructure Solutions Business, Redcentric would be well placed to benefit from sector consolidation. The Directors consider that InTechnology currently presents an attractive consolidation opportunity allowing Redcentric to enhance its offering and to maximise value for Shareholders.

The Directors believe that the Acquisition will be transformational for the Group and will deliver the following benefits to the Enlarged Group:

- enhancement of the Company's scale of operations and provision of a broader product offering;
- the Enlarged group will manage a data centre estate of 867 racks with capacity to add a further 388 racks within its existing facilities and scope to further extend its estate;
- significant up-selling opportunities are likely to arise from Redcentric's and InTechnology's selling their respective services to the other's customer base;
- InTechnology's proprietary data centres which will provide the Enlarged Group with an increased number of modern, resilient and efficient data centres that will facilitate further growth;
- the ability to achieve material cost synergies associated with duplication of network and data centre assets; it is expected that three smaller, less efficient data centre facilities will be consolidated and two of the current offices will be closed; and
- the Acquisition is expected to be accretive to the Group's earnings per share in the first full financial year following completion of the Transaction.

The Directors believe that InTechnology is a good strategic fit with Redcentric. InTechnology has a broad suite of services which the Directors believe will strengthen Redcentric's market proposition. There is little customer overlap between the two companies which will provide Redcentric with an augmented customer base and should provide the Enlarged Group with a significant opportunity to cross sell and up-sell services between InTechnology's and Redcentric's existing customer bases.

The Directors believe that Redcentric's strength in application support will augment InTechnology's offering and that Redcentric's expertise and experience in offshoring certain technical and administration support functions, as well as investment in Redcentric's existing Hyderabad Model, will benefit the Enlarged Group.

The Directors believe the key strengths of Enlarged Group will be:

- the quality and breadth of its Network-Based Managed Services;
- its enlarged client base, which is expected to consist of more than 2,000 companies;
- the proprietary data centre and network assets that underpin its service offering with an expected combined estate of four major data centres and 1,255 racks, of which, 867 are utilised with capacity to increase by a further 388 racks;

- recurring annuity revenues which are expected to be in excess of 80 per cent. of the Enlarged Group's combined revenues in the year to 31 March 2015;
- a targeted EBITDA margin in excess of 20 per cent. per annum;
- its ability to benefit from opportunities for further organic and acquisitive growth due to the fragmented nature of the sector;
- its expected strong cash generation, which will support a progressive dividend policy in due course; and
- as a larger company it should be able to broaden its market appeal and attract and win larger clients with the enhanced credibility that scale brings.

As one of the largest mid-market Managed Services providers the Board believes the Enlarged Group's prospects are good and the Board remains committed to maximising value for Shareholders.

Integration Synergies

On completion of the Transaction, it is intended that the Enlarged Group be headquartered in Harrogate with other offices in London, Cambridge and Reading. Dual MPLS network assets will be consolidated and three current data centre facilities will be consolidated into Redcentric's own data centre facilities.

Within three years from completion it is intended that the Enlarged Group adopt Redcentric's existing off-shore model with investment in Hyderabad (further described in paragraph 4 of this Part I) seeing the doubling of headcount to c.200 staff in three years.

The synergies described above are expected to result in annualised cost savings of c. £3 million in the financial year to 31 March 2015 at an estimated cash cost of £1.3 million.

3. INFORMATION ON INTECHNOLOGY

InTechnology plc was incorporated in January 2000 and floated on AIM as an investment company with the intention of acquiring businesses within the then rapidly expanding internet market, primarily in the business to business sector. In June 2000, InTechnology plc acquired HOLF Technologies Limited (which traded as Storm) and VData Limited to form a business enabling online data backup. Thereafter the business grew both organically and through selective acquisitions to build a managed network, data, hosting and voice telephony business designed to help its customers to transition their on-premise IT solutions to Cloud-based Managed Services. That business was acquired, pursuant to an intra-group reorganisation, by InTechnology, a wholly owned subsidiary of InTechnology plc, on 1 May 2013.

InTechnology's solutions are designed to help clients improve the efficiency and contribution of their IT operations to their businesses. InTechnology has benefitted from its customers' evolving technological requirements, while offering short term savings and flexible solutions to alleviate the impact of large scale IT equipment refresh cycles. These factors, combined with the increasing data requirements of businesses, have been the catalyst for InTechnology's growth into a profitable and cash generative end-to-end Managed Services provider.

InTechnology has approximately 190 staff across 3 locations in the UK.

InTechnology's Cloud services include the following:

- Network services;
- Hosting services;
- Data services;
- Voice services; and
- Software services.

Network Services

InTechnology's Network Services include a range of services from straightforward point-to-point connectivity to full network design and redesign. InTechnology's Cloud offering is centrally monitored 24 hours a day by InTechnology's UK-based support centre. The Cloud enables a range of services, including, amongst other things, telephony, fixed mobile convergence, desktop collaboration tools, data storage, backup, replication and archiving to be delivered at a time and pace specific to the individual customer.

InTechnology's managed network and connectivity services include the following:

- Connectivity – a range of technologies offering secure, robust inter-site connectivity with the option of layering managed voice and data services over that connectivity service.
- Managed LAN/WAN – management of a customer's network from end-to-end ensuring stable and scalable solutions facilitating any of InTechnology's layered services.
- IP VPN/Internet Access – a broad range of high performance Internet solutions and secure IP VPNs in partnership with Tier-1 carriers. Designed to support centralised applications such as CRM, e-procurement and document management.
- N3 Access Services – N3 is the NHS's secure wide area network that connects all NHS organisations over a high-speed IP-based VPN. InTechnology is accredited to provide N3 access network services on behalf of the NHS.
- Managed Firewall Service – 24/7 monitored and Managed Service, installed by InTechnology's technical specialists. Security is rule-based and configured to customer-specific requirements with low up-front costs.
- Secure Remote Access Services – InTechnology provides a suite of secure remote access services for both VPN and N3 networks for use by mobile workers. At the entry level they include standard two-factor authentication – a secure, time sensitive password presented via a smart device, hardware token or laptop client.
- 3G Backup – alongside the network router, which provides fixed line network access, InTechnology can provide a 3G backup solution. This utilises the mobile broadband network, which means that, should there be any failure of the system, connectivity and data is protected, resulting in no downtime and no disruption to the customer's business.
- Card Payment Processing – delivered over a highly secure, PCI certified payment routing infrastructure, InTechnology's PaySecure Connect solution offers consolidated payment routing alongside a scalable communication and Managed Service network.

Hosting Services

InTechnology offers a broad suite of hosting services starting from colocation (secure 24/7 monitored rack space with guaranteed power supply) to a complete wrap-around service. InTechnology's hosting services include:

- Colocation – secure, 24/7 monitored rack space (or private suites) with guaranteed power supply for customer servers. InTechnology's recently upgraded Harrogate data centre has not suffered a power outage for 10 years and InTechnology has also built a new data centre in Reading with improved standards in power efficiency and resilience.
- Managed Hosting – a managed hosting solution that removes the burden of server provision and configuration from an in-house team to InTechnology.
- Virtual Server Hosting (IaaS) – InTechnology can virtualise servers in its Cloud. InTechnology takes responsibility for maintaining and upgrading the platform. Increased or decreased server and storage capacity and capability can be executed instantly via InTechnology's online portal. This provides

customers with the benefits of no capital expenditure, reduced operating expenditure and storage capacity on demand.

- Hybrid Hosting – hybrid hosting combines the flexibility of the Cloud with traditional hosting services all within the secure and resilient environment of its UK data centres. This enables a business to provide virtual and physical servers on the same private, dedicated network allowing a smooth transition to Cloud computing. This allows customers to have the maximum use of their existing equipment whilst protecting their business critical systems and significantly reducing capital expense.

Data Services

InTechnology's data services include:

- Online Replication – InTechnology offers online replication for business critical data. This is the simultaneous backing-up of data as it is created, ensuring uninterrupted business continuity for disaster recovery purposes.
- Online Backup – InTechnology provides a fully managed remote data backup service to one or more of its data centres for operational data. InTechnology remotely monitors the backup until completion.
- Online Archiving – using InTechnology's managed archiving service, users can set rules and policies that automatically archive files and emails that haven't been accessed for a specified period of time.
- Cloud Storage – InTechnology provides a pay-as-you-go Cloud service. InTechnology ensures customer's data is safe, secure, and monitored by its 24/7 support operation.

Voice Services

InTechnology's voice services include:

- Calls and Lines – using advanced tariff comparison software, InTechnology helps customers identify cost savings in their telephone bill. InTechnology can normally transition customers to its tariff within 15 days.
- Number Translation – InTechnology's geographic and nongeographic number translation service provides businesses with an at-a-glance overview of their full call estate, both inbound and outbound, allowing customers to route traffic as required.
- SIP Trunking – InTechnology can route voice calls over the customer's WAN instead of the traditional voice path, allowing customers to drop dependency on expensive ISDN lines.
- Cloud Telephony – InTechnology can help customers transition to Cloud telephony, also referred to as hosted telephony or VoIP. This replaces on-premise infrastructure with a solution hosted in InTechnology's Cloud.
- Fixed Mobile Convergence – InTechnology can transition smart devices into business extensions, giving customers single number reach and single number voicemail. This means staff can be contacted by a single extension (one number) wherever they are. The calls automatically route via the most cost effective path.
- Call Recording – InTechnology provides an integrated call recording solution for both Microsoft OCS/Lync and its own Cloud telephony solution.
- Unified Communications – InTechnology provides a suite of Microsoft desktop collaboration tools including desktop sharing, IM, video calling and click-to-dial from email. These can be delivered as a Managed Service.

Software Services

InTechnology's software services include:

- NetDocuments – a secure, high availability web-based document management solution that helps customers in the professional service industry (such as legal and insurance) search for and access documents. It can be accessed over smart devices and can be bundled with storage, backup and archiving services provided by InTechnology.
- e-Procurement/PROACTIS – InTechnology's enterprise-grade Cloud computing infrastructure combined with PROACTIS's hosted spend control software delivers a leading Software as a Service (SaaS) e-procurement solution.
- Virtual Desktop Interface/Riverlite – InTechnology's virtual desktop interface is delivered as SaaS in partnership with Riverlite. The solution provides a complete managed and hosted virtual desktop environment which removes the need for traditional PCs and can enhance an organisation's IT delivery via centralised desktop management and control.
- Microsoft Exchange – InTechnology provides a fully managed Microsoft Exchange® solution with optional dual data centre design. This pay-monthly service integrates securely with its applications, such as DMS, CRM, ERP or Mobile Solutions.
- Microsoft SharePoint – In collaboration with 3Sixty Systems, InTechnology helps businesses get maximum benefit from Microsoft SharePoint's web content and document management capabilities. It is delivered via InTechnology's Cloud in SaaS format.
- Microsoft SQL – InTechnology provides a managed SQL service and expert consultancy. It is designed to help IT departments derive maximum benefit from SQL's information management capabilities. It is also designed to help unburden IT departments of routine activity.

Data centre assets

InTechnology has four data centres in operation in Reading, Harrogate, London and Cambridge. The data centres have in total a capacity of 5.6MW power over 32,870 square feet. InTechnology currently has 549 racks in use and 361 available for expansion.

InTechnology's Reading data centre has, in 2012, undergone a £3.2 million upgrade and is now PCI-DSS and ISO compliant having been awarded Tier 3 certification.

Overview financial information on InTechnology

	<i>Year ended 31 March 2011 £'000</i>	<i>Year ended 31 March 2012 £'000</i>	<i>Year ended 31 March 2013 £'000</i>
Revenue	39,299	40,165	40,859
Cost of sales	(14,303)	(13,079)	(14,754)
Gross Profit	24,996	27,086	26,105
Adjusted EBITDA ¹	7,342	7,870	8,348
Allocated central costs	(1,802)	(1,882)	(1,605)
Depreciation	(2,519)	(2,681)	(3,491)
Operating profit	3,021	3,307	3,252
Profit before taxation	3,062	3,322	3,179

1 Adjusted EBITDA is the earnings before interest, tax, depreciation and amortisation, having added back non-recurring central head office costs.

InTechnology has a stable track record of profitability and cash generation as would be expected of an established business. During the period of the financial track record presented in this document

InTechnology made the strategic decision to leave one of its third party data centres in early 2012. InTechnology took this decision to help to facilitate long-term growth and subsequently invested £5.5 million in its proprietary data centre in Reading. Excluding the hosting customers of the data centre that InTechnology chose to close, overall revenue and EBITDA growth between the financial years 2011 and 2013 was 5 per cent. and 15 per cent. respectively. Significant investment was made in InTechnology's network and data centre assets in the period of financial review totalling £14.3 million.

InTechnology has a high quality of earning with recurring revenues making up 94 per cent. of revenues in both the years ended 31 March 2012 and 2013. InTechnology is cash generative; in the year ended 31 March 2013 it generated £7.7 million of net operating cash inflow excluding capex and non-recurring central parent costs.

InTechnology's Current Trading

InTechnology continues, in the current financial year, to trade in line with its management's expectations and remains on track to deliver double-digit EBITDA growth as a result of the combination of continuing to win material, multi-year, Managed Services Contracts while maintaining a low level of underlying customer churn.

4. INFORMATION ON REDCENTRIC

Redcentric is a leading mid-market Network-Based Managed Services business delivering ICT solutions and services tailored to meet clients' needs; its offering is differentiated by its proprietary networks and data centres, creating a genuine end-to-end client service proposition. Redcentric benefits from an established reputation for delivering robust and reliable mid-market Managed Services solutions while focusing on maintaining flexibility to meet customer requirements.

Redcentric was incorporated on 11 February 2013 in order to facilitate the demerger of the Network-Based Managed Services business from the former Redstone Group. The business of Redcentric is made up of the core Managed Services components of the Redstone Group, as enhanced by the acquisition of Maxima in November 2012. The acquisition of Maxima augmented the network assets owned by Redstone, including its connectivity, Cloud and hosting capabilities with a well-regarded mid-market business specialising in Managed Services, managed security, unified communications and Cloud services. Further, the acquisition provided the Redstone Group with an enhanced onshore and offshore 24 hour/365 day support function to underpin its service level agreements. The combined Managed Services businesses of the Redstone Group and Maxima as carried on by Redcentric enjoy a scale that has enhanced their presence in the marketplace and provided an enlarged customer base to up-sell a broad suite of well-regarded and supported services.

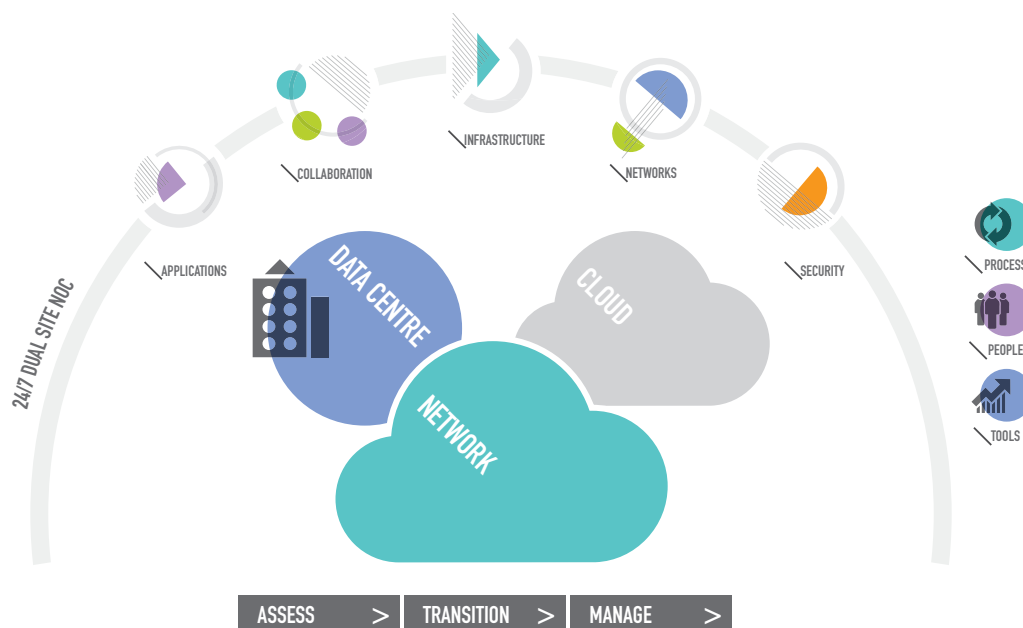
The Company has approximately 249 staff across six locations in the UK addressing over 1,000 customers in the UK and overseas markets. In the current year the Company has over 70 per cent. recurring revenue.

Redcentric offers a wide range of Network-Based Managed Services solutions summarised below, including:

- Managed Security Services;
- Connectivity Solutions;
- Unified Communications Solutions;
- Hosted Applications/Cloud Services;
- Physical and Virtual Data Centre Services; and
- ICT Project and Hardware Maintenance Services.

These services are supported 24 hours a day 365 days a year. The Directors believe that the strength of the Company's support function is a key differentiating feature that makes its services more attractive than those of many of its smaller competitors, while the innovative nature of its solutions offers flexibility to meet clients' needs in a way that larger rivals are sometimes unable to match.

Diagram to show overview of Redcentric services environment:



Onshore 365 24/7 Support

The Company's services are underpinned by an onshore and offshore 365 24/7 support function. By operating a hybrid model utilising 1st line support in the UK with 2nd line support being provided by the Company's subsidiary in Hyderabad, Redcentric is able to offer the support required by customers at competitive prices. Low levels of historic customer churn and good customer references demonstrate the resilience of its services and the reliability this support provides.

The Redcentric Group employs approximately 249 people in the functions below, of which 153 are based in the UK and 96 are based in Hyderabad.

Managed Security Services

Redcentric's managed security services are designed to allow secure access to information, from physical network access through to the identification and management of information on its customers' networks.

With a combination of solutions, Redcentric's security consultants aim to provide Managed Services that include SIEM (Security Information Event Management), online DDoS (Distributed Denial of Service) protection, and combine these with active defence services to monitor, collate and respond to security threats across the entire ICT infrastructure.

The increasing importance of online presence, ecommerce and brand positioning means that a security strategy needs to consider both current and future requirements and be able to react accordingly to threats against an organisation.

The solutions are designed to provide end to end security and are positioned into 5 distinct areas:

Perimeter

Perimeter security provides services such as managed firewalls, intrusion protection/detection and data loss prevention.

Application

Specific solutions for securing access to applications, such as web and mail filtering via the Group's Cloud based platforms, or defining and managing a corporate virtualised application policy.

Endpoint

End-point security solutions for centrally managed corporate access policies, providing centralised security standards for access to corporate information.

Mobile

Mobile solutions to ensure that corporate information security policies are secured and implemented in line with requirements whilst allowing the full advantages of smart devices.

Access Control

Providing access control solutions to prevent unauthorised access to corporate resources alongside enhanced security mechanisms.

Connectivity

Redcentric Group owns and operates its own fibre networks to provide both Internet and MPLS solutions, as well as operating two Metropolitan Area Networks (MANs) in Cambridge and Portsmouth. Clients' ICT networks are not only interconnected with Redcentric's proprietary MANs, data centres and Cloud platforms, but also with the UK's other leading network operators; Redcentric's approach to collaboration with other providers offers a flexible range of connectivity solutions, namely:

High Capacity Environments

In conjunction with Redcentric's WAN solutions, Redcentric also provides local switching environments, delivering high capacity switching to support the increased requirements for bandwidth and availability that technologies such as virtualisation demand.

Redcentric partners with leading industry vendors for switching and offering solutions for both data centre environments and edge access, thus supporting customers' infrastructure and adding management services that include pro-active monitoring, reporting and change control to provide stable, resilient and future proof networks for our customers.

Wireless Infrastructure

With solutions for internal and external wireless connectivity, Redcentric provides leading wireless solutions to support the current increase in both wireless adoption and controlling access to corporate infrastructure.

With innovative solutions for managed wireless networks, including support for mobility and the increased trend for BYOD (Bring Your Own Device) support, Redcentric has invested in its Cloud based wireless delivery and management platform to provide complex requirements around the performance, access to and priority of applications across the wireless network.

Unified Communications Solutions

Redcentric offers unified communications solutions with expertise in converged networks and the delivery of voice and video, to support the increase in adoption of presence and collaboration.

Redcentric is able to provide on-premises, hybrid and full Cloud enabled collaboration services through partnerships with leading technology providers in the industry. The increased awareness of how collaborative solutions can increase the productivity within an organisation are driving growth in the adoption and also management of these services.

Collaboration allows for:

- Instant team information sharing
- Presence solutions for real time messaging and communication
- Easy access for customer contact and communication

Hosted Applications/Cloud Services

Redcentric provides consultancy services to enable its customers to make informed choices when considering the performance, availability and security of their application infrastructure – this consultancy covers the Oracle database and applications, dedicated ticketing and reservation systems, payroll administration solutions and QAD Inc’s enterprise applications.

With the current trend in consolidating, centralising and outsourcing applications, the focus on application performance, stability and security is paramount. Redcentric provides application acceleration solutions for the data centre, integrating with leading vendors such as Oracle, Microsoft, IBM and SAP.

Network-Based Managed Services

Redcentric builds on its experience of consulting and implementing Oracle databases and applications, and offers customers the option of onsite services or solutions delivered from within Redcentric’s own Cloud and data centres. Managed application services from Redcentric provide the reassurance of defined performance and service levels with the benefit of experience gained within the market in implementing, upgrading and performance tuning of complex application and database architecture and design.

With the focus on infrastructure virtualisation, replication and high availability, Redcentric provides solutions for customers designed to ensure the performance and lifecycle of their application environments’ infrastructure.

Physical and Virtual Data Centre Services

Redcentric offers services that cover the physical data centre space, the computing and storage technologies required by organisations alongside the virtualised infrastructure that resides within the data centre allied to an increased focus on delivering the end application.

With an increased requirement for data centre services delivered as a Managed Service, Redcentric has invested in both the two London high availability data centres it operates from, and also in its Cloud platforms delivered from within data centres providing both virtual and physical data centre services to deliver infrastructure, storage, applications and disaster recovery as a service.

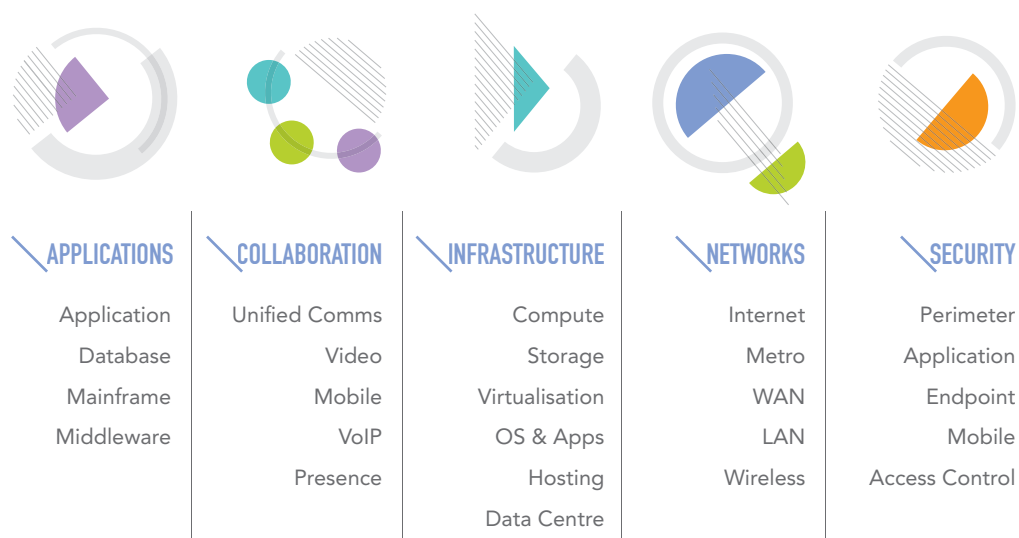
The investment in data centre and Cloud platforms translates into delivering on demand, cost effective data centre capacity to organisations with flexibility in the underlying capacity required and multiple disaster recovery and resiliency options.

The virtual data centre solution from Redcentric delivers:

- Collaboration as a Service
- Backup as a Service
- Infrastructure as a Service
- Software as a Service
- Disaster Recovery as a Service

In conjunction with Managed Services, Redcentric also provides support services delivering consultancy, professional services and software/hardware support. Redcentric’s consultancy and professional services allow the assessment of existing infrastructure, transition to, and delivery of Managed Services with the benefits of consuming IT as a service and providing greater performance, resilience and security.

Illustration of the services offered by Redcentric:



ICT Project and Hardware Maintenance Services

In addition to the Managed Services it delivers Redcentric also has an ICT projects and hardware maintenance capability to generate business for and support its core Managed Services offering.

Hyderabad Office

Redcentric's largest office is based in Hyderabad, India and is operated through Redcentric Solutions, a wholly owned subsidiary of Redcentric, incorporated in India. Hyderabad is a large city with a substantial resource of educated and technically able graduates and experienced technologists. The office has grown steadily since its inception in 2007 and has a stable management team and workforce.

Redcentric has a large resource pool of people offering technical resource to its clients. The Group's presence in Hyderabad, India, offers a single team service structure between the UK and India (rather than a call centre or outsourced resource). The Hyderabad site offers the following development advantages and opportunities for the Enlarged Group:

- dedicated first, second and third line technical support to underpin the Enlarged Group's service-level agreements;
- natural attrition migration from UK to India;
- an integrated "single team" solution combining with UK support desks;
- a material cost saving;
- opportunity to offshore further back office/support functions over time; and
- opportunity to provide dedicated, ring fenced client service teams to provide clients with a devoted resource.

Overview financial information on Redcentric

The financial information of Redcentric is included within Part IVA (Redcentric MS Limited consolidated historical financial information) and Part IVB (Redcentric Demerged Business combined historical financial information).

The Redcentric MS Limited consolidated historical financial information comprises Redcentric MS Limited (formerly Maxima Managed Services Limited) and its subsidiaries for the year ended 31 March 2013.

The Redstone Demerged Business combined historical financial information comprises:

- Redcentric Managed Solutions Limited (formerly Redstone Managed Solutions Limited) (“RMS”) – the whole of the RMS entity is included within the combined historical financial information.
- Redstone Converged Solutions Limited (“RCS”) – The proportion of the trading results and assets and liabilities of RCS associated with the Network-Based Managed Services Business which is being demerged.
- Fujin Systems Limited (“Fujin”) – The proportion of the trading results and assets and liabilities of Fujin associated with the Network-Based Managed Services Business which is being demerged. The trading assets and liabilities of Fujin were transferred to RCS from 1 April 2012.
- I4E Ltd (“I4E”) – The proportion of the trading results and assets and liabilities of I4E associated with the Network Based Managed Services Business which is being demerged.

5. STRATEGY OF THE ENLARGED GROUP AND COMPETITIVE ENVIRONMENT

The provision of Managed Services and the wider ICT outsourcing market in the UK is fragmented and encompasses a wide range of businesses including telecommunications network operators, generalist ICT providers, system integrators and more focused Managed Services providers such as Redcentric and InTechnology.

The Directors believe that the advent of Cloud computing and the increased demand from customers to be able to access data and applications remotely from a wide variety of devices from third party providers offers a significant market opportunity. Furthermore, the Directors are of the opinion that businesses such as that of the Enlarged Group, which are able to combine the benefits of a proprietary network and data centres with a flexible and technically skilled workforce able to deliver and support reliable services and solutions, should prosper.

The Enlarged Group is seeking to differentiate itself around three distinct pillars:

- Innovation – innovation in the design and delivery of services;
- Reliability – the right technical skills, organised in the right way, to give predictable high quality results; and
- Value – service offerings that are designed to offer value for money to mid-market customers by leveraging the Enlarged Group’s wholly owned, hybrid on/offshore support capability.

The Directors believe that both Redcentric and InTechnology are competitively positioned between the large network operators and system integrators whose solutions are often expensive and inflexible, and the smaller competitors that may lack delivery structure, reputation and reliability. The Directors believe that the Enlarged Group will have a stronger competitive position in its market, retaining the opportunity to deliver the flexibility customers desire while benefitting from its increased scale, breadth of expertise and its combined track record to instil credibility and confidence in the Enlarged Group’s ability to deliver the solutions offered and financial strength.

While the Directors consider organic growth to be the Enlarged Group’s primary strategic aim, the fragmented nature of the Managed Services market could present further accretive opportunities to acquire complementary businesses.

6. CURRENT TRADING AND FUTURE PROSPECTS OF REDCENTRIC

The first published unaudited results of Redcentric since demerger, for six months trading to 30 September 2013, will be announced in mid December, when the Directors will report revenue of circa £21 million, adjusted EBITDA¹ of circa £3.5 million and net debt of circa £12.3 million. The anticipated pro forma net debt of the Enlarged Group post Completion is expected to be approximately £17.1 million.

1 Adjusted EBITDA is the earnings before net finance costs, tax, depreciation, integration and strategic costs, goodwill impairment and share based payment costs.

The Directors expect cash generation in the current year to be second half weighted following the anticipated reversal of short term increases in working capital caused by the Company's change in accounting package and billing platform necessitated to bring the business on to one reporting package; the benefits of which are beginning to materialise as improved management information becomes available. Working capital in the first half of the year also expanded as a result of a general constriction in credit terms from its suppliers which the Directors believe has been a result of the combination of the corporate failure of 2e2 and the treatment of the demerged entity as a new customer; the Company is working with its suppliers to achieve improved credit terms and expects the publication of its results for the six months ended 30 September 2013 to help to normalise this position.

The Directors are encouraged that up-selling Redcentric's wider product set to its existing customer base is proving successful, while the Company continues to win new customers.

Redcentric has, since its admission to AIM, won more than £12 million of new business from a mix of new and existing customers. The Directors are encouraged by the Group's ability to win further business from its existing customer base by up-selling further services and extending the duration of contracts.

7. PRINCIPAL TERMS OF THE ACQUISITION

On 15 November 2013 the Company entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of InTechnology. The Consideration payable on Completion under the terms of the SPA is £65 million on a cash-free/debt-free basis, adjusted to reflect InTechnology's working capital requirements and certain capital expenditure.

Additional information regarding the Acquisition and the SPA is set out in paragraph 13.1.2 of Part V of this document.

8. PRINCIPAL TERMS OF THE PLACING

The Company has conditionally placed 80,000,000 Placing Shares (including 30,312,500 Placing Shares issued to Firm Placees under the Firm Placing Letters) at 80 pence per share with existing and new investors to raise £64 million before expenses which represents a discount of 4.2 per cent. to the closing middle market price of 83.5 pence per Existing Ordinary Share on 15 November 2013, being the last business day prior to the publication of this document.

Pursuant to the Firm Placing Letters the Firm Placees have conditionally agreed to subscribe for, in aggregate, 30,312,500 Placing Shares at the Issue Price. In consideration of their commitment to invest at an earlier stage of the Transaction, such investors are to be issued Cornerstone Warrants and paid a commission of 3 per cent. of the amount they invest. Further details are set out in paragraphs 13.1.5 and 13.1.1 of Part V of this document.

9. THE BOARD

With the expansion of the Company through the acquisition of InTechnology, the Board has decided to strengthen its composition through the recruitment of a further non-executive director who is expected to bring a new set of perspectives and experiences to the Board, deepening the range of skills the board members have. An announcement of the appointment is expected to be made before the end of the calendar year.

The Board comprises the following directors:

Richard Ramsay – *Non-Executive Chairman, aged 63*

Richard Ramsay was appointed as non-executive chairman of the Company at the Demerger. He is a highly experienced director with a strong track record in delivering growth, project direction and maximising profitability over 35 years. During this time he spent 10 years as a director of Hill Samuel before being recruited by Barclays De Zoete Wedd, where, latterly, he worked closely with the Corporate Finance Division's CEO and management team to grow the business worldwide.

Richard has since held various directorships, among them Aberdeen Football Club, where he helped increase profits and to get the club quoted on AIM. More recently, he was a director at Intelli Corporate Finance and the Shareholder Executive and prior to that held the position of Managing Director, Regulation and Financial Affairs at Ofgem. He is currently non-executive chairman of Wolsey Group Limited, URICA Limited, Northcourt Limited and Midas Income and Growth Trust plc and a non-executive director of Castle Trust Capital Plc.

Tony Weaver – *Chief Executive Officer, aged 45*

Tony Weaver joined the Company as chief executive officer at the Demerger and prior to that was chief executive director of Redstone from August 2010. He was responsible for effecting the restructuring of that business, its subsequent acquisition of Maxima and the demerger of the Network-Based Managed Services business from the former Redstone Group.

Tony has an IT and communications services background that started in the mid 1980's. Tony founded his first IT business in 1988 and is a founder of a number of other successful IT companies and has a very well established background in sales and management. Tony became chief executive of Redstone following the successful refinancing of the company announced in August 2010. Tony has served on a number of private and public company Boards over the last 25 years.

From 2003 to 2010, Tony was the chief operating officer of Xploite plc, responsible for the management and consolidation of the businesses acquired and created by Xploite plc. Xploite plc successfully generated and returned approximately £20 million of cash to the company's shareholders before it was acquired in May 2010.

Tony is also a managing partner of MXC Capital, a substantial shareholder of the Company, the consulting and investment company he set up with Ian Smith. MXC invests in and advises a number of companies in the technology, media and telecommunication sector.

Peter Hallett – *Chief Financial Officer, aged 55*

Peter was appointed chief financial officer of the Company at the Demerger and chief financial officer of Redstone in October 2009. He has been a qualified chartered accountant for the past 31 years, and since 1986 has been engaged in industry.

Peter initially specialised in retailing and held the position of CFO in some of the UK's leading retailers including FADS, Texas Homecare and Thresher/Victoria Wine where he developed his skills in turnaround, restructuring and corporate finance.

His most recent appointments have been within businesses requiring restructuring and have included Waterford Wedgwood PLC, Speciality Retail Group PLC and Wm Morrison.

On 28 June 2013, following the successful completion of the Demerger, Peter gave notice of his resignation in order to pursue new professional challenges. Peter has been with Redstone for over 4 years and with Redcentric since incorporation, and has successfully completed the restructuring of Redstone and Demerger and flotation of Redcentric. Peter has a 12 month notice period and will remain Chief Financial Officer of the Company until a successor has been recruited.

Fraser Fisher – *Chief Operating Officer, aged 43*

Fraser Fisher is an experienced IT business leader having successfully built and sold profitable businesses in the sector and was appointed Chief Operating Officer of the Company at the Demerger. Fraser was most recently managing director of Redstone with responsibility for leading its Managed Services offering while integrating Maxima. Prior to his appointment at Redstone, Fraser had a number of senior roles in business development and leadership at Maxima and was latterly responsible for developing its offshore support function in Hyderabad.

Prior to his appointment at Maxima, Fraser founded and was managing director of Centric Networks Limited, a mid-market managed and hosted services provider.

David Payne – *Non-Executive Director, aged 64*

David Payne was appointed as a non-executive director of the Company at the Demerger. He is chair of the Redcentric remuneration committee and a member of the Redcentric audit and nomination committees.

David has a varied background of management and entrepreneurship in the IT, leisure, and property industries. For 20 years after leaving university he worked for Juliana's, a leisure company that floated on the main market of the London Stock Exchange in 1983.

David was subsequently recruited, by a venture capital fund, to become chairman of Virtuality Limited, a company at the forefront of developing virtual reality. He oversaw the successful flotation of this company on the main market of the London Stock Exchange in 1994 and then left to devote more time to the development of a quoted property company.

Ian Smith – *Non Executive Director, aged 49*

Ian Smith is a managing partner of MXC Capital, a substantial shareholder of the Company. Ian is a highly experienced IT and communications industry developer of new business. Ian has held senior sales positions with Data Workforce, Cisco Systems, Foundry Networks and Cable & Wireless.

Ian was previously CEO of Xploite plc where he was responsible for the buy, build and sell strategy that saw 26 corporate transactions completed including 2 substantial disposals and the creation and return of approximately £20m of cash to the company's shareholders.

10. CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance and intends, following Admission, so far as is practicable and appropriate in view of the Enlarged Group's size, stage of development and the nature of the Company as a company whose securities are traded on AIM, to follow the provisions of the UK Corporate Governance Code. In any event, the Board intends to comply with the provisions of the QCA Guidelines.

The Board intends to comply with and to procure compliance with Rule 21 of the AIM Rules relating to dealings in the Company's securities by the Directors and other applicable employees. To this end, the Company will adopt a code for dealing in shares appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to ensure compliance by the Directors and any applicable employees.

The Directors have established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Audit Committee comprises Richard Ramsay as chairman and David Payne. The Remuneration Committee comprises David Payne as chairman and Richard Ramsay. The Nomination Committee comprises Richard Ramsay as chairman and David Payne.

The Audit Committee's responsibilities include making recommendations to the Board on the appointment of the Company's auditors, approving the auditor's fees, reviewing the findings of the audit and monitoring and reviewing the effectiveness of the Company's internal audit function. The Audit Committee will also be responsible for monitoring the integrity of the financial statements of the Company, including its annual and half yearly reports and interim management statements.

The Nomination Committee's responsibilities include reviewing the structure, size and composition of the Board, making recommendations to the Board concerning membership of Board committees and identifying and nominating candidates for appointment to the Board for Board approval.

The Remuneration Committee's responsibilities include determining the remuneration of the executive Directors, reviewing the design of all share incentive plans and determining each year whether awards will

be made, and if so, the overall amount of such awards, the individual awards to executive Directors and the performance targets to be used.

11. SHARE OPTION SCHEMES

Redcentric operates the Redcentric Enterprise Management Incentive (“EMI”) Plan 2013 and the Unapproved Share Option Plan (together the “Plans”). The Plans allow the grant of tax efficient EMI share options (where qualifying criteria are met) and unapproved share options. Options may be granted under the Plans by the Remuneration Committee. Further details of the Plans can be found in paragraph 21 of Part V.

The Directors are proposing to seek authority to extend the Plans in line with existing authorities to allow the Remuneration Committee to issue up to 10 per cent. of the Enlarged Share Capital. Further, the Remuneration Committee intend to issue new options over 5 per cent. of the Enlarged Share Capital (included in the 10 per cent. referred to in the previous sentence) to MXC and Fraser Fisher, further details of which are contained in paragraph 3.19 of Part V.

12. DIVIDEND POLICY

Declaration and payment of dividends by the Company will be dependent upon the financial position, cash requirements, future prospects and profits available for distribution of the Enlarged Group and other factors regarded by the Board as relevant at the time. It is expected that the Enlarged Group will generate sufficient profits and free cash flow to allow the Board to consider a dividend for the financial year to 31 March 2014 and it is the Board’s intention to put in place a progressive dividend policy thereafter.

13. TAXATION

The attention of Shareholders is drawn to the further information regarding taxation set out in paragraph 20 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law and, if Shareholders are in any doubt as to their own tax position, they should seek independent advice as to their specific circumstances.

14. BANK FACILITY

On 15 November 2013 the Company and each of its subsidiaries entered into a facility agreement and debenture with Barclays Bank plc, pursuant to which Barclays Bank plc has agreed, conditional (*inter alia*) on Admission, to provide the Company with a £23,200,000 revolving credit facility in connection with the Acquisition and to provide working capital to the Enlarged Group.

On 30 October 2013 Barclays Bank plc agreed to provide the Company with an extension of £1,500,000 to its existing facilities to provide, if required by the Company, additional working capital. The Company has not drawn down on this facility and the facility will be terminated following Admission.

Further details of the terms of these facilities are set out in paragraphs 13.1.3 and 13.1.5, respectively, of Part V of this document.

15. ADMISSION AND SETTLEMENT

As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, Shareholder consent to the Acquisition is therefore required at the General Meeting. If the Resolutions are duly passed at the General Meeting, the admission of the Company’s Existing Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and the Enlarged Share Capital will be re-admitted or admitted (as the case may be) 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. It is expected that Admission will take place, and dealings in the Enlarged Share Capital will commence, on 6 December 2013.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of

CREST. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirements of CREST. Application has been made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission and Euroclear has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in CREST.

16. CITY CODE ON TAKEOVERS AND MERGERS

Information regarding the City Code and its applicability to the Company is set out at paragraph 22 of Part V of this document.

17. IRREVOCABLE UNDERTAKINGS

Certain Shareholders have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (or, where applicable to procure that such action is taken by the relevant registered holders) in respect of their beneficial holdings totalling 28,884,178 Ordinary Shares, representing approximately 46.3 per cent. of the Existing Ordinary Shares.

18. RELATED PARTY TRANSACTION

As part of the Placing, Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) are subscribing for 15,625,000 and 3,500,000 Placing Shares, respectively, at the Issue Price. In addition, under the terms of their Firm Placing Letters, Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) will be issued 711,885 and 159,462 Cornerstone Warrants, respectively, and will also be paid a commission of 3 per cent. of the amounts they each invest. The Cornerstone Warrants and commission are being issued/paid to Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) in return for their commitment to invest in the Placing at an earlier stage of the Transaction. Under the AIM Rules, Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) are deemed to be related parties due to their indirect substantial shareholdings (held via Henderson Global Investors Ltd and Kestrel Partners LLP respectively) in the Company and, therefore, their participation in the Placing, along with the issue of the Cornerstone Warrants to them and the payment of the commission, are deemed to be related party transactions for the purposes of rule 13 of the AIM Rules.

The Directors consider, having consulted with N+1 Singer, that the terms of the Placing are fair and reasonable insofar as shareholders of the Company are concerned. In providing advice to the Directors, N+1 Singer has taken into account the commercial assessments of the Directors.

19. GENERAL MEETING

You will find set out at the end of this document a notice convening the General Meeting to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN on 5 December 2013 at 10.30 a.m.

The Resolutions to be proposed at the General Meeting are as follows:

1. to approve the Acquisition;
2. to grant the Directors authority to allot shares in the capital of the Company; and
3. to grant the Directors authority power to allot equity securities free from shareholders' rights of pre-emption.

20. ACTION TO BE TAKEN

Whether or not you intend to be present at the General Meeting, as a Shareholder you are requested to complete and return the accompanying Form of Proxy which is enclosed with this document, in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by the Company's registrars, Capita Asset Services, not later than 10.30 a.m. on 3 December 2013. Completion and

return of the Form of Proxy will not prevent you, as a Shareholder, from attending the General Meeting and voting in person should you wish to do so.

21. RISK FACTORS AND FURTHER INFORMATION

Your attention is drawn to the Risk Factors set out in Part II of this document and to the section entitled “Forward Looking Statements” on page 4 of this document. Your attention is also drawn to the information contained in Parts III, IV and V of this document.

22. RECOMMENDATION

The Directors believe that the Acquisition and the Placing, and therefore the Resolutions, are in the best interests of the Company and Shareholders taken as a whole. As such, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions as the Directors intend to do in respect of their beneficial shareholdings which amount to 9,058,804 Ordinary Shares, representing 14.52 per cent. of the Existing Ordinary Shares.

Yours sincerely

Richard Ramsay

Non-Executive Chairman

PART II

RISK FACTORS

The Directors consider the following risks and other factors to be most significant for potential investors, but the risks listed below do not necessarily comprise all those risks associated with an investment in Ordinary Shares and are not set out in any particular order of priority, and do not relate exclusively to the heading under which they appear. Potential investors should carefully consider the risks described below before making a decision to invest in the Ordinary Shares. If any of the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

1. RISKS RELATING TO THE TRANSACTION

The Acquisition may not complete

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions precedent contained in the Share Purchase Agreement including the approval of the Acquisition by the Shareholders at the General Meeting. If Shareholders do not approve the Acquisition at the General Meeting, or any of the other conditions are not satisfied (or waived), the Acquisition will not complete.

Dilution of ownership of Ordinary Shares

Following the issue of the Placing Shares, a Shareholder who does not participate in the Placing at least pro rata to its, his or her holding of Existing Ordinary Shares will suffer a reduction in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by its, his or her holding of Ordinary Shares immediately following Admission as a result of the Placing.

Change of control

A high proportion of the contracts entered into between InTechnology and its customers require the customers consent upon the change of ownership or management of InTechnology or to assign the benefit of the contract (as required under the agreement which transferred InTechnology plc's Managed Services business to InTechnology). Whilst the Company has approached a number of InTechnology's key customers for consent to assign or novate their contracts over to the Company, there remain a significant number of clients with smaller contracts which still need to be approached. While the Directors have no reason to believe that the clients will not consent to assign or novate their contracts over to the Company, there can be no guarantee that all the contracts will successfully be assigned or novated. Any such failure to assign or novate a significant number of contracts or if any such customers are entitled to terminate their contracts with InTechnology and do so, may materially adversely affect the Enlarged Group's financial performance.

2. RISKS RELATING TO THE ENLARGED GROUP AND ITS BUSINESS

Integration risk

The operation and financial performance of the Enlarged Group is dependent on the expected revenue opportunities from the Acquisition. Whilst these revenue opportunities have been largely identified, any material delay in effecting them could have an adverse effect on the Enlarged Group's cash flow and increase its working capital requirement, thereby prejudicing its financial performance.

Risk that the desired synergy benefits may not be achieved by the Enlarged Group

The Enlarged Group is targeting significant synergies from the Acquisition and the Enlarged Group's financial planning and funding strategies are based in part on realising these synergies. There is a risk that synergy benefits from the Acquisition may fail to materialise or they may be lower than have been estimated. In addition, the cost of funding these synergies may exceed expectations. Such eventualities may have a material adverse effect on the financial position of the Enlarged Group.

Reliance on key personnel and management

The success of the Enlarged Group will be dependent on the services of key management and operating personnel. The Directors believe that the Enlarged Group's future success will depend largely on its ability to retain and attract highly skilled and qualified personnel, and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be retained or identified and employed. If the Enlarged Group fails to retain or recruit the necessary personnel, or if the Enlarged Group loses the services of any of its key executives, its business could be materially and adversely affected.

Customer relationships

Peter Wilkinson, current CEO and founder of InTechnology, will not remain with the business of the Enlarged Group. Peter's departure could have an impact on customer retention where his relationships with customers were particularly strong.

Resignation of Peter Hallett as Chief Financial Officer of Redcentric

As previously announced, Peter Hallett has decided to resign as Chief Financial Officer of Redcentric. Although Peter is working his notice period, there is a risk that a suitable replacement may not be found before the end of this notice period.

Taxation risk

The attention of potential investors is drawn to paragraph 20 of Part V headed "Taxation". The tax rules and their interpretation relating to an investment in the Enlarged Group may change during the life of the Enlarged Group.

Any change in the Enlarged Group's tax status or in taxation legislation or its interpretation, could affect the Enlarged Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Enlarged Group and its investors are based upon current UK tax law and practice which is, in principle, subject to change.

Future acquisitions

Part of the Enlarged Group's strategy involves expanding its business through acquisitions of other 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.

Potential requirement for further investment

Any future acquisitions, expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. Debt funding may require assets of the Enlarged Group to be secured in favour of the lender, which security may be exercised if the Enlarged Group were to be unable to comply with the terms of the relevant debt facility.

agreement. The level and timing of future expenditure will depend on a number of factors, some of which are outside the Enlarged Group's control. If the Enlarged Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned acquisition opportunities, expansion, activity and/or business development and any of the above could have a material adverse effect on the Enlarged Group.

Technological risks

The Enlarged Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices which could affect both the potential profitability and saleability of the Enlarged Group's managed services offering. Staying abreast of technological changes may require investment not currently envisaged. The Enlarged Group's existing network assets need to be maintained and improved in order to meet customer requirements.

Data centre risks

The Enlarged Group utilises leased and owned assets housed in third party data centres in order to deliver its services. While it believes that it has sufficient capacity and redundancy in its current arrangements to facilitate substantial growth there can be no guarantee over the pricing and availability of any further data centre space and should the Enlarged Group bear increased costs with regard to its data centre requirements then this could adversely affect the profitability of the Enlarged Group.

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 likely to be sudden and unexpected and could materially and adversely affect the Enlarged Group's business operations.

The Enlarged Group seeks to limit this risk through the implementation of operational risk management practices. These include the use of 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.

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.

Customer retention risks

The Enlarged Group has a high level of contracted and recurring annuity revenue streams. These are typically multi-year contracts that are either renewed or continue on contracted terms after the expiry of the fixed term. The businesses that form the Enlarged Group have all undergone substantial corporate activity during the past two years and consequently there is a risk that contract renewal and customer retention rates may be lower than anticipated by the Board which could materially adversely affect the performance of the Enlarged Group.

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 with such customers in the future.

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

The Enlarged Group will rely significantly on maintaining good relationships with other entities. 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.

Reputation

Both Redcentric and InTechnology's reputations, in terms of the services they provide, the way in which they conduct their respective businesses and the financial results which they each achieve, are central to the Enlarged Group's future success. Failure to meet the expectations of the customers, suppliers, employees and shareholders and other business partners may have a material adverse effect on the Enlarged Group's reputation and its success.

Risks relating to the Group's subsidiary in India

The Company has a wholly owned subsidiary in India (Redcentric Solutions), based in Hyderabad, which provides technical support services to the Group's customers. As a result the Enlarged Group is exposed to a number of risks specific to operating a business in India including:

- Inflation; material inflation in local costs could materially affect the financial performance of the Group;
- Exchange rate risks; the Enlarged Group's revenues are almost exclusively denominated in GBP and the costs relating to the Indian support function are incurred in Indian Rupees so the performance of the Group could be adversely affected by any material movements in the sterling/Indian Rupees currency exchange rate;
- Availability of suitably qualified staff; while the Enlarged Group has found local candidates to be well qualified to date, increasing demand for skilled employees within India could affect the Enlarged Group's ability to attract and retain suitably qualified staff which in turn could affect the quality of the Enlarged Group's support function to the detriment of its operations and financial performance; and
- Exposure to geopolitical, socio-economic, religious and naturally occurring events; as India is a developing country with a history of disruptive natural, political and religious events, the Hyderabad subsidiary (Redcentric Solutions) is potentially exposed to a higher degree of risk than the Enlarged Group's operations in the UK. Any such events could adversely affect the Enlarged Group's operations.

Risks associated with the Demerger

Pursuant to the Demerger Agreement (details of which are set out at paragraph 13.1.11 of Part V of this document) and the transitional services agreement the Company entered into with Redstone (details of which are set out at paragraph 13.1.13 of Part V of this document), certain contracts entered into by Redstone are to be assigned or novated to the Company. Redstone and the Company are in the process of completing those assignments and novations but there can be no guarantee that all will be successfully assigned or novated. Though the Demerger Agreement contains provisions to mitigate the associated impact on the Company, any such failure may materially adversely affect the Enlarged Group's financial performance.

Litigation and claims

Whilst the Enlarged Group operates what the Board believes to be stringent customer management and operating systems, the nature of the Enlarged Group's business and the markets in which it operates means that it could become subject to a number of claims or potential claims at any one time. Any claims or litigation, with or without merit, could be time consuming, result in costly litigation and the diversion of

management personnel. In the event of a successful claim, the Enlarged Group's business or financial condition or operating results could be materially adversely affected.

Competition risk

The Enlarged Group operates in a highly competitive marketplace and, while the Directors believe the Enlarged Group enjoys significant strengths and advantages in competing for business, some of the competitors much larger than the Enlarged Group with a scale that could allow them to offer similar services for lower prices than the Enlarged Group could match while maintaining a margin in the range targeted by management. Therefore competitors could materially adversely impact both the scale of the Enlarged Group's revenues and its profitability.

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.

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 any of these estimates and assumptions are inaccurate, the Enlarged Group could be required to write down the value of certain assets.

Dividends

The Directors have declared an intention to consider a dividend for the financial year to 31 March 2014 and put in place a progressive dividend policy thereafter. However, there can be no assurance as to the level of future dividends (if any) that may be paid by the Company. Any determination to pay dividends in the future will be a decision for the Board (and, except in the case of an interim dividend, will be subject to Shareholder approval) and may depend upon the Enlarged Group's contractual restrictions, restrictions imposed by applicable law and generally accepted accounting principles from time to time, and other factors the Board deems relevant.

3. OTHER RISKS RELATING TO THE ORDINARY SHARES

Liquidity of the Ordinary Shares and AIM generally

An investment in the Ordinary Shares is highly speculative and subject to a high degree of risk.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List or to any other stock exchange at this time. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UK Listing Authority has examined this document for the purposes of the Admission.

An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large

number of factors, some specific to the Enlarged Group and its operations and some, which may affect quoted companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Enlarged Group is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. The share price of the Ordinary Shares may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than their original investment, or sustain a total loss of their investment. Equally, the Enlarged Group cannot control when large numbers of Ordinary Shares may be sold after Admission. Any such sales could result in a material fall in the price of Ordinary Shares.

Future Funding

Whilst the Directors have no current plans for raising additional capital immediately after Admission and are of the opinion that the working capital available to the Enlarged Group will be sufficient for its present requirements, it is possible that the Enlarged Group will need to raise extra capital in the future to develop fully the Enlarged Group's business or to take advantage of acquisition opportunities. 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.

If further financing is obtained by issuing equity securities or convertible debt securities, the existing shareholders' holdings of Ordinary Shares may be diluted and the new securities may carry rights, privileges and preferences superior to the Ordinary Shares. The Directors may seek debt finance to fund all or part of any future acquisition. There can be no assurance that the Enlarged Group will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Enlarged Group's ability to raise further finance and its ability to operate its business may be subject to restrictions.

A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Enlarged Group's control) may make it difficult for the Enlarged Group to obtain new financing on attractive terms or even at all. If the Enlarged Group's borrowings become more expensive, then the Enlarged Group's profits will be adversely affected.

Economic, political, judicial, administrative, taxation or other regulatory matters

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

PART III

HISTORICAL FINANCIAL INFORMATION RELATING TO INTECHNOLOGY

**Combined Historical Financial Information for the years ended
31 March 2011, 31 March 2012 and 31 March 2013**

Section 1: Accountants' report on the Historical Financial Information of InTechnology Managed Services Business



The Directors
Redcentric Plc
Newton House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

N+1 Singer Advisory LLP (the “Nominated Adviser”)
One Bartholomew Lane
London
EC2N 2AX

15 November 2013

Dear Sirs

inTechnology Managed Services Limited

We report on the financial information set out for inTechnology Managed Services Business (“IMS”) below (the “**IMS IFRS Financial Information Table**”). The IMS IFRS Financial Information Table has been prepared for inclusion in the admission document dated 18 November (the “**Admission Document**”) of Redcentric Plc (the “**Company**”) on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the IMS IFRS Financial Information Table in accordance with the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the IMS IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules 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 other person for any loss suffered by any such other 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 Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

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. Our work included an assessment of evidence relevant to the

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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 financial information and whether the accounting policies are appropriate to the Company'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 IMS IFRS Financial Information Table gives, for the purposes of the Admission Document dated 18 November 2013, a true and fair view of the state of affairs of IMS as at the dates stated and of its profits, cash flows and changes in invested capital for the periods then ended in accordance with the basis of preparation set out in note 2.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission 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 Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section 2: Historical Financial Information of InTechnology Managed Services Business

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 March 2011, 2012 and 2013

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Revenue	4	39,299	40,165	40,859
Cost of sales		(14,303)	(13,079)	(14,754)
Gross profit		<u>24,996</u>	<u>27,086</u>	<u>26,105</u>
Administrative expenses before depreciation		(19,493)	(21,124)	(19,384)
Depreciation of property, plant and equipment		(2,519)	(2,681)	(3,491)
Administrative expenses		(22,012)	(23,805)	(22,875)
Other operating income		<u>37</u>	<u>26</u>	<u>22</u>
Operating profit	4, 5	<u>3,021</u>	<u>3,307</u>	<u>3,252</u>
Finance income	7	76	100	96
Finance costs	7	(35)	(85)	(169)
Profit before taxation		<u>3,062</u>	<u>3,322</u>	<u>3,179</u>
Taxation	8	(829)	(901)	(890)
Total comprehensive income for the year		<u><u>2,233</u></u>	<u><u>2,421</u></u>	<u><u>2,289</u></u>

The profit for the years presented above is attributable to the owners of the Parent.

There is no other comprehensive income.

Certain central costs have been allocated to IMS. These allocations may not reflect the expenses that IMS would have incurred as a standalone business.

BALANCE SHEET**As at 31 March 2011, 2012 and 2013**

	<i>Note</i>	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Assets				
Non-current assets				
Intangible assets	10	38,997	38,997	38,997
Property, plant and equipment	11	6,332	11,667	11,661
Deferred taxation asset	9	1,516	1,142	1,139
Total non-current assets		<u>46,845</u>	<u>51,806</u>	<u>51,797</u>
Current assets				
Trade and other receivables	12	6,629	7,686	7,992
Cash and cash equivalents	13	13,781	14,973	16,254
Total current assets		<u>20,410</u>	<u>22,659</u>	<u>24,246</u>
Total assets		<u>67,255</u>	<u>74,465</u>	<u>76,043</u>
Equity				
Invested capital		59,178	61,599	63,888
Total equity		<u>59,178</u>	<u>61,599</u>	<u>63,888</u>
Liabilities				
Non-current liabilities				
Borrowings	16	1,150	4,652	2,917
Total non-current liabilities		<u>1,150</u>	<u>4,652</u>	<u>2,917</u>
Current liabilities				
Trade and other payables	14	6,146	6,541	7,014
Borrowings	16	607	1,410	1,781
Current tax liabilities		174	263	443
Total current liabilities		<u>6,927</u>	<u>8,214</u>	<u>9,238</u>
Total liabilities		<u>8,077</u>	<u>12,866</u>	<u>12,155</u>
Total equity and liabilities		<u>67,255</u>	<u>74,465</u>	<u>76,043</u>

STATEMENT OF CHANGES IN INVESTED CAPITAL
For the year ended 31 March 2011, 2012 and 2013

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at start of year	56,945	59,178	61,599
Profit for the year	2,233	2,421	2,289
Balance as at 31 March	<u>59,178</u>	<u>61,599</u>	<u>63,888</u>

CASH FLOW STATEMENT

For the years ended 31 March 2011, 2012 and 2013

	<i>Note</i>	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Cash flows from operating activities				
Profit before taxation		3,062	3,322	3,179
Adjustments for:				
Depreciation		2,519	2,681	3,491
Profit on disposal of property, plant and equipment		(49)	(27)	(32)
Exchange movements		38	24	(7)
Finance income		(76)	(100)	(96)
Finance costs		35	85	169
		<u>5,529</u>	<u>5,985</u>	<u>6,704</u>
Changes in working capital:				
Increase in trade and other receivables		(1,425)	(1,057)	(306)
Increase in trade and other payables		808	395	473
		<u>4,912</u>	<u>5,323</u>	<u>6,871</u>
Cash generated from operations		4,912	5,323	6,871
Interest received		79	93	115
Interest paid		(29)	(82)	(136)
Interest element of finance lease payments		(6)	(7)	(42)
Tax paid		(384)	(438)	(707)
		<u>4,572</u>	<u>4,889</u>	<u>6,101</u>
Net cash inflow from operating activities				
Cash flows from investing activities				
Purchase of property, plant and equipment		(2,731)	(8,028)	(3,497)
Proceeds from the sale of property, plant and equipment		68	39	44
		<u>(2,663)</u>	<u>(7,989)</u>	<u>(3,453)</u>
Net cash outflow from investing activities				
Cash flows from financing activities				
(Decrease)/increase in borrowings		(600)	2,400	(725)
Capital element of finance lease (payments)/proceeds		(85)	1,905	(639)
		<u>(685)</u>	<u>4,305</u>	<u>(1,364)</u>
Net cash (outflow)/inflow from financing activities				
Net increase in cash and cash equivalents		<u>1,224</u>	<u>1,205</u>	<u>1,284</u>
Cash and cash equivalents at beginning of year		12,598	13,781	14,973
Exchange losses on cash and cash equivalents		(41)	(13)	(3)
Cash and cash equivalents at 31 March	13	<u>13,781</u>	<u>14,973</u>	<u>16,254</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The combined historical financial information contained in this report presents the financial track record for the years ended 31 March 2011, 31 March 2012 and 31 March 2013 (the “Track Record Period”) of inTechnology Managed Services Business (hereinafter referred to as the “Company”) that will be owned by Redcentric plc and its subsidiary undertakings (the “Redcentric Group”) at the date of the admission of the shares of Redcentric plc on to AIM.

InTechnology Managed Services Business is a newly formed company which commenced trading on 1 May 2013. The financial information presented in this report relates to the Managed Services business that was part of inTechnology plc (the “Parent”).

The principal activity of the Company is the provision of cloud services, and managed data and voice services to users over its own end-to-end quality assured IP network and from its modern data centres.

The principal accounting policies applied in the preparation of this combined historical financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Company does not constitute a separate legal entity in the financial years presented. The combined historical financial information, which has been prepared specifically for the purpose of this Admission Document, is therefore prepared on a basis that separates the results, assets and liabilities from the Parent by applying the principles underlying the procedures of IAS 27 ‘Consolidated and Separate Financial Statements’ (“IAS 27”) for each of the three years ended 31 March 2011, 2012 and 2013 and as at these dates. On such basis, the combined historical financial information sets out the Company’s Balance sheet as at 31 March 2011, 2012 and 2013 and the results of operations and cash flows for the three years then ended.

The financial information has been presented on a going concern basis and prepared in accordance with the requirements of the AIM Rules, and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC interpretations (together “IFRS”), except as described below. References to “IFRS” hereafter should be construed as references to IFRS as adopted by the EU.

IFRS does not provide for the preparation of combined historical financial information, and accordingly in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of combined historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 “Standards for Investment Reporting applicable to public reporting engagements on combined historical financial information” issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied.

- As explained above, the combined historical financial information is prepared on a separate entity basis and therefore does not comply with the requirements of IAS 27. The combined historical financial information has been prepared by separating the results, assets and liabilities of the Company from the Parent by applying the principles underlying the procedures of IAS 27 for each of the years ended 31 March 2011, 2012 and 2013 and as at these dates.
- As the combined historical financial information has been prepared on a separate entity basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 ‘Earnings per Share’ to disclose earnings per share has not been complied with.

- The combined historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 ‘Presentation of Financial Statements’ (“IAS 1”) and consequently the Company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first time adoption rules of IFRS 1 ‘First time Adoption of International Financial Reporting Standards’ (“IFRS 1”) in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made, the combined historical financial information has been prepared as if the date of transition to IFRS is 1 April 2010, the beginning of the first year presented, and the requirements of IFRS 1 have been applied as of that date.

The Company’s transition date to IFRS is 1 April 2010. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior years in order to assist companies with the transition process. The Company has not applied any of the exemptions set out in IFRS 1. The Company has not previously prepared or reported any financial information in accordance with any other generally accepted accounting principles (“GAAP”). Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this combined historical financial information, as required by IFRS 1 on transition to IFRS. In addition, no balance sheet at 1 April 2010 has been presented.

The combined historical financial information is presented in thousands of pounds sterling (“£”) except when otherwise indicated.

The following summarises the accounting and other principles applied in preparing the combined historical financial information:

- The combined historical financial information of the Company has been prepared on a historical cost basis.
- The combined historical financial information of the Company has been prepared for the same reporting periods using consistent accounting policies.
- The income tax expense and tax balances in this combined historical financial information have been determined based on the amounts recorded by the Parent in its statutory financial statements. The tax charges recorded in the income statement are not necessarily representative of the tax charges that would have been reported had the Company been an independent company throughout the period presented. They are not necessarily representative of the tax charges that may arise in the future.
- The Company does not form a separate legal entity during the period presented, and therefore it is not possible to show share capital or an analysis of reserves for the Company. The net assets of the Company are represented by invested capital.

(b) New standards, amendments and interpretations

IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of the Redcentric Group, which will be for the period ended 31 March 2014, have been applied. The accounting policies adopted in the presentation of the combined historical financial information reflect the adoption of the following new standards, none of which are expected to have a material impact on the combined historical financial information:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (“OCI”) in the Statement of comprehensive income.

- **IAS 19, (revised 2011), ‘Employee benefits’** (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- **IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- **IFRS 13 ‘Fair value measurement’** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

Standards, amendments and interpretations to existing standards which are applicable to the Company but are not effective or early adopted by the Company, none of which are expected to have a material impact on the combined historical financial information:

- **IAS 32 (amendment), ‘Financial instruments: Presentation’ on asset and liability offsetting** (effective 1 January 2014). This amendment is to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

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

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Data centre and network infrastructure & equipment – 2 to 10 years
- Office fixtures & fittings, vehicles & computer equipment – 2 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(d) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of businesses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the Statement of comprehensive income.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. This is with the exception of goodwill which is reviewed in the circumstances highlighted above, or annually, whichever is the most frequent.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Non-financial assets other than goodwill are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(h) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of

comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'Finance income' or 'Finance costs'.

(i) Trade payables

Trade payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Balance sheet date.

(k) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, Value Added Tax and other sales duty.

Revenues within this combined historical financial information are wholly related to managed services and include IT network services (WAN, LAN, MPLS and other types of networks), connectivity and data centre hosted services. These services are provided under contractual arrangements and the revenue is recognised over the period of the agreement as the service is delivered. Revenue is deferred to the extent it is billed in advance and is recognised in Deferred income, and accrued to the extent that the services provided are in advance of an invoice being issued and is recognised within Prepayments and accrued income.

(m) Expenses

Operating lease payments

Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Finance income and finance costs

Finance income represents interest receivable on funds invested and is recognised in profit or loss as it accrues using the effective interest method. Finance costs comprise interest payable on borrowings, calculated using the effective interest rate method.

(n) Income tax

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(o) Segment reporting

Operating segments are reported in a manner consistent with how they will be presented in the internal reporting to the Executive Board of the Redcentric Group, who, together, have been identified as the chief operating decision maker (“CODM”).

(p) Critical Accounting Judgements and Estimates

The preparation of the Company’s combined historical financial information under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgments are likely to have the most significant effect on the amounts recognized in the financial information.

Impairment of goodwill

The Company tests annually whether there is any impairment in respect of the goodwill recognized. The recoverable amounts of the goodwill have been determined based on the value in use calculations. These calculations require the use of estimates and assumptions which are set out in note 10.

Provision for trade receivables

The Company’s operations expose it to credit risk in respect of trade and other receivables. The Company provides against these amounts based on an estimate of the amounts that they believe to be irrecoverable, as detailed in note 12.

4. SEGMENT REPORTING

The operations of the Company comprise one class of business segment, being the provision of data centre and network based managed services in the United Kingdom. The CODM reviews business activities, performance and strategic decisions of the Company as one single segment. Accordingly, the Company represents a single operating and reportable segment.

All revenues arose in the United Kingdom and all assets of the Company are located in the United Kingdom.

No single customer represented 10 per cent. or more of the Company's revenues in any of the years ended 31 March 2011, 2012 and 2013.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before allocation of central Parent costs, interest, tax, depreciation and amortisation and is considered to be a key business performance measure. It is reconciled to the statutory operating profit as follows:

	2011 £'000	2012 £'000	2013 £'000
Adjusted EBITDA	7,342	7,870	8,348
Allocation of central Parent costs	(1,802)	(1,882)	(1,605)
Depreciation (note 11)	(2,519)	(2,681)	(3,491)
Operating profit	<u>3,021</u>	<u>3,307</u>	<u>3,252</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2011 £'000	2012 £'000	2013 £'000
Employee benefit expense (note 6)	9,421	10,447	10,114
Depreciation (note 11)	2,519	2,681	3,491
Foreign exchange losses/(gains)	32	24	(12)
Profit on disposal of property, plant and equipment	(49)	(27)	(32)
Allocation of central Parent costs	1,802	1,882	1,605
Operating lease payments	2,307	2,384	1,413
Auditors remuneration:			
– Audit of the statutory entity included in the combined historical financial information	62	66	67
– Non-audit services:			
Taxation	<u>13</u>	<u>16</u>	<u>12</u>

6. EMPLOYEES

(a) Employee benefit expense:

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	8,272	9,162	8,858
Social security costs	988	1,106	1,074
Pension costs (note 6 (c))	161	179	182
	<u>9,421</u>	<u>10,447</u>	<u>10,114</u>

Average monthly number of people employed:

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Sales	35	38	36
Technical	46	54	55
Operations	69	66	67
Administration	42	43	43
	<u>192</u>	<u>201</u>	<u>201</u>

(b) Key management compensation

The key management within the Company are considered to be the Executive and Non-executive Board Directors all of whom were employed by the Parent company during the Track Record Period.

(c) Retirement benefits

The Company contributes towards eligible employees' stakeholder pension plans. The pension cost for defined contribution schemes in the year was £182,000 (2012: £179,000; 2011: £161,000).

7. FINANCE INCOME AND COSTS

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Finance income			
Bank interest receivable	76	95	94
Other interest	–	5	2
Total finance income	<u>76</u>	<u>100</u>	<u>96</u>
Finance costs			
Bank loans	(25)	(91)	(131)
Finance leases	(6)	(1)	(33)
Other interest	(4)	7	(5)
Total finance costs	<u>(35)</u>	<u>(85)</u>	<u>(169)</u>
Net finance income/(costs)	<u>41</u>	<u>15</u>	<u>(73)</u>

8. TAXATION

	2011 £'000	2012 £'000	2013 £'000
Analysis of charge in the year			
Current tax			
Current tax on profits for the year	685	654	1,001
Adjustment in respect of prior years	(337)	(127)	(114)
Total current tax	<u>348</u>	<u>527</u>	<u>887</u>
Deferred tax			
Origination and reversal of temporary differences	481	374	3
Total deferred tax (note 9)	<u>481</u>	<u>374</u>	<u>3</u>
Total income tax	<u>829</u>	<u>901</u>	<u>890</u>

The income tax charge for the year differs from the standard rate of corporation tax in the UK.

	2011 £'000	2012 £'000	2013 £'000
Profit on ordinary activities before tax	<u>3,062</u>	<u>3,322</u>	<u>3,179</u>
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 24% (2012: 26%; 2011: 28%)	857	864	763
Effects of:			
Expenses not deductible	113	76	171
Adjustment in respect of prior years	(337)	(127)	(114)
Movement in deferred tax and the effect of change in tax rate	196	88	70
Total taxation charge	<u>829</u>	<u>901</u>	<u>890</u>

Deferred tax assets have not been recognised in respect of losses where it is the view of the directors that it is not probable that future taxable profits will be available to offset against a deferred tax asset.

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system have been announced. Further reductions to the main rate are proposed to reduce the rate to 21 per cent. by 1 April 2014 and to 20 per cent. by 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this combined historical financial information.

9. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2012: 25%; 2011: 26%).

Deferred tax assets

The movement on the deferred tax account is shown below:

	2011 £'000	2012 £'000	2013 £'000
Deferred tax asset at start of year	1,997	1,516	1,142
Charge to Statement of comprehensive income	(481)	(374)	(3)
Deferred tax asset at 31 March	<u>1,516</u>	<u>1,142</u>	<u>1,139</u>

At 31 March 2013, the Company had accumulated tax losses of £14,939,243 (2012: £14,939,243; 2011: £14,939,243) which should be available for offset against future trading profits of certain Company operations.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered. It is considered probable that the assets will be utilised in the near future due to the profits generated by the Company.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	2011		
	<i>Deferred tax asset £'000</i>	<i>Deferred tax liability £'000</i>	<i>Charged to statement of comprehensive income £'000</i>
Origination and reversal of temporary differences			
Excess of depreciation over capital allowances	1,381	–	(378)
Provisions	135	–	(103)
	<u>1,516</u>	<u>–</u>	<u>(481)</u>
	2012		
	<i>Deferred tax asset £'000</i>	<i>Deferred tax liability £'000</i>	<i>Charged to statement of comprehensive income £'000</i>
Origination and reversal of temporary differences			
Excess of depreciation over capital allowances	1,058	–	(323)
Provisions	84	–	(51)
	<u>1,142</u>	<u>–</u>	<u>(374)</u>
	2013		
	<i>Deferred tax asset £'000</i>	<i>Deferred tax liability £'000</i>	<i>Credited/ charged to statement of comprehensive income £'000</i>
Origination and reversal of temporary differences			
Excess of depreciation over capital allowances	1,139	–	16
Change in rate of deferred taxation	–	–	(19)
	<u>1,139</u>	<u>–</u>	<u>(3)</u>

10. INTANGIBLE ASSETS

	<i>Goodwill £'000</i>
Cost and net book amount	
At 1 April 2010 and 31 March 2011, 2012, 2013	<u>38,997</u>

Impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Company is currently a single cash generating unit (“CGU”), the Data Centre and Network Based Managed Services CGU.

The recoverable amount for the CGU was based on a value in use calculation using cash flow projections based on the 2014 budget and extrapolated for a further 4 years by a growth rate applicable to the CGU to March 2018. An appropriate terminal value based on a perpetuity calculation using 2 per cent. real growth was then added. After the initial period covered by the latest budget, revenues and costs were projected to grow at 5 per cent. for the following 4 years.

The discount rates applied by the Company are calculated by taking consideration of the Company’s weighted average cost of capital and business and related risk factors. A discount rate of 9.2 per cent. was used. A 1 per cent. increase in the long term discount rate does not lead to impairment.

11. PROPERTY, PLANT AND EQUIPMENT

	2011			
	<i>Data centre and network infrastructure & equipment £’000</i>	<i>Office fixtures & fittings £’000</i>	<i>Vehicles & computer equipment £’000</i>	<i>Total £’000</i>
Cost				
At 1 April 2010	5,023	314	9,980	15,317
Additions	171	35	2,525	2,731
Disposals	–	–	(237)	(237)
At 31 March 2011	5,194	349	12,268	17,811
Accumulated depreciation				
At 1 April 2010	1,815	306	7,057	9,178
Charge for the year	477	19	2,023	2,519
Disposals	–	–	(218)	(218)
At 31 March 2011	2,292	325	8,862	11,479
Net book amount				
At 1 April 2010	3,208	8	2,923	6,139
At 31 March 2011	2,902	24	3,406	6,332

	2012			
	<i>Data centre and network infrastructure & equipment £'000</i>	<i>Office fixtures & fittings £'000</i>	<i>Vehicles & computer equipment £'000</i>	<i>Total £'000</i>
Cost				
At 1 April 2011	5,194	349	12,268	17,811
Additions	5,100	43	2,885	8,028
Disposals	–	–	(186)	(186)
At 31 March 2012	10,294	392	14,967	25,653
Accumulated depreciation				
At 1 April 2011	2,292	325	8,862	11,479
Charge for the year	454	25	2,202	2,681
Disposals	–	–	(174)	(174)
At 31 March 2012	2,746	350	10,890	13,986
Net book amount				
At 1 April 2011	2,902	24	3,406	6,332
At 31 March 2012	7,548	42	4,077	11,667

	2013			
	<i>Data centre and network infrastructure & equipment £'000</i>	<i>Office fixtures & fittings £'000</i>	<i>Vehicles & computer equipment £'000</i>	<i>Total £'000</i>
Cost				
At 1 April 2012	10,294	392	14,967	25,653
Additions	633	–	2,864	3,497
Disposals	–	(13)	(180)	(193)
At 31 March 2013	10,927	379	17,651	28,957
Accumulated depreciation				
At 1 April 2012	2,746	350	10,890	13,986
Charge for the year	900	23	2,568	3,491
Disposals	–	(12)	(169)	(181)
At 31 March 2013	3,646	361	13,289	17,296
Net book amount				
At 1 April 2012	7,548	42	4,077	11,667
At 31 March 2013	7,281	18	4,362	11,661

The net book amount of property, plant and equipment includes an amount of £1,568,000 (2012: £1,794,000, 2011: £16,000) in respect of assets held under finance leases.

Lease rentals amounting to £1,202,000 (2012: £2,244,000, 2011: £2,232,000) and £211,000 (2012: £140,000, 2011: £75,000) relating to the lease of property and motor vehicles, respectively, are included in the Statement of comprehensive income (note 5).

12. TRADE AND OTHER RECEIVABLES

	2011 £'000	2012 £'000	2013 £'000
Trade receivables	4,110	5,124	5,934
Less: provision for impairment of trade receivables	(38)	(24)	(194)
Trade receivables, net	4,072	5,100	5,740
Other receivables	21	50	58
Prepayments and accrued income	2,536	2,536	2,194
	<u>6,629</u>	<u>7,686</u>	<u>7,992</u>

The carrying values of financial assets (trade and other receivables) approximate their fair values. The financial assets are denominated in pound sterling.

As at 31 March 2013, trade receivables of £194,000 (2012: £24,000, 2011: £38,000) were individually impaired and fully provided for. The individually impaired receivables relate to customers in financial difficulty. The quality of trade receivables can be assessed by reference to the historical default rate of £104,000 (2012: £26,000, 2011: £76,000) for the preceding 365 days being 2. 0% of the opening trade receivables balance.

As at 31 March 2013, trade receivables of £1,172,000 (2012: £960,000, 2011: £793,000) were past due but not impaired. In the table below, these are included within the receivables over 30 days, and relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of net trade receivables is as follows:

	2011 £'000	2012 £'000	2013 £'000
Days outstanding:			
31 – 60 days	636	571	363
61 – 90 days	157	188	281
90+ days	–	201	528
	<u>793</u>	<u>960</u>	<u>1,172</u>

Movements on the Company's provision for impairment of trade receivables are as follows:

	2011 £'000	2012 £'000	2013 £'000
At the start of the year	128	38	24
Charged to the statement of comprehensive income	(14)	12	274
Receivables written off during the year as uncollectible	(76)	(26)	(104)
As at 31 March	<u>38</u>	<u>24</u>	<u>194</u>

13. CASH AND CASH EQUIVALENTS

	2011 £'000	2012 £'000	2013 £'000
Cash at bank and in hand	<u>13,781</u>	<u>14,973</u>	<u>16,254</u>

Cash is held in current accounts which earn interest at floating rates based on daily bank deposit rates. The carrying value of cash and cash equivalents approximates their fair value.

14. TRADE AND OTHER PAYABLES

	2011 £'000	2012 £'000	2013 £'000
Trade payables	1,971	1,631	1,643
Other payables	24	28	27
Other tax and social security payable	1,061	1,161	1,324
Accruals	2,817	3,211	3,738
Deferred income	273	510	282
	<u>6,146</u>	<u>6,541</u>	<u>7,014</u>

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pound sterling.

15. OPERATING LEASE COMMITMENTS

Land and Buildings commitments under non-cancellable operating leases due are as follows:

	2011 £'000	2012 £'000	2013 £'000
Within one year	2,526	1,474	1,562
Later than one year and less than five years	4,737	5,659	5,883
After five years	3,486	2,666	4,476
	<u>10,749</u>	<u>9,799</u>	<u>11,921</u>

Plant and machinery commitments under non-cancellable operating leases are as follows:

	2011 £'000	2012 £'000	2013 £'000
Within one year	109	198	215
Later than one year and less than five years	152	183	124
After five years	–	–	–
	<u>261</u>	<u>381</u>	<u>339</u>

16. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Borrowings and other financial liabilities

	2011 £'000	2012 £'000	2013 £'000
Current			
Bank borrowings	600	725	1,050
Finance leases	7	685	731
	<u>607</u>	<u>1,410</u>	<u>1,781</u>
Non-current			
Bank borrowings	1,150	3,425	2,375
Finance leases	–	1,227	542
	<u>1,150</u>	<u>4,652</u>	<u>2,917</u>
Total borrowings	<u>1,757</u>	<u>6,062</u>	<u>4,698</u>

The Company's undiscounted liabilities are as follows:

Bank borrowings

	2011 £'000	2012 £'000	2013 £'000
In one year or less	626	864	1,179
Between one and two years	1,199	1,175	947
Between two and five years	–	2,483	1,536
	<u>1,825</u>	<u>4,522</u>	<u>3,662</u>

Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2011 £'000	2012 £'000	2013 £'000
Gross finance lease liabilities – minimum lease payments:			
In one year or less	7	720	766
Between one and two years	–	720	570
Between two and five years	–	571	–
	<u>7</u>	<u>2,011</u>	<u>1,336</u>
Future finance charges on finance lease liabilities	–	(99)	(63)
Present value of finance lease liabilities	<u>7</u>	<u>1,912</u>	<u>1,273</u>

The present value of finance lease liabilities is as follows:

	2011 £'000	2012 £'000	2013 £'000
In one year or less	7	685	731
Between one and two years	–	685	542
Between two and five years	–	542	–
	<u>7</u>	<u>1,912</u>	<u>1,273</u>

The main financial risks faced by the Company include foreign currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

The Company's financial instruments comprise cash, liquid resources and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the years presented, the Company's policy that no trading in financial instruments shall be undertaken.

Financial asset returns are maximised by ongoing review of the Company's cash flow requirements. Any funds surplus to short-term working capital requirements are placed on interest bearing deposit.

Liquidity risk is further managed by agreeing separate borrowing facilities for any additional working capital and investment requirements. In accordance with this policy, the Company negotiated two 5 year term loans of £3,000,000 each, of which £3,425,000 (2012: £4,150,000, 2011: £1,750,000) was used as at 31 March 2013. There are no unutilised credit facilities (2012: £nil; 2011: £5,100,000).

Short term trade receivables and payables have been excluded from all the following disclosures with the exception of the currency exposure analysis.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Company comprise cash of £16,254,000 (2012: £14,973,000, 2011: £13,781,000) as follows:

	2011 £'000	2012 £'000	2013 £'000
Currency			
Sterling	13,456	14,906	16,178
US Dollar	295	56	58
Euro	30	11	18
	<u>13,781</u>	<u>14,973</u>	<u>16,254</u>

The Sterling, US Dollar and Euro financial assets relate to cash at bank and bear interest based on GBP Base Rate.

There are no fixed rate financial assets (2012: £nil, 2011: £nil).

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Company is as follows:

	2011 £'000	2012 £'000	2013 £'000
Floating rate other borrowings	1,750	4,150	3,425
Fixed rate finance leases	7	1,912	1,273
	<u>1,757</u>	<u>6,062</u>	<u>4,698</u>

Financial liabilities include secured finance leases.

A 10% change in the interest rates does not have a significant impact on the profits of the Company.

Currency exposure

The table below shows the extent to which the Company has monetary assets and liabilities in currencies other than its local currency. Foreign exchange differences on translation of earnings are taken to the Statement of comprehensive income

	2011 £'000	2012 £'000	2013 £'000
Functional currency of operation: Sterling			
US Dollar assets/(liabilities) (net)	12	(97)	(82)
Euro assets (net)	30	2	11
	<u>42</u>	<u>(95)</u>	<u>(71)</u>

A 10% change in the exchange rates does not have a significant impact on the profits of the Company.

Fair value of financial instruments

The financial assets and financial liabilities of the Company are carried at amortised cost. The fair value of financial instruments carried at amortised cost is based on the expected cash flows discounted at prevailing interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of the financial assets (trade and other receivables, cash and cash equivalents) and financial liabilities (trade and other payables), their carrying amounts approximate their fair values.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions during the Track Record Period.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party is inTechnology plc, a company incorporated in the United Kingdom.

InTechnology plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2013. The consolidated financial statements of inTechnology plc are available from Central House, Beckwith Knowle, Harrogate, HG3 1UG.

19. EVENTS AFTER THE BALANCE SHEET DATE

On 1 May 2013 the business comprising the inTechnology Managed Services operations were hived down from inTechnology plc into a newly formed wholly owned subsidiary company.

PART IV

**HISTORICAL FINANCIAL INFORMATION
RELATING TO REDCENTRIC**

PART A

Redcentric MS Limited

(formerly Maxima Managed Services Limited)

Consolidated Historical Financial Information

For the years ended 31 May 2011, 31 May 2012 and 31 March 2013

Section 1: Accountants report on the Historical Financial Information of Redcentric MS Limited (formerly Maxima Managed Services Limited)



The Directors
Redcentric Plc
Newton House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

N+1 Singer Advisory LLP (the “Nominated Adviser”)
One Bartholomew Lane
London
EC2N 2AX

15 November 2013

Dear Sirs

Redcentric MS Limited (formerly Maxima Managed Services Limited)

We report on the financial information set out for Redcentric MS Limited for the ten months ended 31 March 2013 set out below (the “**Redcentric MS Limited IFRS Financial Information Table**”). The Redcentric MS Limited IFRS Financial Information Table has been prepared for inclusion in the admission document dated 18 November 2013 (the “**Admission Document**”) of Redcentric Plc (the “**Company**”) on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Redcentric MS Limited IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Redcentric MS Limited IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules 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 other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the

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purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

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. 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 financial information and whether the accounting policies are appropriate to the Company'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 Redcentric MS Limited IFRS Financial Information Table gives, for the purposes of the Admission Document dated 18 November 2013, a true and fair view of the state of affairs of Redcentric MS Limited as at 31 March 2013 and of its losses, cash flows and changes in equity for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission 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 Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section 2: Historical Financial Information of Redcentric MS Limited

CONSOLIDATED INCOME STATEMENT

For the periods ended 31 May 2012 and 31 March 2013

		<i>Year ended</i>	<i>10 Months ended</i>
	<i>Note</i>	<i>31 May 2012</i>	<i>31 March 2013</i>
		<i>£'000</i>	<i>£'000</i>
Revenue	4	23,671	18,425
Cost of sales		(11,455)	(9,163)
Gross profit		12,216	9,262
Exceptional administrative expenses	6	(446)	(434)
Other administrative expenses		(12,429)	(8,404)
Administrative expenses		(12,875)	(8,838)
Operating (loss)/profit	4,5	(659)	424
Finance income		3	–
Finance costs		(2)	–
(Loss)/profit before taxation		(658)	424
Taxation	8	–	(17)
(Loss)/profit for the period		(658)	407

All of the (loss)/profit for the periods presented above is attributable to the owners of Redcentric MS Limited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the periods ended 31 May 2012 and 31 March 2013

	<i>Year ended</i> <i>31 May</i> <i>2012</i> <i>£'000</i>	<i>10 Months</i> <i>ended</i> <i>31 March</i> <i>2013</i> <i>£'000</i>
(Loss)/Profit for the period	(658)	407
<i>Other comprehensive income</i>		
Currency translation differences	(20)	7
Total other comprehensive (expense)/income	(20)	7
Total comprehensive (expense)/income for the period	(678)	414

All of the comprehensive (expense)/income for the periods presented above is attributable to the owners of Redcentric MS Limited.

All items of other comprehensive income are items that may subsequently be recycled to the income statement.

CONSOLIDATED BALANCE SHEET
As at 31 May 2012 and 31 March 2013

	<i>Note</i>	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Assets			
Non-current assets			
Intangibles	9	–	617
Property, plant and equipment	10	382	1,594
Total non-current assets		<u>382</u>	<u>2,211</u>
Current assets			
Inventories	11	113	270
Trade and other receivables	12	8,483	7,868
Corporation tax recoverable	12	158	157
Cash and cash equivalents	13	51	895
Total current assets		<u>8,805</u>	<u>9,190</u>
Total assets		<u>9,187</u>	<u>11,401</u>
Equity			
Share capital	19	–	–
Share premium		4	4
Accumulated losses		(3,101)	(2,687)
Total equity		<u>(3,097)</u>	<u>(2,683)</u>
Non-current liabilities			
Provisions	15	35	–
Borrowings	16	–	335
Total non-current liabilities		<u>35</u>	<u>335</u>
Current liabilities			
Trade and other payables	14	12,130	13,536
Current tax liabilities	14	–	–
Borrowings	16	79	213
Provisions	15	40	–
Total current liabilities		<u>12,249</u>	<u>13,749</u>
Total liabilities		<u>12,284</u>	<u>14,084</u>
Total equity and liabilities		<u>9,187</u>	<u>11,401</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the periods ended 31 May 2012 and March 2013

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Accumulated losses £'000</i>	<i>Total equity £'000</i>
Balance at 1 June 2011		–	4	(2,258)	(2,254)
Loss for the year		–	–	(658)	(658)
<i>Other comprehensive expense:</i>					
Currency translation differences		–	–	(20)	(20)
Total comprehensive expense				(678)	(678)
<i>Transactions with shareholders:</i>					
Share based payments		–	–	(165)	(165)
Balance at 31 May 2012		–	4	(3,101)	(3,097)
Profit for the period		–	–	407	407
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	7	7
Total comprehensive income				414	414
<i>Transactions with shareholders:</i>					
Share based payments		–	–	–	–
Balance at 31 March 2013		–	4	(2,687)	(2,683)

CONSOLIDATED CASH FLOW STATEMENT
For the periods ended 31 May 2012 and March 2013

		<i>Year ended</i> <i>31 May</i> <i>2012</i> <i>£'000</i>	<i>10 Months</i> <i>ended</i> <i>31 March</i> <i>2013</i> <i>£'000</i>
	<i>Note</i>		
Cash flows from operating activities			
(Loss)/Profit before taxation		(658)	424
Adjustments for:			
Depreciation		377	190
Loss on disposal		17	24
Finance costs		2	–
Finance income		(3)	–
Share based payment – non cash movement		(165)	–
Changes in working capital:			
(Increase)/decrease in inventories		(57)	66
(Increase)/decrease in trade and other receivables		(1,162)	1,658
(Decrease) in trade and other payables		(385)	(420)
Movement on provisions		(79)	(75)
Cash generated from operations		(2,113)	1,867
Interest paid		(2)	–
Tax paid		(25)	(17)
Net cash (outflow)/inflow from operating activities		(2,140)	1,850
Cash flows from investing activities			
Purchase of property, plant and equipment		(163)	(33)
Interest received		3	–
Net cash outflow from investing activities		(160)	(33)
Cash flows from financing activities			
Repayment of borrowings		(18)	–
Net transactions with Maxima Group	20	2,213	(906)
Net cash inflow/(outflow) from financing activities		2,195	(906)
Net decrease in cash and cash equivalents		(105)	911
Cash and cash equivalents at beginning of period	13, 16	93	(23)
Impact of foreign exchange		(11)	7
Cash, cash equivalents and bank overdraft at			
31 May 2012 and 31 March 2013	13, 16	(23)	895

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Redcentric MS Limited (formerly Maxima Managed Services Limited) and its subsidiaries (together the “Redcentric Group”) were wholly owned by Redstone plc (“Redstone”) on 9 November 2012 following the acquisition by Redstone of Maxima Holdings Plc, the Redcentric Group’s immediate parent undertaking. Previously, and throughout the year ended 31 May 2012, the Redcentric Group was owned by Maxima Holdings plc (together with its subsidiaries, the “Maxima Group”). On 8 April 2013 the Redcentric Group was demerged from Redstone plc by way of a dividend in specie to Redcentric plc.

Redcentric MS Limited changed its year end date to 31 March in the period to be consistent with the other members of the Redstone Group. As a result the values presented in the financial information are not entirely comparable.

The Redcentric Group’s principal business activity is the provision of network based managed services in the United Kingdom and it is incorporated and domiciled in the United Kingdom.

The principal activities of the subsidiaries included in the consolidated historical financial information are as follows:

<i>Entity</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Equity interest at</i>	
			<i>31 May 2012</i>	<i>31 March 2013</i>
Hotchilli Internet Limited	Dormant	England and Wales	100%	100%
Redcentric Solutions Private Limited	Service centre	India	100%	100%

Hotchilli Internet Limited is a dormant intermediary and is exempt from preparing individual accounts by virtue of s394A of Companies Act 2006 and is exempt from audit by virtue of S479A of Companies Act 2006.

The principal accounting policies applied in the preparation of this consolidated historical financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRS’) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC interpretations (together “IFRS”). The consolidated historical financial information has been prepared under the historical cost convention on a going concern basis.

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Redcentric Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated historical financial information are disclosed in note 3.

The historical financial information of subsidiaries are included in the consolidated historical financial information from the date on which control is transferred to the Redcentric Group until the date that control ceases. Control is achieved where owners of the Redcentric Group have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising

from intra-group transactions are eliminated in preparing the consolidated financial information. There is consistent treatment across the Group.

The directors have carried out an assessment of going concern, and are satisfied the entity will continue to be a going concern for at least 12 months after the date of approval of this financial information.

(b) **New standards, amendments and interpretations**

IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of Redcentric plc and its subsidiaries (the “Redcentric Group”), which will be for the period ended 31 March 2014, have been applied. The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following new standards:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment resulted in the classification of certain items in the statement of comprehensive income as either:
 - (a) Will not be reclassified subsequently to profit or loss; and
 - (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following new standards, which have not had a material impact on the consolidated financial information:

- **IAS 12 (amendment), ‘Income taxes’ on deferred taxes** (effective 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
- **IAS 19, (revised 2011), ‘Employee benefits’** (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- **IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- **IFRS 13 ‘Fair value measurement’** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Redcentric Group and are not expected to have a material impact on the consolidated financial information:

- **IAS 27 (revised 2011), ‘Separate financial statements’** (effective 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 ‘The effect of changes in foreign exchange rates’, IAS 28 ‘Investments in associates’, and IAS 31 ‘Interests in joint ventures’, apply prospectively for annual periods beginning on or after 1 July 2009.
- **IAS 28 (revised 2011), ‘Investments in associates and joint ventures’** (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- **IAS 32 (amendment), ‘Financial instruments: Presentation’, on asset and liability offsetting** (effective 1 January 2014). This amendment is to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- **IFRS 10 ‘Consolidated financial statements’** (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- **IFRS 11 ‘Joint arrangements’** (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.
- **IFRS 12 ‘Disclosure of interests in other entities’** (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

(c) **Foreign currency translation**

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘finance income or costs’. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

Redcentric Group companies

The results and financial position of all the Redcentric Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The following exchange rates were applied for £1 at 31 May 12 and 31 March 13:

	<i>Year ended</i>	<i>10 Months ended</i>
	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
Indian Rupees (closing rate)	86.43	82.54
Indian Rupees (average rate)	85.49	80.29

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

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Redcentric Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement

Leased assets

Leases under which the Redcentric Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases are recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Leasehold properties and improvements – over the period of the lease
- Computer and office equipment – 2 to 10 years
- Motor vehicles – 4 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(e) **Impairment of non-financial assets**

The carrying amounts of the Redcentric Group's non-financial assets are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is reviewed for impairment at each reporting date.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) **Financial assets**

The Redcentric Group classifies its financial assets as loans and receivables or cash.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise of cash and cash equivalents and trade and other receivables.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the MMSs Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

(g) **Trade and other receivables**

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses.

Trade receivables are reported as the gross receivable less the provisions against them. Provision against trade receivables is made when there is objective evidence that the Redcentric Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the assets carrying amount and the present value of estimated cash flows.

(h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less and includes bank overdraft for the purpose of the cash flow statement.

(i) **Trade payables**

Trade payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) **Borrowings**

Borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and any premiums payable on redemption, as well as any interest payable while the liability is outstanding.

(k) **Employee benefits**

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(l) **Provisions**

A provision is recognised in the balance sheet when the Redcentric Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) **Revenue**

Revenue represents the sale of services, excluding value added tax and discounts. Revenues relating to contracted maintenance are recognised over the period of the agreement as the service is delivered.

Revenue represents the value of work performed in the UK and overseas during the period plus the recognised sales in respect of maintenance and support contracts for the respective period, excluding VAT and trade discounts.

Revenue attributable to the supply of software licenses and hardware is recognised when the significant risks and rewards are transferred to the buyer, generally on delivery. Consultancy income is recognised based on the terms of the contract which can be either on a times spent contract basis or a percentage completion basis.

Revenue attributable to the maintenance and support of the system is invoiced in accordance with the contract and recognised on a straight line basis over the support period.

Where the value of the customer contracts contain multiple elements, revenue is recognised by reference to the fair value of the elements delivered to the fair value of the contracts as a whole. Where the contract does not split the value into different elements, the revenue is recognised in accordance with the substance of the contractual provisions.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the income statement in subsequent periods with reference to the stage of completion of the transaction at the balance sheet date.

(n) **Expenses**

Operating lease payments

Payments under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the shorter of the lease term and any break clauses.

Finance costs and finance income

Financing costs comprise interest payable on borrowings, calculated using the effective interest method. Interest income represents interest receivable on funds invested and is recognised in profit or loss as it accrues using the effective interest method.

(o) **Exceptional items**

As permitted by IAS1 'Presentation and Disclosure' certain items are presented separately in the Income Statement as exceptional where, in the judgment of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Redcentric Group's underlying business performance. Examples of material and non-recurring items which may give rise to disclosure as exceptional items include redundancy costs.

(p) **Income tax**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(q) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting to the Chief Executive Officer and Chief Financial Officer of the Redcentric Group, who, together, have been identified as the chief operating decision maker (CODM).

(r) **Inventories**

Inventory comprises short term work in progress only and is held at the lower of cost and net realisable value. Cost comprises direct material and third party labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to disposal.

(s) **Share-based payments**

The Redcentric Group operates equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Redcentric Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Redcentric Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(t) **Business Combinations**

For business combinations involving entities under common control, such as the acquisition of trade and assets from Redcentric Converged Solutions Limited during the 10 months ending 31 March 2013, the Group has elected to apply principals of predecessor accounting. All assets and liabilities acquired have accordingly been recorded at their carrying amounts. Goodwill associated with this

business combination has been initially measured as the excess of the aggregate of the consideration transferred, and the book value of the net assets acquired.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial information under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgments are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

Going concern

The directors believe that preparing the financial information on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Redcentric plc. The ultimate parent company up to the 8th April was Redstone plc. On the 8th April 2013 a de merger was effected and the new ultimate parent entity became Redcentric plc (as explained in the events after the balance sheet date note). The directors have received confirmation that Redcentric plc intends to support the company for at least one year after these financial statements are signed.

The directors are required to be satisfied that the Group (Redcentric plc and its subsidiaries) has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate facilities and of its debt holders and shareholders. The Redcentric plc Group has recently agreed new facilities with Barclays Bank Plc through to on or about 14 November 2016. The nature of the group's business and its strategy is such that there can be considerable variation in cash inflows, and the timing thereof. Whilst this adds risk to the Groups ability to forecast cash and in the current economic environment there can be no absolute certainty that the Group will achieve its EBITDA forecasts, the present cash flow forecasts indicate that the Group will be able to operate within the present facilities for at least 12 months from the date of approval of this financial information. For these reasons, the directors believe the going concern basis to be appropriate.

The Redcentric plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redcentric plc group, of which the Company is a member.

The directors have reviewed the principal accounting policies and consider they remain the most appropriate for the company.

Provisions and other contingencies

Bad debt provisions

The Redcentric Group's operations expose it to credit risk in respect of trade and other receivables. The Redcentric Group provides against these amounts based on an estimate of the amounts that they believe to be irrecoverable.

4. SEGMENT REPORTING

The operations of the Redcentric Group comprise one class of business segment, being provision of network based managed services in the United Kingdom. The CODM reviews business activities, performance and strategic decisions of the Redcentric Group as one single segment. Accordingly, the Redcentric Group represents a single operating and reportable segment. There are no other services that are provided by the Redcentric Group that would constitute a separately discloseable segment

In the year ended 31 May 2012, one customer accounted for greater than 10 per cent. of total revenues being £2.48 million accounting for 11 per cent. of total revenue.

In the 10 month period ended 31 March 2013, two customers accounted for greater than 10 per cent. of total revenues being £3.1 million accounting for 17 per cent. of total revenue.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and exceptional items and is a key business performance measure. It is reconciled to the statutory operating (loss) / profit as follows:

	<i>Year ended</i>	<i>10 Months ended</i>
	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>
Adjusted EBITDA	164	1,048
Depreciation (Note 10)	(377)	(190)
Exceptional items (Note 6)	(446)	(434)
Operating (loss)/profit	<u>(659)</u>	<u>424</u>

5. OPERATING (LOSS)/PROFIT

	<i>Year ended</i>	<i>10 Months ended</i>
	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>
Employee benefit expense (Note 7)	6,909	5,076
Depreciation (Note 10)	377	190
Loss on disposal of property, plant and equipment	17	24
Operating lease payments	414	339
Auditors' remuneration in respect of statutory audits	19	21
Auditors' remuneration in respect of:		
Taxation services – compliance	2	–
Other	–	1

6. EXCEPTIONAL ITEMS

	<i>Year ended</i>	<i>10 Months ended</i>
	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>
Redundancy costs	437	434
Other	9	–
	<u>446</u>	<u>434</u>

7. EMPLOYEES

(a) *Employee benefit expense:*

	<i>Year ended 31 May 2012 £'000</i>	<i>10 Months ended 31 March 2013 £'000</i>
Wages and salaries	6,266	4,518
Social security costs	676	455
Other pension costs (note 7 (c))	132	103
Share based payment (credit)/charge	(165)	—
	<u>6,909</u>	<u>5,076</u>
 Average monthly number of people employed:		
Operations	157	154
Selling and distribution	18	13
Administration	16	15
	<u>191</u>	<u>182</u>

(b) **Key management compensation**

The directors of the Redcentric Group were employed and remunerated by Maxima Holdings plc and Redstone plc through the year ended 31 May 2012 and the 10 month period ended 31 March 2013. The key management within the Redcentric Group are deemed to be the Directors and the local managing director and director of finance. Both of these individuals were also employed and remunerated by Maxima Holdings plc and Redstone plc through the year ended 31 May 2012 and the 10 month period ended 31 March 2013.

(c) **Retirement benefits**

The Redcentric Group contributes towards to eligible employees' stakeholder pension plans. The pensions cost for defined contribution schemes in the period was £103,000 (2012: £132,000).

8. TAXATION

Analysis of charge in period

	<i>Year ended 31 May 2012 £'000</i>	<i>10 Months ended 31 March 2013 £'000</i>
<i>Current tax</i>		
Current tax on profits for the period	23	17
Adjustments in respect of prior years	(23)	—
Total current tax	<u>—</u>	<u>17</u>
 <i>Deferred tax</i>		
Origination and reversal of temporary differences	—	—
Total deferred tax	<u>—</u>	<u>—</u>
Total income tax	<u>—</u>	<u>17</u>

The income tax charge for the period differs from the standard rate of corporation tax in the UK of 24% (2012: 25.67%). The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. The differences are explained below:

	<i>Year ended 31 May 2012 £'000</i>	<i>10 Months ended 31 March 2013 £'000</i>
(Loss)/profit on ordinary activities before tax	(658)	424
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 24% (2012: 25.67%)	(169)	102
Effects of:		
Depreciation in excess of capital allowances	26	41
Expenses not deductible	6	3
Adjustment in respect of prior years	(23)	–
Impact of foreign taxation	97	17
Other short term timing differences	61	5
Group Relief	–	(151)
Transfer to tax losses carried forward	2	–
Total taxation charge	–	17

The Redcentric Group has unrecognised deferred tax assets of £215,000 as at 31 March 2013 (2012: £33,000), that are available indefinitely for offset against future tax profits of the companies in which losses arise. Deferred tax assets have not been recognised in respect of losses where it is the view of the Directors that it is not probable that future taxable profits will be available to offset against and deferred tax asset.

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate to 21 per cent. by 1 April 2014 and to 20 per cent. by 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this consolidated historical financial information.

The proposed reductions of the main rate of corporation tax to 21 per cent. by 1 April 2014 and 20 per cent. by 1 April 2015 are expected to be enacted separately each year. The overall effect of the change in the tax rate to 21 per cent., if applied to the deferred tax balance at the 31 March 2013, would be to reduce the deferred tax asset by £nil.

9. INTANGIBLE ASSETS

	<i>Goodwill £'000</i>	<i>Total £'000</i>
Cost		
At 1 June 2012	–	–
Additions	617	617
At 31 March 2013	<u>617</u>	<u>617</u>
Accumulated amortisation		
At 1 June 2012	–	–
Amortisation	–	–
At 31 March 2013	<u>–</u>	<u>–</u>
Net book amount		
At 31 March 2013	<u>617</u>	<u>617</u>

Acquisition

On the 22nd March 2013 Redcentric MS Limited acquired the trade and assets of the hardware, ICT and cloud annuity part of the Redstone Converged Solutions Limited business. As this is a transaction between businesses under common control, merger accounting principles for group reconstructions was applied. The acquired assets and liabilities were valued at their predecessor values. The difference between the considerations and the net value of acquired assets has been recognised as goodwill.

	<i>Total</i> <i>£'000</i>
Consideration	700
Tangible assets	1,396
Current assets	1,704
Current liabilities	(3,017)
Net assets acquired	83
Goodwill	617

Impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group is currently a single cash generating unit ("CGU"), the Network Based Managed Services CGU.

The recoverable amount for the CGU was based on a value in use calculation using cash flow projections based on the 2014 and 2015 budget forecast which was approved by the Redstone Group Board and extrapolated for a further 3 years by a growth rate applicable to the CGU to March 2017. An appropriate terminal value based on a perpetuity calculation using 2 per cent. real growth was then added. After the initial period covered by the latest budget, revenues were projected to grow at between 3 per cent. and 4 per cent. for the following 3 years. Cost growth after the budget period was projected at 2 per cent. Cost growth assumptions were lined to the revenue growth assumptions.

Gross margins have been based on flat margins starting at current levels assuming a mix of cost savings in service delivery offset by competitive market influences. A 5 per cent. reduction in the long term gross margin would not give rise to an impairment. Subsequent to the initial preparation of these budgets a re-forecasting exercise has been performed for the purpose of supporting the Working Capital Statement made on Admission of Redcentric. While the assumptions vary marginally the overall level of cash flows remain sufficient to support the recoverability of goodwill.

The discount rates applied by the Redcentric Group are calculated by taking consideration of the Redcentric Group's weighted average cost of capital and business and related risk factors. A discount rate of 15 per cent. was used. A 1 per cent. increase in the long terms discount rate does not lead to impairment.

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Improvements £'000</i>	<i>Computers and Office equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
31 May 2012				
Cost				
At 1 June 2011	383	2,861	113	3,357
Additions	–	163	–	163
Disposals	(77)	(1,758)	–	(1,835)
Exchange differences	–	(14)	–	(14)
At 31 May 2012	<u>306</u>	<u>1,252</u>	<u>113</u>	<u>1,671</u>
Accumulated depreciation				
At 1 June 2011	296	2,384	55	2,735
Charge for the year	25	324	28	377
Disposals	(72)	(1,746)	–	(1,818)
Exchange differences	–	(5)	–	(5)
At 31 May 2012	<u>249</u>	<u>957</u>	<u>83</u>	<u>1,289</u>
Net book amount				
At 31 May 2012	<u>57</u>	<u>295</u>	<u>30</u>	<u>382</u>
At 1 June 2011	<u>87</u>	<u>477</u>	<u>58</u>	<u>622</u>
31 March 2013				
Cost				
At 1 June 2012	306	1,252	113	1,671
Additions	–	33	–	33
Additions from Acquisition	164	1,232	–	1,396
Disposals	–	(38)	(18)	(56)
Exchange differences	–	3	–	3
At 31 March 2013	<u>470</u>	<u>2,482</u>	<u>95</u>	<u>3,047</u>
Accumulated depreciation				
At 1 June 2012	249	957	83	1,289
Charge for the period	8	166	16	190
Disposals	–	(14)	(13)	(27)
Exchange differences	–	1	–	1
At 31 March 2013	<u>257</u>	<u>1,110</u>	<u>86</u>	<u>1,453</u>
Net book amount				
At 31 March 2013	<u>213</u>	<u>1,372</u>	<u>9</u>	<u>1,594</u>

The net book value of Computers and Office Equipment held under finance leases was £562,423 as at 31 March 2013 (2012: £Nil). The depreciation charged to the financial statements in the period in respect of such assets amounted to £Nil (2012: £3,000).

11. INVENTORIES

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Work in progress	<u>113</u>	<u>270</u>

12. TRADE AND OTHER RECEIVABLES

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Trade receivables	4,930	4,336
Less: provision for impairment of trade receivables	(214)	(212)
Trade receivables, net	4,716	4,124
Receivables due from Maxima Group entities	1,565	12
Prepayments and accrued income	2,202	3,732
Corporation Tax recoverable	158	157
	<u>8,641</u>	<u>8,025</u>

The carrying values of financial assets (trade and other receivables) approximate their fair values. The financial assets are mainly denominated in pound sterling.

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced.

The carrying value of trade receivables that are individually impaired is £212,000 (2012: £214,000). The individually impaired receivables relate to receivables over 365 days, customers in financial difficulty, customer acceptance issues and cancelled contracts.

As at 31 March 2013, trade receivables of £201,000 (2012: £1,737,000) were past due but not impaired. These comprise receivables over 30 days, which relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Days overdue:		
31–60 days	1,378	117
61–90 days	205	21
91–120 days	33	41
121–150 days	5	–
151+ days	330	234
	<u>1,951</u>	<u>413</u>

In calculating the amounts above, the provision for impairment in receivables has been allocated based on aging, by allocating the provision to the oldest balances first. The provision is calculated by local management in each division on a specific basis based on their best estimate of recoverability taking into account the age and specific circumstances relating to the debtor.

Movements on the Redcentric Group provision for impairment of trade receivables are as follows:

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
At the start of the year	308	214
Additional provisions	–	43
Amounts used	(90)	(34)
Unused amounts reversed	(4)	(11)
As at 31 May 2012/31 March 2013	<u>214</u>	<u>212</u>

13. CASH AND CASH EQUIVALENTS

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Cash at bank and in hand	<u>51</u>	<u>895</u>

Cash is held in current accounts which earn interest at floating rates based on daily bank deposit rates. The carrying value of cash and cash equivalents approximates their fair value.

The following amounts of cash and cash equivalents were held in foreign currencies:

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Indian Rupees	<u>51</u>	<u>1</u>

The major counterparty had a credit rating of A+ in all periods presented.

14. TRADE AND OTHER PAYABLES

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Trade payables	2,035	2,290
Payables due to Maxima Group entities	2,820	2,173
Other tax and social security payable	986	424
Accruals	1,453	2,416
Deferred income	4,836	6,233
	<u>12,130</u>	<u>13,536</u>

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pound sterling.

15. PROVISIONS

	<i>31 May 2012</i>		
	<i>Dilapidation provisions £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At the start of the year	64	90	154
Utilised in the year	(41)	(50)	(91)
Charged to income statement	12	–	12
At 31 May	<u>35</u>	<u>40</u>	<u>75</u>
Due within one year or less	–	40	40
Due after more than one year	35	–	35
	<u>35</u>	<u>40</u>	<u>75</u>

	<i>31 March 2013</i>		
	<i>Dilapidation provisions £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At the start of the period	35	40	75
Utilised in the period	(35)	(40)	(75)
Charged to income statement	—	—	—
At 31 March	—	—	—
Due within one year or less	—	—	—
Due after more than one year	—	—	—

Dilapidation provisions

In the year ended 31 May 2012 the provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37: Provisions, contingent liabilities and contingent assets. The provisions are expected to be utilised at the end of the lease term to which the provision relates.

Other

In the year ended 31 May 2012 the remainder of the 'other' provision relates to a provision specifically for Redcentric Solutions Private Limited, for the 'Indian Provident fund'. This is an Indian government scheme requiring company contributions for its employees. Redcentric Solutions Private Limited had not been facilitating the fund correctly, as a result a provision was in place to cover the costs of setting up the fund, professional fees associated with this and potential penalties that could be applied.

16. BORROWINGS

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Non-current		
Finance lease liabilities	—	335
Current		
Finance lease liabilities	5	213
Bank overdraft	74	—
	<u>79</u>	<u>548</u>

The fair value of current and non-current borrowings is not significantly different to the carrying value as the impact of discounting is wholly immaterial.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	<i>31 May 2012</i>	<i>31 March 2013</i>
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	—	267
Later than 1 year and no later than 5 years	—	358
Later than 5 years	—	—
	<u>—</u>	<u>625</u>
Future finance charges on finance lease liabilities	—	77
Present value of finance lease liabilities	<u>—</u>	<u>548</u>

The present value of finance lease liabilities is as follows:

	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
No later than 1 year	–	213
Later than 1 year and no later than 5 years	–	335
Later than 5 years	–	–
	<u>–</u>	<u>548</u>

17. COMMITMENTS

(a) Operating leases

Commitments under non cancellable operating leases due are as follows:

	<i>31 May</i>	<i>31 March</i>
	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	66	242
Later than one year and less than five years	525	597
After five years	357	–
	<u>948</u>	<u>839</u>

All operating lease commitments relate to land and buildings.

18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Redcentric Group is exposed through its operations to the following financial risks:

- Liquidity risk, and
- Counterparty credit risk

These risks were managed with the assistance of the Maxima Group who managed group wide treasury. The policy for managing these risks was set by the Maxima Group.

The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of each Redcentric Group entity was managed centrally by the Maxima Group who would monitor the cash flow of the overall Group and draw upon the financing facilities as and when required. Rolling forecasts of the Maxima Group's undrawn borrowing facilities and cash and cash equivalents were made and management amend their liquidity policy to the Redstone Group accordingly.

Foreign exchange risk

Redcentric Solutions Private Limited has operations in India, denominated in Indian Rupees. Therefore there is a currency risk associated with the strengthening of the Pound. A 10 per cent. increase in the GBP/Indian Rupee exchange rate will decrease the profit before tax by an immaterial amount in 2013 (2012: immaterial).

The Redcentric Group's financial liabilities are as follows:

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Trade and other payables		
Trade payables	2,035	2,290
– Payables from Maxima Group entities	2,820	2,173
– Other tax and social security payable	986	424
Accruals	1,453	2,146
Borrowings	79	548
	<u>7,373</u>	<u>7,851</u>

The table below analyses the Redcentric Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
In less than one year	7,373	7,516
In more than one year but not more than two years	–	335
	<u>7,373</u>	<u>7,851</u>

Counterparty credit risk

The Redcentric Group's financial assets are as follows:

	<i>31 May 2012 £'000</i>	<i>31 March 2013 £'000</i>
Cash and cash equivalents	51	895
Trade and other receivables		
– Trade receivables	4,716	4,124
– Receivables due from Maxima Group entities	1,565	12
	<u>6,332</u>	<u>5,031</u>

The Redcentric Group is exposed to credit risk from its sales. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. Individual risk limits are set based on internal and external ratings in accordance with limits set by the Board where appropriate. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

The maximum exposure to credit risk at 31 May 2012 and 31 March 2013 is the carrying value of each class of financial assets disclosed above. The Redcentric Group does not hold any collateral as security.

Capital risk management

As a subsidiary group within the Maxima Group, the Redcentric Group's capital was managed by the Maxima Group. The Redcentric Group was not permitted to raise capital in its own right.

Fair value of financial instruments

The financial assets and financial liabilities of the Redcentric Group are carried at amortised cost. Due to the short-term nature of the financial assets (trade and other receivables, cash and cash equivalents) and financial liabilities (trade and other payables), their carrying amounts approximate their fair values.

19. SHARE CAPITAL

Authorised share capital

	<i>31 May 2012 Number</i>	<i>31 March 2013 Number</i>
Ordinary shares of £1 each	1,000	1,000
A Ordinary shares of £1 each	—	—
B Ordinary shares of £1 each	—	—
C Ordinary shares of £0.10 each	—	—

Called up, allotted and fully paid

	<i>31 May 2012 £</i>	<i>31 March 2013 £</i>
118 Ordinary shares of £1 each	118	118
	<u>118</u>	<u>118</u>

20. RELATED PARTY TRANSACTIONS

Key management compensation is given in note (7b).

The following balances are outstanding with related parties at 31 May 2012 and 31 March 2013:

	<i>31 May 2012 £000</i>	<i>31 March 2013 £000</i>
Receivables due from Maxima Group entities	1,565	12
Payable to Maxima Group entities	<u>(2,820)</u>	<u>(2,173)</u>

During 2013, the cash outflow from net transactions with Maxima Group entities were £906,000 (2012: Inflow of £2,213,000). The transactions are deemed to be in the normal course of business, at an arm's length and unsecured.

No other trading transactions occurred during 2012 or 2013 between the Redcentric Group and its related parties.

Ultimate Parent Undertaking and Controlling Party

The ultimate parent undertaking was Maxima Holdings plc a company incorporated in England and Wales for the year ended 31 May 2012. On 9 November 2012 Maxima Holdings plc was acquired by Redstone plc which between 9 November 2012 and 8 April 2013 was the ultimate parent undertaking. As described in note 22, on 8 April 2013 the Redcentric Group was demerged from Redstone plc into Redcentric plc, which from 8 April 2013 onwards is considered to be the ultimate parent undertaking.

Maxima Holdings plc was the parent undertaking of the largest group of undertakings to consolidate this historical financial information at 31 May 2012. Redstone plc is the parent undertaking of the largest group of undertakings to consolidate this historical financial information at 31 March 2013. Maxima Holdings plc and Redstone plc are also the smallest group of undertakings to include these financial statements in their consolidation.

Neither Maxima Holdings plc, Redstone plc or Redcentric plc (during the periods presented) are deemed to have an ultimate controlling party as no one party controls more than 50 per cent. of the voting rights.

21. CONTINGENT LIABILITIES

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member. Following the demerger after year end the new ultimate parent undertaking became Redcentric plc as explained in note 20 and 22. The Redcentric plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redcentric plc group, of which the Company became a member.

22. EVENTS AFTER THE BALANCE SHEET DATE

Demerger

Following the acquisition of Maxima by Redstone plc, The Redstone Group comprised two main operating businesses, the Network-Based Managed Services Business and the Infrastructure Solutions Business. The Board concluded that a demerger of the Network-Based Managed Services Business into a separate AIM listed company called Redcentric plc was in the best interests of the business and would deliver additional value to shareholders over time.

The Demerger was effected on 8 April 2013. As such from 8 April the ultimate parent undertaking for Redcentric Managed Solutions is Redcentric plc.

Change in Board

On 28 June 2013, following the successful completion of the demerger, Peter Hallett, Chief Financial Officer of the Redcentric and Redstone Groups, gave notice of his resignation in order to pursue new professional challenges. Peter has been with the Group for over four years and has successfully completed the restructuring of Redstone plc and the demerger and flotation of Redcentric plc. Peter has a twelve-month notice period and will remain as Director of the Company until a successor has been recruited.

Section 3: Information incorporated by reference

Consolidated historical financial information of Redcentric MS Limited, for the years ended 31 May 2011 and 31 May 2012 together with the accountants' report thereon, are incorporated by reference into this document from the AIM admission document previously published by Redcentric, dated 18 April 2013, which can be found on the Company's website at www.redcentricplc.com.

PART B
Redstone Demerged Business

Combined Historical Financial Information for years ended 31 March 2012 and 31 March 2013

Section 1: Accountants report on the Historical Financial Information of the Redstone Demerged Business



The Directors
Redcentric Plc
Newton House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

N+1 Singer Advisory LLP (the “Nominated Adviser”)
One Bartholomew Lane
London
EC2N 2AX

15 November 2013

Dear Sirs

Redstone Demerged Business

We report on the financial information on the Redstone Demerged Business for the year ended 31 March 2013 set out below (the “**Redstone Demerged Business IFRS Financial Information Table**”). The Redstone Demerged Business IFRS Financial Information Table has been prepared for inclusion in the admission document dated 18 November 2013 (the “**Admission Document**”) of Redcentric Plc (the “**Company**”) on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Redstone Demerged Business IFRS Financial Information Table in accordance with the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the Redstone Demerged Business IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules 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 other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the

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purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

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. 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 financial information and whether the accounting policies are appropriate to the Company'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 Redstone Demerged Business IFRS Financial Information Table gives, for the purposes of the Admission Document dated 18 November 2013, a true and fair view of the state of affairs of the Redstone Demerged Business as at 31 March 2013 and of its profit, cash flows, changes in invested capital and statement of comprehensive income for the period then ended in accordance with the basis of preparation set out in note 2.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission 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 Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section 2: Historical Financial Information of the Redstone Demerged Business

COMBINED INCOME STATEMENT

For the years ended 31 March 2012 and 2013

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Revenue	4	17,856	15,621
Cost of sales		(10,809)	(10,759)
Gross profit		<u>7,047</u>	<u>4,862</u>
Selling and distribution expenses		(961)	(613)
Exceptional administrative expenses		(751)	(1,400)
Other administrative expenses		(4,871)	(4,938)
Administrative expenses		<u>(5,622)</u>	<u>(6,338)</u>
Operating profit/(loss)	4, 5	<u>464</u>	<u>(2,089)</u>
Finance costs		(4)	(100)
Profit/(loss) before taxation		<u>460</u>	<u>(2,189)</u>
Taxation	8	<u>678</u>	<u>953</u>
Profit/(loss) for the year		<u><u>1,138</u></u>	<u><u>(1,236)</u></u>

The profit/(loss) for the years presented above is attributable to the owners of the parent.

COMBINED STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 March 2012 and 2013

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Profit/(loss) for the year		1,138	(1,236)
<i>Other comprehensive income</i>			
– Gain on revaluation of property, plant and equipment	10	149	940
Total comprehensive income/(expense) for the year		<u>1,287</u>	<u>(296)</u>

The comprehensive income/(expense) for the years presented above is attributable to the owners of parent.
All items of other comprehensive income will not be recycled to the income statement.

COMBINED BALANCE SHEET
As at 31 March 2012 and 2013

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Assets			
Non-current assets			
Intangible assets	9	11,185	10,318
Property, plant and equipment	10	7,528	8,063
Deferred tax assets	16	677	1,403
Total non-current assets		<u>19,390</u>	<u>19,784</u>
Current assets			
Inventories	11	285	406
Trade and other receivables	12	9,932	8,200
Cash and cash equivalents	13	941	471
Total current assets		<u>11,158</u>	<u>9,077</u>
Total assets		<u>30,548</u>	<u>28,861</u>
Equity			
Invested capital		<u>13,996</u>	<u>13,700</u>
Total equity		<u>13,996</u>	<u>13,700</u>
Liabilities			
Non-current liabilities			
Provisions	15	133	133
Deferred tax liabilities	16	671	444
Total non-current liabilities		<u>804</u>	<u>577</u>
Current liabilities			
Trade and other payables	14	15,748	14,584
Total current liabilities		<u>15,748</u>	<u>14,584</u>
Total liabilities		<u>16,552</u>	<u>15,161</u>
Total equity and liabilities		<u>30,548</u>	<u>28,861</u>

COMBINED STATEMENT OF CHANGES IN INVESTED CAPITAL
For the year ended 31 March 2012 and 2013

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Balance at start of year		12,709	13,996
Profit/(loss) for the year		1,138	(1,236)
<i>Other comprehensive income</i>			
– Gain on revaluation of property, plant and equipment	10	149	940
Total comprehensive income/(expense)		<u>1,287</u>	<u>(296)</u>
Balance as at 31 March		<u>13,996</u>	<u>13,700</u>

COMBINED CASH FLOW STATEMENT
For the years ended 31 March 2012 and 2013

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Cash flows from operating activities			
Profit/(loss) before taxation		460	(2,189)
Adjustments for:			
Depreciation		634	1,256
Amortisation		869	867
Finance costs		4	100
		<u>1,967</u>	<u>34</u>
Changes in working capital:			
Decrease/(increase)in inventories		13	(344)
(Increase)/decrease in trade and other receivables		(954)	182
(Decrease)/increase in trade and other payables		(752)	911
Movement on provisions		56	–
		<u>330</u>	<u>783</u>
Cash generated from operations		(4)	(100)
Interest paid		<u>326</u>	<u>683</u>
Net cash inflow from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,201)	(2,249)
Proceeds from the sale of property, plant and equipment		–	3
		<u>(1,201)</u>	<u>(2,246)</u>
Net cash outflow from investing activities			
Cash flows from financing activities			
Net transactions with Redstone Group	19	577	1,093
		<u>577</u>	<u>1,093</u>
Net cash inflow from financing activities			
Net decrease in cash and cash equivalents		<u>(298)</u>	<u>(470)</u>
Cash and cash equivalents at beginning of year		1,239	941
Cash and cash equivalents at 31 March	13	<u>941</u>	<u>471</u>

NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The combined historical financial information contained in this report presents the financial track record for the years ended 31 March 2012 and 31 March 2013 (the “Track Record Period”) of those businesses have been owned by Redcentric plc and its subsidiary undertakings, the “Redstone Group” since 8 April 2013, at the date of the admission of the shares of Redcentric plc on to AIM, they were controlled by Redstone plc (“Redstone”, together with its subsidiary undertakings, the “Redstone Group”) during the Track Record Period (the “Redstone Demerged Business”).

The Redstone Demerged Business comprises:

- Redcentric Managed Solutions Limited (formerly Redstone Managed Solutions Limited) (“RMS”) – The whole of the RMS entity is included within the combined historical financial information.
- Redstone Converged Solutions Limited (“RCS”) – The proportion of the trading results and assets and liabilities of RCS associated with the Network-Based Managed Services Business which is being demerged. These amounts exclude the trading results and assets of the Hardware Maintenance and Cloud business from 22 March 2013 onwards, at which date they were transferred to Redcentric MS Limited, and from this point are reflected within the Redcentric MS Limited Historical Financial Information.
- Fujin Systems Limited (“Fujin”) – The proportion of the trading results and assets and liabilities of Fujin associated with the Network-Based Managed Services Business which is being demerged. The trading assets and liabilities of Fujin were transferred to RCS from 1 April 2012.
- I4E Ltd (“I4E”) – The proportion of the trading results and assets and liabilities of I4E associated with the Network Based Managed Services Business which is being demerged.

The Redstone Demerged Business from here on in is referred to as the Group.

The principal activity of the Group is the provision of Network Based Managed Services and all of the components are incorporated in the United Kingdom.

The principal accounting policies applied in the preparation of this combined financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Group does not constitute a separate legal group. The combined historical financial information, which has been prepared specifically for the purpose of this Admission Document, is therefore prepared on a basis that combines the results, assets and liabilities of each of the companies constituting the Group by applying the principles underlying the consolidation procedures of IAS 27 ‘Consolidated and Separate Financial Statements’ (‘IAS 27’) for each of the two years ended 31 March 2012 and 2013 and as at these dates. On such basis, the combined historical financial information sets out the Group’s balance sheet as of 31 March 2012 and 2013 and results of operations and cash flows for the two years then ended. The consolidated historical financial information has been prepared under the historical cost convention on a going concern basis.

The combined financial information has been prepared in accordance with the requirements of the AIM Rules, and in accordance with this basis of preparation. This basis of preparation describes how the combined financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, with IFRICs interpretations, the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC interpretations (together “IFRS”), except as described below. References to “IFRS” hereafter should be construed as references to IFRS as adopted by the EU.

IFRS does not provide for the preparation of combined historical financial information, and accordingly in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 “Standards for Investment Reporting applicable to public reporting engagements on historical financial information” issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied.

- As explained above, the combined financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27. The combined financial information has been prepared by aggregating the results, assets and liabilities of each of the companies constituting the Group by applying the principles underlying the consolidation procedures of IAS 27 for each of the years ended 31 March 2012 and 2013 and as at these dates.
- As the financial information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 ‘Earnings per Share’ to disclose earnings per share has not been complied with.
- The combined historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 ‘Presentation of Financial Statements’ (“IAS1”) and consequently the Group does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first time adoption rules of IFRS 1 ‘First time Adoption of International Financial Reporting Standards’ (“IFRS 1”) in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made, the combined historical financial information has been prepared as if the date of transition to IFRS is 1 April 2011, the beginning of the first year presented, and the requirements of IFRS 1 have been applied as of that date.
- The combined financial information includes the trade associated with the Hardware Maintenance and Cloud businesses that formed part of Redstone Converged Solution Limited (“RCS”) to 22 March 2013, at which date the trade and assets were sold to Redcentric MS Limited. This trade has been presented as a continued operation as the transferred business continued to be part of the Redcentric plc group following the Demerger on 8 April 2013. Profit associated with this sale has not been reflected in this Historic Financial Information on the basis that no profit was realised in Redcentric plc.

The combined historical financial information is presented in thousands of pounds sterling (£) except when otherwise indicated.

The following summarises the accounting and other principles applied in preparing the combined historical financial information:

- The combined historical financial information of the Group has been prepared on a historical cost basis modified by the revaluation of certain classes of property, plant and equipment.
- The combined historical financial information of the Group has been prepared for the same reporting periods using consistent accounting policies.
- Transactions and balances between entities included within the combined historical financial information have been eliminated.
- Transactions and balances between the entities in the Group and entities within the Redcentric plc which are not members of the Group have been presented in the appropriate caption of the historical financial information to which such transactions and balances relate. Details of such related party transactions and balances are provided in note 19.

- The income tax expense and tax balances in this combined historical financial information have been determined based on the amounts recorded by the Group companies in their statutory financial statements. Deferred tax assets and liabilities reflect the full historical deferred tax assets and liabilities recorded by the legal entities included in the Group. The tax charges recorded in the combined income statement and combined statement of comprehensive income are not necessarily representative of the tax charges that would have been reported had the Group been an independent group throughout the period presented. They are not necessarily representative of the tax charges that may arise in the future.
- The Group does not form a separate legal group, and therefore it is not possible to show share capital or an analysis of reserves for the Group. The net assets of the Group are represented by invested capital.

(b) Basis of combination

The financial information of entities, or the proportion of entities comprising the Group, are included in the combined historical financial information from the date on which control is transferred to the Group until the date that control ceases. Control is achieved where owners of the Group have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of entities or the proportion of entities comprising the Group that have been acquired or disposed of during the year are included in the combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The directors have carried out an assessment of going concern, and are satisfied the entity will continue to be a going concern for at least 12 months after the date of approval of these financial statements.

(c) New standards, amendments and interpretations

IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of the “Redcentric Group”, which will be for the period ended 31 March 2014, have been applied. The accounting policies adopted in the presentation of the combined historical financial information reflect the adoption of the following new standards:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment resulted in the classification of certain items in the statement of comprehensive income as either:
 - (a) Will not be reclassified subsequently to profit or loss; and
 - (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following new standards, which have not had a material impact on the consolidated financial information:

- **IAS 12 (amendment), ‘Income taxes’ on deferred taxes** (effective 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
- **IAS 19, (revised 2011), ‘Employee benefits’** (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- **IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- **IFRS 13 ‘Fair value measurement’** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Group and are not expected to have a material impact on the consolidated financial information:

- **IAS 27 (revised 2011), ‘Separate financial statements’** (effective 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 ‘The effect of changes in foreign exchange rates’, IAS 28 ‘Investments in associates’, and IAS 31 ‘Interests in joint ventures’, apply prospectively for annual periods beginning on or after 1 July 2009. IAS 28 (revised 2011), ‘Investments in associates and joint ventures’ (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- **IAS 32 (amendment), ‘Financial instruments: Presentation’, on asset and liability offsetting** (effective 1 January 2014). This amendment is to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- **IFRS 10 ‘Consolidated financial statements’** (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the combined financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- **IFRS 11 ‘Joint arrangements’** (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.
- **IFRS 12 ‘Disclosure of interests in other entities’** (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

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

Owned assets

Items of property, plant and equipment are stated at cost (unless otherwise stated below) less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Revaluation

The Group's Metropolitan Area Networks have, since the year ended 31 March 2011, been carried at their fair value. Revaluations are carried out every year to ensure that the assets are carried at fair value at the balance sheet date. Revaluation surpluses that arise are taken directly to net invested capital, except to the extent that they reverse an impairment for the same asset previously recognised as an expense, in which case the surplus is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of an asset is charged as an expense to the extent that it exceeds the balance, if any, held in the asset's revaluation surplus relating to a previous revaluation of that asset. These assets sit within the network, infrastructure and equipment category.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Leasehold improvements – 5 years or over lease term if shorter
- Network infrastructure and equipment – 1 to 20 years
- Equipment, fixtures and fittings – 2 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(e) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

Other Intangible assets

Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

Other intangible assets acquired separately from a business combination are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Costs that are directly associated with development of identifiable and unique software products generated for use by the Group, and that will probably generate economic benefits exceeding costs beyond 1 year, are recognised as intangible assets. These represent the direct employment costs of

software developers based on their time spent on relevant projects. Computer software development costs recognised as assets are amortised over their estimated useful lives being 3 years.

Software and software licenses are classified as intangible assets and include computer software that is not integral to a related item of hardware.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives, as follows:

Customer contracts and related relationships – 1 to 16 years

Software – 3 to 4 years

Impairment and amortisation charges are included within the administrative expenses line in the income statement.

(f) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. This is with the exception of goodwill which is reviewed in the circumstances highlighted above, or annually whichever is the most frequent.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Financial assets

The Group classifies its financial assets as loans and receivables or cash.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables such provisions are recorded in a separate provision account with the loss being recognised within other administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(h) **Trade and other receivables**

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses using the effective interest method.

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(j) **Trade payables**

Trade payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(k) **Employee benefits**

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(l) **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(m) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, Value Added Tax and other sales duty.

Revenues within this combined historical financial information are wholly related to managed services and include IT network services (WAN, LAN, MPLS and other types of networks), connectivity and data centre hosted services. These services are provided under contractual arrangements and the revenue is recognised over the period of the agreement as the service is delivered. Revenue is deferred to the extent it is billed in advance and is recognised in Deferred Income and to the extent that the services provided in advance of an invoice being issued it is accrued and is recognised within Prepayments and Accrued Income.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Revenue includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that total contract costs will exceed total turnover, the expected loss is recognised immediately. Revenue relating to contracted maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts recoverable on contracts' within receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within payables.

Software revenue is recognised in the profit and loss account when the risks and rewards of ownership have been passed to the buyer, usually on delivery, or when contractual obligations have been met. IP solutions revenue comprises the sale of goods and the rendering of services. Revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(n) **Expenses**

Operating lease payments

Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the shorter of the lease term and any break clauses

Finance costs and finance income

Financing costs comprise interest payable on finance leases, calculated using the effective interest rate method.

(o) **Inventories**

Inventories are valued at the lower of cost and net realisable value on a first in first out basis after making allowance for any obsolete or slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(p) **Exceptional items**

As permitted by IAS1 'Presentation and Disclosure' certain items are presented separately in the Income Statement as exceptional where, in the judgment of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Examples of material and non-recurring items which may give rise to disclosure as exceptional items include amongst others, costs of redundancy, aborted transaction costs and re-organisation costs.

(q) **Income tax**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and

liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(r) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting to the Executive Board of the Redcentric plc Group, who, have been identified as the chief operating decision maker.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's combined financial information under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgments are likely to have the most significant effect on the amounts recognised in the combined financial information.

Revaluation of property, plant and equipment

The Group has revalued certain classes of property, plant and equipment under IAS 16, the fair value has been established based on a number of assumptions, the details of the assumptions applied at each period end are in note 10.

Impairment of Goodwill

The Group tests annually whether there is any impairment in respect of the Goodwill recognised. The recoverable amounts of the Goodwill have been determined based on the value in use calculations. These calculations require the use of estimates and assumptions which are set out in note 9.

Provisions

Bad debt provisions

The Group's operations expose it to credit risk in respect of trade and other receivables. The Group provides against these amounts based on an estimate of the amounts that they believe to be irrecoverable.

Dilapidation provisions

The Group occupies a number of leased properties. These leases contain dilapidation obligations. The directors assess the level of the future obligation, taking into account the nature of the wear and tear of the properties and the contractual obligations, see note 15 on page 112.

4. SEGMENT REPORTING

The operations of the Group comprise one class of business segment, being provision of network based managed services in the United Kingdom. The CODM reviews business activities, performance and strategic decisions of the Group as one single segment. Accordingly, the Group represents a single operating and reportable segment.

All revenues are generated in the United Kingdom.

No single customer represented 10 per cent. or more of the Group's revenues in any of the years ended 31 March 2013 and 2012.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and exceptional items and is a key business performance measure. It is reconciled to the statutory operating profit/(loss) as follows:

	2012 £'000	2013 £'000
Adjusted EBITDA	2,718	1,434
Depreciation (Note 10)	(634)	(1,256)
Amortisation (Note 9)	(869)	(867)
Exceptional items (Note 6)	(751)	(1,400)
Operating profit/(loss)	<u>464</u>	<u>(2,089)</u>

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2012 £'000	2013 £'000
Employee benefit expense (Note 7)	5,319	4,156
Depreciation (Note 10)	634	1,256
Amortisation (Note 9)	869	867
Operating lease payments	382	337
<i>Auditors remuneration:</i>		
– Audit of the statutory entities included in the combined historical financial information	55	48
<i>Non-audit services:</i>		
Taxation	25	6
Transaction services	4	128

6. EXCEPTIONAL ITEMS

	2012 £'000	2013 £'000
Redundancy costs	637	504
Aborted transaction costs	9	–
Re-organisation costs	96	779
Other costs	9	117
	<u>751</u>	<u>1,400</u>

7. EMPLOYEES

(a) *Employee benefit expense:*

	2012	2013
	£'000	£'000
Wages and salaries	4,661	3,586
Social security costs	555	433
Other pension costs (note 7 (c))	103	137
	<u>5,319</u>	<u>4,156</u>

Included in the numbers above are amounts of £504,000 (2012: £637,000) of redundancy costs recognised as exceptional items (Note 6).

Average monthly number of people employed:

	2012	2013
	Number	Number
Operations	75	60
Selling and distribution	16	15
Administration	15	12
	<u>106</u>	<u>87</u>

(b) *Key management compensation*

Aggregate Directors emoluments totaled £180,000 (2012: £132,000). There were four directors (2012: four) none of whom retirement benefits were accruing to under stakeholder pension plans. The highest paid director received total emoluments of £100,000 in 2013 (2012: £56,000).

The key management within the Group are considered to be the Executive and Non-executive Board Directors and the Groups operational senior management, which include the Managing Director, Sales Director, Operations Director and Finance Director. During the Track Record Period only the Finance Director was employed by the Redstone Group.

The following table details the aggregate compensation paid in respect of key management employed by the Redstone Group and whose costs are included in the combined historical financial information:

	2012	2013
	£'000	£'000
Wages and salaries	228	277
Pension costs	8	8
	<u>236</u>	<u>285</u>

(c) *Retirement benefits*

The Group contributes towards to eligible employees' stakeholder pension plans. The pensions cost for defined contribution schemes in the year was £137,000 (2012: £103,000).

8. TAXATION

	2012 £'000	2013 £'000
Analysis of charge in year		
<i>Current tax</i>		
Current tax on profits/(loss) for the year	—	—
Total current tax	—	—
<i>Deferred tax</i>		
Origination and reversal of temporary differences	678	953
Total deferred tax (Note 16)	678	953
Total income tax	678	953

The income tax charge for the year differs from the standard rate of corporation tax in the UK.

	2012 £'000	2013 £'000
Profit/(loss) on ordinary activities before tax	460	(2,189)
Profit/(Loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 24% (2012: 26%)	120	(525)
Effects of:		
Depreciation in excess of capital allowances	39	232
Expenses not deductible	13	2
Adjustment in respect of prior years	(1)	—
Group relief claimed	(29)	—
Utilisation of tax losses	(142)	—
Transfer to tax losses carried forward	—	291
Movement in deferred tax and the effect of change in tax rate	(678)	(953)
Total taxation credit	(678)	(953)

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate to 21 per cent. by 1 April 2014 and to 20 per cent. by 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this combined historical financial information.

The proposed reductions of the main rate of corporation tax to 21 per cent. by 1 April 2014 and 20 per cent. by 1 April 2015 are expected to be enacted separately each year. The overall effect of the change in the tax rate to 21 per cent., if applied to the deferred tax balance at the 31 March 2012, would be to reduce the deferred tax asset by £122,000 and deferred tax liability by £38,000.

9. INTANGIBLE ASSETS

	<i>Goodwill</i> <i>£'000</i>	<i>Software</i> <i>£'000</i>	<i>Customer contracts and related relationships</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
2012				
Cost				
At 1 April 2011	8,386	30	10,071	18,487
Additions	—	—	—	—
31 March 2012	8,386	30	10,071	18,487
Accumulated amortisation				
At 1 April 2011	—	25	6,408	6,433
Amortisation	—	3	866	869
At 31 March 2012	—	28	7,274	7,302
Net book amount				
At 31 March 2012	8,386	2	2,797	11,185
At 1 April 2011	8,386	5	3,663	12,054
2013				
Cost				
At 1 April 2012	8,386	30	10,071	18,487
Additions	—	—	—	—
At 31 March 2013	8,386	30	10,071	18,487
Accumulated amortisation				
At 1 April 2012	—	28	7,274	7,302
Amortisation	—	1	866	867
At 31 March 2013	—	29	8,140	8,169
Net book amount				
At 31 March 2013	8,386	1	1,931	10,318

Impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group is currently a single cash generating unit (“CGU”), the Network Based Managed Services CGU.

The recoverable amount for the CGU was based on a value in use calculation using cash flow projections based on the 2014 and 2015 budget forecast which was approved by the Redcentric plc Group Board and extrapolated for a further 3 years by a growth rate applicable to the CGU to March 2017. An appropriate terminal value based on a perpetuity calculation using 2 per cent. real growth was then added. After the initial period covered by the latest budget, revenues were projected to grow at between 3 per cent. and 4 per cent. for the following 3 years. Cost growth after the budget period was projected at 2 per cent. Cost growth assumptions were aligned to the revenue growth assumptions.

Gross margins have been based on flat margins starting at current levels assuming a mix of cost savings in service delivery offset by competitive market influences. A 5 per cent. reduction in the long term gross margin would not give rise to an impairment. Subsequent to the initial preparation of these budgets a re-forecasting exercise has been performed for the purpose of supporting the Working Capital Statement made on Admission of Redcentric. While the assumptions vary marginally the overall level of cash flows remain sufficient to support the recoverability of goodwill.

The discount rates applied by the Redcentric Group are calculated by taking consideration of the Redcentric Group's weighted average cost of capital and business and related risk factors. A discount rate of 15 per cent. was used. A 1 per cent. increase in the long terms discount rate does not lead to impairment.

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Improvements £'000</i>	<i>Network infrastructure and equipment £'000</i>	<i>Equipment, fixtures and fittings £'000</i>	<i>Total £'000</i>
2012				
Cost				
At April 2011	110	6,894	808	7,812
Revaluation	–	149	–	149
Additions	204	995	2	1,201
At 31 March 2012	314	8,038	810	9,162
Accumulated depreciation				
At 1 April 2011	39	848	113	1,000
Charge for the year	50	583	1	634
At 31 March 2012	89	1,431	114	1,634
Net book amount				
At 31 March 2012	225	6,607	696	7,528
At 1 April 2011	71	6,046	695	6,812
2013				
Cost				
At April 2012	314	8,038	810	9,162
Revaluation	–	940	–	940
Disposals	(273)	(1,651)	(5)	(1,929)
Additions	124	2,125	–	2,249
At 31 March 2013	165	9,452	805	10,422
Accumulated depreciation				
At 1 April 2012	89	1,431	114	1,634
Disposals	(109)	(420)	(2)	(531)
Charge for the year	102	1,154	–	1,256
At 31 March 2013	82	2,165	112	2,359
Net book amount				
At 31 March 2013	83	7,287	693	8,063

Revaluation

For the years ended 31 March 2013 and 2012 the Directors have revalued the metropolitan area network assets ("MAN") residing in the network infrastructure and equipment category.

Fair value of the MAN has been established by the discounting of the cash flow of future income arising from the asset. The current operational MAN owned by the Group are the networks in Cambridge and Portsmouth. The Portsmouth ring only became operational during 2012 and was re-valued during 2013.

The fair value based on discounted future cash flows and the key assumptions in deriving those cash flows are set out below:

	2012	2013
Fair value	£5,650,000	£6,275,000
Annualised value of contract base	£1,400,000	£1,700,000
Annualised revenue growth:		
– Years 1 to 2	20%	20%
– Years 3 to 4	5%	5%
– Years 5 and beyond	2.5%	2.5%
Discount rate	15%	15%

The carrying amount that would have been recognised had the asset continued to be carried under the cost model was £700,000 at 31 March 2013 (2012: £800,000).

11. INVENTORIES

	2012 £'000	2013 £'000
Work in progress	285	406
	<u>285</u>	<u>406</u>

12. TRADE AND OTHER RECEIVABLES

	2012 £'000	2013 £'000
Trade receivables	2,572	2,541
Less: provision for impairment of trade receivables	(57)	(134)
Trade receivables, net	<u>2,515</u>	<u>2,407</u>
Receivables due from Redstone Group	4,497	4,429
Other receivables	105	324
Prepayments and accrued income	<u>2,815</u>	<u>1,040</u>
	<u>9,932</u>	<u>8,200</u>

The carrying values of financial assets (trade and other receivables) approximate their fair values. The financial assets are mainly denominated in pound sterling.

As at 31 March 2013, trade receivables of £134,000 (2012: £57,000) were impaired and fully provided for. The quality of trade receivables can be assessed by reference to the historical default rate of £8,000 (2012: £258,000) for the preceding 365 days being 0.3% (2012: 9.9%) of the opening trade receivables balance.

The carrying value of trade receivables that are individually impaired is £nil (2012: £13,000). The individually impaired receivables relate to receivables over 365 days, customers in financial difficulty, customer acceptance issues and cancelled contracts.

As at 31 March 2013, trade receivables of £1,326,000 (2012: £1,668,000) were past due but not impaired. In the table below, these are included within the receivables over 30 days, and relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of net trade receivables is as follows:

	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Days overdue:		
31–60 days	770	556
61–90 days	603	564
91–180 days	264	91
181–270 days	18	59
271–365 days	–	56
365+ days	13	–
	<u>1,668</u>	<u>1,326</u>

In calculating the amounts above, the bad debt provision has been allocated based on aging, by allocating the provision to the oldest balances first. The provision is calculated on a specific basis based on the best estimate of recoverability taking into account the age and specific circumstances relating to the debtor.

Movements on the Group provision for impairment of trade receivables are as follows:

	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
At the start of the year	302	57
Additional provisions	13	85
Amounts used	(258)	(8)
As at 31 March	<u>57</u>	<u>134</u>

13. CASH AND CASH EQUIVALENTS

	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Cash at bank and in hand	<u>941</u>	<u>471</u>

Cash is held in current accounts which earn interest at floating rates based on daily bank deposit rates. The carrying value of cash and cash equivalents approximates their fair value.

The major counterpart had a credit rating of A+ in all periods presented.

14. TRADE AND OTHER PAYABLES

	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Trade payables	1,716	2,348
Payables due to Redstone Group entities	7,478	8,421
Other payables	51	284
Other tax and social security payable	528	611
Accruals	1,096	236
Deferred income	4,879	2,684
	<u>15,748</u>	<u>14,584</u>

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pound sterling.

15. PROVISIONS

	2012 £'000	2013 £'000
At the start of the year	70	133
Additional provisions	70	–
Impact of discounting	(7)	–
As at 31 March	<u>133</u>	<u>133</u>

The provision relates to dilapidation provisions for property repairs which represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37: Provisions, contingent liabilities and contingent assets.

All provisions are classified as non-current as the lease term to which the provisions relate are due to expire after one year.

16. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of: 23 per cent. (2012: 24 per cent.).

Deferred tax assets

The movement on the deferred tax account is shown below:

	2012 £'000	2013 £'000
Deferred tax asset at start of year	353	677
Credit to income statement	324	726
Deferred tax asset at 31 March	<u>677</u>	<u>1,403</u>
Deferred tax asset expected to unwind within one year	677	1,403
Deferred tax asset expected to unwind after one year	–	–
	<u>677</u>	<u>1,403</u>

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered. It is considered probable that the assets will be utilised in the near future due to the profits generated by the Group.

The Group has unrecognised deferred tax assets of £6,099,000 as at 31 March 2013 (2012: £4,320,000), that are available indefinitely for offset against future tax profits of the companies in which losses arise. Deferred tax assets have not been recognised in respect of losses where it is the view of the Directors that it is not probable that future taxable profits will be available to offset against and deferred tax asset.

Deferred tax liabilities

The movement on the deferred tax account is shown below:

	2012 £'000	2013 £'000
Deferred tax liability at start of year	1,025	671
Credit to income statement	(354)	(227)
Deferred tax liability at 31 March	<u>671</u>	<u>444</u>
Deferred tax liability expected to unwind within one year	208	199
Deferred tax liability expected to unwind after one year	463	245
	<u>671</u>	<u>444</u>

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	<i>Deferred tax asset £'000</i>	<i>Deferred tax liability £'000</i>	<i>Credit to income statement £'000</i>
2012			
Origination and reversal of temporary differences			
Trading losses	677	–	324
On acquired intangibles	–	671	354
	<u>677</u>	<u>671</u>	<u>678</u>
2013			
Origination and reversal of temporary differences			
Trading losses	1,403	–	726
On acquired intangibles	–	444	227
	<u>1,403</u>	<u>444</u>	<u>953</u>

17. OPERATING LEASE COMMITMENTS

Land and Buildings commitments under non-cancellable operating leases due are as follows:

	<i>2012 £'000</i>	<i>2013 £'000</i>
Within one year	452	403
Later than one year and less than five years	435	–
After five years	–	–
	<u>887</u>	<u>403</u>

Plant and machinery commitments under non-cancellable operating leases are as follows:

	<i>2012 £'000</i>	<i>2013 £'000</i>
Within one year	32	–
Later than one year and less than five years	80	–
After five years	–	–
	<u>112</u>	<u>–</u>

18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Liquidity risk, and
- Counterparty credit risk

These risks were managed during the period of this historical financial information with the assistance of the Redstone Group who managed group wide treasury. The policy for managing these risks was set by the Redstone Group.

The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of each Group entity was managed centrally by the Redstone Group who monitored the cash flow of the overall group and drew upon the financing facilities as and when required. Rolling forecasts of the Redstone Group's undrawn borrowing facilities and cash and cash equivalents are made and management amended their liquidity policy of the Redstone Group accordingly.

The Group's financial liabilities are as follows:

	2012 £'000	2013 £'000
Trade and other payables		
– Trade payables	1,716	2,348
– Payables to other Redstone Group entities	7,478	8,421
Other payables	51	284
Accruals	1,096	236
	<u>10,341</u>	<u>11,289</u>

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows, however as all balances fall due within one year the impact of discounting is immaterial.

	2012 £'000	2013 £'000
In less than one year	9,194	11,289
	<u>9,194</u>	<u>11,289</u>

Counterparty credit risk

The Group's financial assets are as follows:

	2012 £'000	2013 £'000
Cash and cash equivalents	941	471
Trade and other receivables		
– Trade receivables	2,515	2,407
– Receivables due from Redstone Group entities	4,497	4,429
Other receivables	105	324
	<u>8,058</u>	<u>7,631</u>

The Group is exposed to credit risk from its sales. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. Individual risk limits are set based on internal and external ratings in accordance with limits set by the Board where appropriate. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

The maximum exposure to credit risk at 31 March 2012 and 2013 is the carrying value of each class of financial assets disclosed above. The Group does not hold any collateral as security.

Capital risk management

As a subsidiary group within the Redstone Group, the Group's capital was managed by the Redstone Group. The Group was not permitted to raise capital in its own right.

Fair value of financial instruments

The financial assets and financial liabilities of the Group are carried at amortised cost. The fair value of financial instruments carried at amortised cost is based on the expected cash flows discounted at prevailing interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of the financial assets (trade and other receivables, cash and cash equivalents) and financial liabilities (trade and other payables), their carrying amounts approximate their fair values.

19. RELATED PARTY TRANSACTIONS

Key management compensation is given in note (7b).

The following balances are outstanding with related parties at 31 March 2012 and 2013:

	2012	2013
	£'000	£'000
Receivables due from Redstone Group entities	4,497	4,429
Payables to Redstone Group entities	(7,478)	(8,421)

During 2013, the net cash inflows from transactions with Redstone Group entities were £1,093,000 (2012: inflow £577,000). The transactions are deemed to be in the normal course of business, at an arm's length and unsecured.

Ultimate Parent Undertaking and Controlling Party

The ultimate parent undertaking was Redstone Group, a company incorporated in England and Wales for the year ended 31 May 2012. On 9 November 2012 Maxima Holdings plc was acquired by Redstone plc which between 9 November 2012 and 8 April 2013 was the ultimate parent undertaking. As described in note 22, on 8 April 2013 the Redcentric Group was demerged from Redstone plc into Redcentric plc, which from 8 April 2013 onwards is considered to be the ultimate parent undertaking.

Maxima Holdings plc was the parent undertaking of the largest group of undertakings to consolidate this historical financial information at 31 May 2012. Redstone plc is the parent undertaking of the largest group of undertakings to consolidate this historical financial information at 31 March 2013. Maxima Holdings plc and Redstone plc are also the smallest group of undertakings to include these financial statements in their consolidation.

Neither Maxima Holdings plc, Redstone plc or Redcentric plc (during the periods presented) are deemed to have an ultimate controlling party as no one party controls more than 50 per cent. of the voting rights.

20. TRANSFER OF OPERATIONS

On 22 March 2013 the Group transferred its hardware maintenance and cloud business to Redcentric MS Limited, which will also form part of the Redstone Demerged Business following the demerger of the Redstone group which took place in April 2013, and whose Historical Financial Information is shown as a separate track record. All new Information Communication and Technology (ICT) contracts from that date have been reflected within the Historical Financial Information of Redcentric MS Limited.

The assets and liabilities transferred on 22 March 2013 were as follows:

	£'000
Tangible assets	1,396
Current assets	1,704
Current liabilities	(3,017)
Net assets disposed of	83

The proceeds of this transfer were £700,000, giving rise to a profit on disposal of £617,000 within Redstone Converged Solutions Limited. This profit is not reflected in this carved out Redstone Demerged Historical Financial Information, as the transaction will not give rise to profit within the future demerged business given both parties will form part of the combined Redcentric PLC business from 8 April 2013.

21. EVENTS AFTER THE BALANCE SHEET DATE

Demerger

Following the acquisition of Maxima by Redstone plc, The Redstone Group comprised two main operating businesses, the Network-Based Managed Services Business and the Infrastructure Solutions Business. The Board concluded that a demerger of the Network-Based Managed Services Business into a separate AIM listed company called Redcentric plc was in the best interests of the business and would deliver additional value to shareholders over time.

The Demerger was effected on 8 April 2013. As such from 8 April the ultimate parent undertaking for Redcentric Managed Solutions is Redcentric plc.

Change in Board

On 28 June 2013, following the successful completion of the demerger, Peter Hallett, Chief Financial Officer of the Redcentric and Redstone Groups, gave notice of his resignation in order to pursue new professional challenges. Peter has been with the Group for over four years and has successfully completed the restructuring of Redstone plc and the demerger and flotation of Redcentric plc. Peter has a twelve-month notice period and will remain as Director of the Company until a successor has been recruited.

Section 3: Information incorporated by reference

Combined historical financial information of the Redstone Demerged Business for the years ended 31 March 2011 and 31 March 2012 together with the accountants' report thereon, are incorporated by reference into this document from the AIM admission document previously published by Redcentric, dated 18 April 2013, which can be found on the Company's website at www.redcentricplc.com.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 5 of this document, and the Company, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the 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 does not omit anything likely to affect the import of such information.

In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales, where it remains domiciled, on 11 February 2013 with registered number 08397584. On 12 February 2013, the Company applied and obtained its certificate to commence trading.
- 2.2 The Company's shares were admitted to trading on AIM on 24 April 2013.
- 2.3 The liability of the members of the Company is limited.
- 2.4 Immediately following completion of the Acquisition, the Company's principal activity will be that of a holding company whilst the principal activity of its new wholly owned subsidiary, InTechnology, will be that of the provision of Cloud, data-centre, ISP and network services and managed Wide Area Networks. The principal activities of the other members of the Group are as follows:

<i>Group Company</i>	<i>Principal activity</i>
Redcentric Holdings	Holding company
Redcentric MS	Managed Services
Redcentric Solutions	Managed services support
Hotchilli Internet	Dormant
Redcentric Managed Solutions	Managed Services

- 2.5 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.6 The Company's registered office is at Newton House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ and will remain so on Admission. The telephone number of the Company is 0845 034 1111 and will remain so on Admission.
- 2.7 The accounting reference date of the Company is 31 March and will remain so on Admission.

3. SHARE CAPITAL

- 3.1 The Ordinary Shares are in registered form and are capable of transfer in both certificated form and uncertificated form. The register of members for the Company will be maintained by the Company's registrars, Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 3.2 As permitted under the Act, the Company does not have an authorised share capital.
- 3.3 At the date of incorporation of the Company, 1 ordinary share of 1 penny was issued to the subscriber, MXC Capital.

3.4 On 11 February 2013, the Company passed the following resolutions:

“1. That, in accordance with section 551 of the Companies Act 2006 (the “Act”) the directors of the Company (the “Directors”) be and are generally and unconditionally authorised to allot:

1.1 ordinary shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (the “Rights”) up to a maximum nominal amount of £100; and

1.2 50,000 redeemable shares of £1 each in the capital of the Company, the rights attaching to such shares to be as follows:

1.2.1 the Redeemable Shares shall carry no right to income by way of dividend out of the profits of the Company;

1.2.2 on a return of capital, whether or not on a winding up, other than a redemption or purchase by the Company of any of its share capital, the holders of the Redeemable Shares shall be entitled to receive in sterling out of the assets of the Company available for distribution amongst the members and in priority to any payment to the holders of any other class of shares in the Company an amount equal to the amount paid up or credited as paid up on the Redeemable Shares. The Redeemable Shares shall not confer any further right to participate in the surplus assets of the Company;

1.2.3 the holders of the Redeemable Shares shall not be entitled to receive notice of or to vote at any general meeting of the Company; and

1.2.4 subject to the provisions of the Companies Act 2006, the Company shall be entitled to redeem all or any of the Redeemable Shares at any time by notice in writing to the holders specifying the number of shares to be redeemed and the date fixed for their redemption, by which date the holders shall be bound to deliver the share certificates for the shares concerned to the Company’s registered office or to any other place specified in the notice of redemption in order that they may be cancelled. The amount payable on redemption of each share shall be the amount of its nominal amount paid up as at the date of redemption. All payments in respect of the redemption amount shall in all respects be subject to any applicable fiscal or other laws. A receipt given by the holder for the time being of any Redeemable Shares in respect of the amount payable on redemption of such share shall constitute an absolute discharge to the Company,

provided that these authorities, unless duly renewed, varied or revoked by the Company, will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Act.”

“2. That, subject to the passing of Resolution 1 and in accordance with section 570 of the Act, the Directors be generally empowered to allot equity securities (as defined by section 560 of the Act) pursuant to the authority conferred by Resolution 1, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

2.1 be limited to the allotment of ordinary shares up to a maximum nominal amount of £100 and redeemable shares up to a maximum nominal value of £50,000; and

2.2 expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on such date), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and, the Directors may allot equity securities in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act.”

3.5 On 11 February 2013, the Company allotted and issued 50,000 Redeemable Shares to MXC Capital at a price of £1 per share.

3.6 On 12 February 2013 MXC Capital transferred its one ordinary share of 1 penny and its 50,000 Redeemable Shares to Richard Ramsay.

3.7 On 7 March 2013, the Company allotted and issued 50 ordinary shares of 1 penny each to Richard Ramsay.

3.8 On 7 March 2013, the Company passed the following resolutions:

“1. THAT:

1.1 the issued ordinary share capital of the Company be consolidated so that every 51 ordinary shares of 1 pence each held by a shareholder becomes one ordinary share of 51 pence each having all of the rights attaching to ordinary shares of 51 pence each as set out in the articles of association as amended pursuant to paragraph 1.2 of this resolution; and

1.2 the articles of association of the Company be amended by deleting the words ““Ordinary Shares” means ordinary shares of 1 pence each in the capital of the Company” in article 2.1 and replacing such words with the words ““Ordinary Shares” means ordinary shares of 51 pence each in the capital of the Company”.

2. THAT, subject to the passing of Resolution 1 above and confirmation of the High Court of Justice of England and Wales:

2.1 the nominal value of the Company’s ordinary shares be reduced from 51 pence per share to 0.1 pence per share by cancelling paid up capital of 50.9 pence on each such ordinary share; and

2.2 the articles of association of the Company be amended by deleting the words ““Ordinary Shares” means ordinary shares of 51 pence each in the capital of the Company” in article 2.1 and replacing such words with the words ““Ordinary Shares” means ordinary shares of 0.1 pence each in the capital of the Company”.”

3.9 Following the passing of the resolution 1 above, the issued share capital of the Company was 1 ordinary share of 51 pence and 50,000 redeemable shares of £1.

3.10 On 4 April 2013, the Company passed the following resolutions (as ordinary resolutions in the case of resolutions 1 to 4 inclusive, and as special resolutions in the case of resolutions 5 to 7 inclusive):

1. “THAT, approval be given for the grant of warrants over up to 350,000 ordinary shares to Barclays Bank plc (the “Warrants”).”
2. “THAT, in accordance with section 551 of the Companies Act 2006 (the “Act”), the directors of the Company be and are generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) up to a maximum nominal amount of £37,984,600 (in connection with the proposed acquisition of the entire issued share capital of Redcentric Holdings Limited from Redstone plc as described in the demerger agreement dated 12 February 2013 and entered into between the Company and Redstone plc (the “Acquisition”) but for no other purpose) provided that this authority, unless duly renewed, varied or revoked by the Company, will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted after such expiry and, the directors may allot Relevant Securities in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.”
3. “THAT, in accordance with section 551 of the Companies Act 2006 (the “Act”), the directors of the Company be and are generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution):
 - 3.1 up to a maximum nominal amount of £178,500 (in connection with the Warrants but for no other purpose); and
 - 3.2 up to an aggregate nominal amount of £9,328,100 (otherwise than pursuant to subparagraph 3.1 above) representing approximately one third of the Company’s enlarged issued ordinary share capital following completion of the Acquisition, provided that this authority, unless duly renewed, varied or revoked by the Company, will expire on the date on which the Registrar of Companies registers the Company’s reduction of capital (as detailed in a special resolution passed on 8 March 2013), save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted after such expiry and, the directors may allot Relevant Securities in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Save in respect of the authority granted under Resolution 2 above, this resolution revokes and replaces all unexercised powers previously granted to the directors to allot relevant securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.”

4. “THAT, in accordance with section 551 of the Companies Act 2006 (the “Act”) and following registration of the Company’s reduction of capital with the Registrar of Companies (as detailed in a special resolution passed on 8 March 2013) which is expected to take place on or around 10 April 2013 (the “Reduction of Capital”), the directors of the Company be and are generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution):
 - 4.1 up to a maximum nominal amount of £350 (in connection with the Warrants but for no other purpose); and
 - 4.2 up to an aggregate nominal amount of £18,200 (otherwise than pursuant to subparagraph 4.1 above) representing approximately one third of the Company’s enlarged issued ordinary share capital following completion of the Acquisition and following registration of the Reduction of Capital, provided that this authority, unless duly renewed, varied or revoked by the Company, will expire on the date being fifteen months

from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted after such expiry and, the directors may allot Relevant Securities in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Save in respect of the authorities granted under Resolutions 2 and 3 above, this resolution revokes and replaces all unexercised powers previously granted to the directors to allot relevant securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.”

5. “THAT, subject to the passing of Resolution 2 the directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, pursuant to the authority conferred by Resolution 2, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with the Acquisition provided that the power granted by this resolution will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution (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 such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.”
6. “THAT, subject to the passing of Resolution 3, the directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, pursuant to the authority conferred by Resolution 3, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 6.1 the allotment of equity securities in connection with an offer by way of a rights issue:
 - 6.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - 6.1.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to factional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any applicable regulatory body or stock exchange;
 - 6.2 the allotment (otherwise than pursuant to sub-paragraph 6.1 above) of equity securities in connection with the Warrants;
 - 6.3 the allotment (otherwise than pursuant to sub-paragraphs 6.1 and 6.2 above) of equity securities up to an aggregate nominal amount of £2,798,400 representing approximately 10 per cent. of the Company’s enlarged issued share capital following completion of the Acquisition,

provided that the power granted by this resolution will expire on the date on which the Registrar of Companies registers the Company’s reduction of capital (as detailed in a special resolution passed on 8 March 2013) (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 such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Save in respect of the authority granted under Resolution 5 above, this resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.”

7. “THAT, subject to the passing of Resolution 4 and following registration of the Reduction of Capital, the directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, pursuant to the authority conferred by Resolution 4, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 7.1 the allotment of equity securities in connection with an offer by way of a rights issue:
 - 7.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - 7.1.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any applicable regulatory body or stock exchange;
- 7.2 the allotment (otherwise than pursuant to sub-paragraph 7.1 above) of equity securities in connection with the Warrants;
- 7.3 the allotment (otherwise than pursuant to sub-paragraphs 7.1 and 7.2 above) of equity securities up to an aggregate nominal amount of £5,400 representing approximately 10 per cent. of the Company’s enlarged issued share capital following completion of the Acquisition and following registration of the Reduction of Capital,

provided that the power granted by this resolution will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution (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 such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Save in respect of the authority granted under Resolutions 5 and 6 above, this resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.”

- 3.11 On 5 April 2013, Richard Ramsay transferred his one ordinary share of 51 pence to David Payne.
- 3.12 On 8 April 2013, the Company allotted and issued 62,368,246 ordinary shares of 51 pence each pursuant to the terms of the Demerger Agreement in consideration for the transfer of the entire issued share capital of Redcentric Holdings from Redstone to the Company.
- 3.13 On 10 April 2013, an order was obtained from the High Court of Justice of England and Wales confirming a reduction of capital of the Company by the reduction of the nominal value of the Company’s ordinary shares from 51 pence each to 0.1 pence each by cancelling paid up capital of 50.9 pence on each such ordinary share.
- 3.14 On 10 April 2013, the reduction of capital mentioned in paragraph 3.13 was registered by the Registrar of Companies.

3.15 On 20 June 2013, the Company allotted and issued a further 8,873 Ordinary Shares in consideration for the transfer of the entire issued share capital of Redcentric Holdings from Redstone to the Company.

3.16 As at 15 November 2013 (the latest practicable date prior to the date of this document), the issued share capital of the Company was as follows:

<i>Issued</i>	<i>Number</i>	<i>Nominal Value (£)</i>
Ordinary Shares	62,377,120	62,377.12 (fully paid up)
Redeemable Shares	50,000	50,000 (one quarter paid up)

3.17 The issued share capital of the Company immediately following Admission assuming that all of the Placing Shares are issued and none of the outstanding Options and Warrants (or for the avoidance of doubt the Cornerstone Warrants) are exercised, will be as follows:

<i>Issued</i>	<i>Number</i>	<i>Nominal Value (£)</i>
Ordinary Shares	142,377,120	142,377.12 (fully paid up)
Redeemable Shares	50,000	50,000 (one quarter paid up)

3.18 As at 15 November 2013 (the latest practicable date prior to the date of this document), there were outstanding Options over a total of 4,474,125 Ordinary Shares representing approximately 3.1 per cent. of the Enlarged Share Capital. Details of the Options are set out below:

<i>Option Holder</i>	<i>Date of Grant</i>	<i>Expiry Period</i>	<i>Number of Options granted and unexercised</i>	<i>Exercise price per share</i>
Fraser Fisher	17 April 2013	16 April 2023	857,143	70p
Peter Hallett	17 April 2013	16 April 2023	390,000	64p
Peter Hallett	17 April 2013*	September 2020	1,533,994	32p
Ian Smith	17 April 2013*	September 2020	846,494	32p
Tony Weaver	17 April 2013*	September 2020	846,494	32p

* These options replaced options previously granted to these individuals under the Redstone plc 2008 Unapproved Scheme.

Details of the terms on which the Options were issued can be found in paragraph 21 below.

3.19 The Company proposes to grant options over approximately 5.3 per cent. of the Enlarged Share Capital to MXC and Fraser Fisher. These options will be subject to certain performance conditions.

3.20 On 15 November 2013 the Company granted Cornerstone Warrants over 1,381,055 Ordinary Shares to Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) and other Cornerstone Placees. Each Cornerstone Warrant entitles the holder to subscribe for one Ordinary Share at the Placing Price. Further details are set out in paragraph 13.1.4 of this Part V.

3.21 On 8 April 2013, the Company granted warrants over 350,000 Ordinary Shares to Barclays Bank plc with an exercise price of 36 pence per Ordinary Share. Further details are set out in paragraph 13.1.2 of this Part V.

3.22 The Company has not issued any convertible loan notes.

3.23 Save as disclosed in paragraphs 3.19, 3.20 and 3.21 above and in relation to the Ordinary Shares proposed to be issued pursuant to the Placing:

3.23.1 no share or loan capital of the Company or any of its subsidiaries has been issued or been agreed to be issued fully or partly paid, either for cash or for consideration other than cash and no issue is now proposed; and

3.23.2 neither the Company nor any of its subsidiaries has granted any options, warrants or convertible loan notes over its shares or loan capital which remains outstanding or has agreed, conditionally or unconditionally, to grant any such options, warrants or convertible loan notes.

- 3.24 The Placing Shares will be allotted fully paid in registered form and may be held in either certificated or in uncertificated form. Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the Placing Shares to be admitted or re-admitted as the case may be, to trading on AIM. All the Ordinary Shares (including the Placing Shares) may be transferred into the CREST system for which there will be no charge to stamp duty or SDLT on the transfer (unless made for consideration).
- 3.25 The Existing Ordinary Shares and the Placing Shares were created under and are subject to the provisions of the Act and are denominated in pound sterling.
- 3.26 The Placing Shares will, on issue, rank for all dividends and other distributions (if any) declared or made or paid in respect of Ordinary Shares after the date of issue and will otherwise rank *pari passu* in all respects with the Existing Ordinary Shares and, save as set out in this document, no Shareholders in the Company enjoy different or enhanced voting rights.
- 3.27 The Company had one ordinary share of 1 penny in issue on incorporation and 62,377,120 Ordinary Shares in issue at the date of this document. The Company has used 100 per cent. of the current issued share capital for the purchase of assets other than cash since its incorporation pursuant to the Demerger.
- 3.28 Save as disclosed in this document, there are no Ordinary Shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiary undertakings holds any shares in the Company.
- 3.29 On completion of the Placing the existing issued share capital of the Company will be increased by 80,000,000 Ordinary Shares, resulting in an immediate dilution of holders of Existing Ordinary Shares who do not participate in the Placing of 56.2 per cent. in aggregate, excluding Ordinary Shares to be issued pursuant to the exercise of the Options, Warrants and Cornerstone Warrants referred to in paragraphs 3.18, 3.19 and 3.20 above.

4. SUBSIDIARY UNDERTAKINGS

- 4.1 The Company currently has five subsidiary undertakings, the details of which are disclosed in paragraph 2.4 above.

4.2 Company

On completion of the Acquisition, InTechnology will become a wholly owned subsidiary of the Company.

5. ARTICLES OF ASSOCIATION

The Articles contain provisions, *inter alia*, to the following effect:

5.1 Objects

The Articles contain no specific restriction on the Company's objects and therefore, by virtue of section 31(1) of the Act, the Company's objects are unlimited.

5.2 General meetings

- 5.2.1 Subject to the provisions of the Act, annual general meetings shall be held at such time and place as the board may determine.

- 5.2.2 The board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the board on a member's requisition in accordance with sections 303 and 304, the Act or, in default, may be convened by the members requisitioning such meeting in accordance with section 305, the Act. At any general meeting convened no business shall be transacted except that proposed by the board or by the members (as the case may be).

- 5.2.3 A general meeting of the Company (other than an adjourned meeting) shall be called by notice of:
- (a) in the case of an annual general meeting, at least 21 clear days; and
 - (b) in any other case, at least 14 clear days.
- 5.2.4 Subject to the provisions of the Act, and notwithstanding that it is convened by shorter notice than that specified in paragraph 5.2.3 above, a general meeting shall be deemed to have been duly convened if it is so agreed:
- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
 - (b) in the case of any other general meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority who together hold not less than 95per cent. in nominal value of the shares giving that right (excluding any shares in the Company held as treasury shares).
- 5.2.5 The accidental failure to give notice of general meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, or to give notice of a resolution intended to be moved at a general meeting to, or the non-receipt of any of them by, any person or persons entitled to receive the same shall not invalidate the proceedings at that meeting and shall be disregarded for the purpose of determining whether the notice of the meeting, instrument of proxy or resolution were duly given.
- 5.2.6 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the articles on “Class meetings” and “If quorum not present”, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member, shall be a quorum save that if at any time the Company only has one member, one person entitled to attend and to vote or a proxy for such sole member, shall be a quorum.
- 5.2.7 The board may direct that members or proxies or duly authorised representatives wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to such general meeting to any member, proxy or duly authorised representative who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.
- 5.2.8 The chairman of the board shall preside as chairman at every general meeting of the Company. If there be no such chairman or if at any meeting he shall not be present within 15 minutes after the time appointed for holding the meeting or shall be unwilling to act as chairman, the deputy chairman (if any) shall, if present and willing to act, preside as chairman at such meeting. If no chairman or deputy chairman shall be so present and willing to act, the directors present shall choose one of their number to act or, if there be only one director present, he shall be chairman if willing to act. If no director is willing to act as chairman of the meeting or, if no director is present within 15 minutes of the time appointed for holding the meeting, a member or a proxy for a member may be elected to be the chairman of such meeting by ordinary resolution of the Company passed at the meeting.
- 5.2.9 A director shall notwithstanding that he is not a member be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.

5.2.10 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall not be entitled to a second or casting vote in addition to any other vote that he may have.

5.3 **Voting rights**

5.3.1 At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded.

5.3.2 On a vote on a resolution on a show of hands, 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.

5.4 **Suspension of rights**

5.4.1 If a member, or any other person appearing to be interested in shares held by that member, has been issued with a section 793 notice and has failed in relation to any shares to give the Company the information thereby required within the prescribed period from the date of service of the section 793 notice, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the board may, at least 14 days after service of the section 793 notice, serve on the holder of such default shares a notice (a “**disenfranchisement notice**”) whereupon the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the default shares to be present or to vote (either in person or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll.

5.4.2 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).

5.5 **Redemption of own shares**

Subject to the provisions of the Act and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share, liable to be redeemed.

5.6 **Variation of rights**

Subject to the provisions of the Act, 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 the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or 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).

5.7 **Classes of share**

The share capital of the Company is currently made up of Ordinary Shares and Redeemable Shares. The Ordinary Shares are voting shares and benefit from all of the rights attaching to those shares contained within the Articles and as summarised in paragraphs 5.2 to 5.10 and 5.16 of this Part V. The rights and restrictions of the Redeemable Shares are set out in paragraph 5.29 below.

5.8 **Transfer of shares**

5.8.1 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 Uncertificated 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 in respect of it.

5.8.2 If the board refuses to register a transfer of a share it shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee together with its reasons for the refusal. Any instrument of transfer which the board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

Uncertificated shares

5.8.3 The board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in uncertificated form in accordance with the Uncertificated Regulations, except that the board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted (or to any other stock exchange on which the Company's shares are normally traded)) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Uncertificated Regulations.

Certificated shares

5.8.4 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 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.

5.9 Allotment of shares

Subject to the provisions of the Act and to any relevant authority of the Company in general meeting, unissued shares at the date of adoption of the Articles and any shares hereafter created shall be at the disposal of the board which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them, or grant rights to subscribe for or convert any security into shares, to such persons (including the directors themselves), at such times and generally on such terms and conditions as the board may decide, provided that no share shall be issued at a discount.

5.10 Dividends and other distributions

5.10.1 Subject to the provisions of the Act 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.

5.10.2 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.

5.10.3 The board may deduct from any dividend or other money payable to any member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

5.10.4 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.

5.10.5 If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

5.10.6 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.

5.11 Appointment of directors

5.11.1 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.

5.11.2 Subject to the provisions of the Articles and to the Act, 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.

- 5.11.3 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 Act, 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. If not re-appointed at such annual general meeting, he shall vacate office at that meeting in accordance with provisions on the timing of retirement set out the article on “Timing of retirement”.
- 5.11.4 The board shall appoint any chairman, joint chairman or deputy chairman of the board and shall determine the period for which he is or they are to hold office and may at any time remove him or them from office.
- 5.11.5 Subject to the provisions of the Act, the directors may appoint one or more of their number to any office or employment under the Company (including, but without limitation, that of chief executive, managing director or joint managing director but not including that of auditor).

5.12 Remuneration of directors

- 5.12.1 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 £150,000 per annum 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 paragraph 5.12.1 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.
- 5.12.2 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.
- 5.12.3 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.
- 5.12.4 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.
- 5.12.5 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.

5.13 Retirement and removal of directors

5.13.1 Any director appointed by the board after the first annual general meeting of the Company shall retire at the annual general meeting of the Company next following his appointment.

5.13.2 Any non-executive director who has held office for nine years or more since his first appointment by general meeting shall retire at each subsequent annual general meeting of the Company.

5.13.3 At any annual general meeting of the Company, any director who has not been appointed or re-appointed at either of the two previous annual general meetings of the Company shall retire.

5.13.4 If, at any annual general meeting of the Company, the number of directors required to retire pursuant to the article described at paragraph 5.13.3 above is less than one third of the total number of directors calculated in accordance with the article described at paragraph 5.13.5 below (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 the article described at paragraph 5.13.5 below) to constitute the Relevant Proportion shall retire at such annual general meeting of the Company. Subject to the penultimate sentence of article on “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.

5.13.5 In calculating the “total number of directors” for the purposes of the article described at paragraph 5.13.4 above, any director who: (i) wishes to retire and not be re-elected; or (ii) is subject to re-election in accordance with the articles described at paragraphs 5.13.1 and 5.13.2 above, shall be disregarded.

5.13.6 The Company may by ordinary resolution (of which special notice has been given in accordance with section 312, the 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 Act) by ordinary resolution (of which special notice has been given in accordance with section 312, the 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.

5.14 Directors’ interests and conflicts

5.14.1 If a Relevant Situation arises, the directors may, subject to the articles described at paragraph 5.14.2 below, resolve to authorise any matter which relates to the Relevant Situation, including, without limitation, the continuing performance by the Conflicted Director of his duties and the acceptance of or continuing in any office, employment or position in addition to that of his office as a director.

5.14.2 Any authorisation under the article described at paragraph 5.14.1 above shall be effective only if:

- (a) any requirement as to the quorum at any meeting of the directors at which the matter is considered is met without counting either the Conflicted Director or any other interested director;
- (b) the matter, office, employment or position was agreed to and any relevant resolution was passed without counting the votes of the Conflicted Director and without counting the votes of any other interested director (or such matter would have been so agreed and such relevant resolution would have been so passed if their votes had not been counted); and
- (c) the Conflicted Director has disclosed in writing all material particulars of the matter, office, employment or position which relates to the Relevant Situation which could reasonably be expected to influence the decision of the Independent Directors as to whether to authorise such matter, office, employment or position which relates to the Relevant Situation and the continuing performance of the Conflicted Director of his duties and/or the terms of such authorisation.

5.14.3 Provided permitted by the Act and provided he has disclosed to the board the nature and extent of his interest in accordance with the article on “Disclosure of interests to Board”, a director, notwithstanding his office:

- (a) may be a party to, or otherwise interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in addition to the office of director and may act by himself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of any remuneration provided for by any other article;
- (c) may be a member of or a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment;
- (d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from:
 - (i) any matter, office, employment or position which relates to a Relevant Situation authorised in accordance with the articles described at paragraphs 5.14.1 and 5.14.2 above; or
 - (ii) any office, employment, contract, arrangement, transaction or proposal or other interest permitted pursuant to paragraphs (a) to (c) (inclusive) of this paragraph 5.14.3,

and no contract, arrangement, transaction or proposal shall be avoided on the grounds of any director having any such interest or receiving any such dividend, profit, remuneration, superannuation, payment or other benefit authorised in accordance with the articles described at paragraphs 5.14.1 and 5.14.2 above or permitted pursuant to paragraphs (a) to (c) (inclusive) of the article described in this paragraph 5.14.3 and the receipt of any such dividend, profit, remuneration, superannuation, payment or other benefit so authorised or permitted shall not constitute a breach of the duty not to accept benefits from third parties as set out in section 176, the Act.

5.14.4 Save as provided in the article described in this paragraph 5.14.4, a director shall not vote on or be counted in the quorum in relation to any resolution of the board or of a committee of the board concerning any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest, unless the resolution relates to one of the matters set out in the following sub-paragraphs in which case (subject to the terms of any authorisation granted pursuant to the articles described at paragraphs 5.14.1 and 5.14.2 above) he shall be entitled to vote and be counted in the quorum:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- (d) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 (inclusive), the Act) representing 1 per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors;
- (g) the funding of expenditure by one or more directors in defending proceedings against him or them or doing anything to enable such director(s) to avoid incurring such expenditure provided that such funding is consistent with, or no more beneficial to him than the provisions of the Articles (and provided always such funding is permitted pursuant to the provisions of the Act); or
- (h) the giving of an indemnity or indemnities in favour of one or more directors which is/are consistent with, or no more beneficial to him than any such indemnities provided pursuant the Articles (and provided always such indemnities are permitted pursuant to the provisions of the Act).

5.14.5 If any question arises at any meeting of the board or any committee of the board as to whether an interest of director (other than the chairman's interest) shall reasonably be regarded as likely to rise to a conflict of interest or as to the entitlement of any director (other than the chairman) to vote or be counted in a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum such question (unless the director concerned is the chairman in which case article 125 (director's resolution conclusive on chairman's interest) shall apply) shall before the conclusion of the meeting be referred to the chairman of the meeting. The chairman's ruling in relation to the director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the director has not been fairly disclosed.

5.15 Powers of the directors

- 5.15.1 Subject to the provisions of the Act, the memorandum of association of the Company and the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the board, which may exercise all the powers of the Company whether relating to the management of the business or not. No alteration of the memorandum of association, or of the Articles and no such direction given by the Company shall invalidate any prior act of the board which would have been valid if such alteration had not been made or such direction had not been given. Provisions contained elsewhere in the Articles as to any specific power of the board shall not be deemed to limit the general powers given by the article described in this paragraph 5.15.1.
- 5.15.2 Subject as provided in the Articles and to the provisions of the Act, the directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 5.15.3 The board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to secure (and as regards its subsidiary undertakings in so far as it can secure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the group (exclusive of moneys borrowed by one group company from another and after deducting cash deposited) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed the greater of £100,000,000 and an amount equal to three times the adjusted capital and reserves (as defined in article 108.3).

5.16 Distribution of assets on a winding up

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 and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The provisions described in this paragraph 5.16 are subject to the rights attached to any shares which may be issued on special terms or conditions.

Other points to note in relation to the Articles and the rights attached to the Company's shares:

- 5.17 The provisions of section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 1166 of the Act) will apply to the extent not disapplied by a special resolution of the Company.
- 5.18 As set out in section 284(2) of the Act, on a vote on a resolution on a show of hands at a meeting, each member present in person and entitled to vote has one vote.
- 5.19 As set out in section 285(1) of the Act, on a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote.
- 5.20 As set out in section 284(3) of the Act, on a poll taken at a meeting of the Company, each member present in person and entitled to vote has one vote for every share which he holds.
- 5.21 As set out in section 285(3) of the Act, on a poll taken at a meeting of a company all or any of the voting rights of a member may be exercised by one or more duly appointed proxies.

- 5.22 As set out in section 285(4) of the Act, where a member appoints more than one proxy, section 285(2) of the Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.
- 5.23 There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.
- 5.24 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed.
- 5.25 There are no conditions in the Articles governing changes in capital which are more stringent than is required by law.
- 5.26 Under the Act, companies no longer require enabling provisions in their articles in order to: (i) alter the share capital; (ii) reduce the share capital; and (iii) purchase their own shares. The Articles do not therefore contain such provisions.
- 5.27 Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.
- 5.28 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.
- 5.29 The Redeemable Shares have attached to them the following rights and restrictions:
- 5.29.1 the Redeemable Shares shall carry no right to income by way of dividend out of the profits of the Company;
- 5.29.2 on a return of capital, whether or not on a winding up, other than a redemption or purchase by the Company of any of its share capital, the holders of the Redeemable Shares shall be entitled to receive in sterling out of the assets of the Company available for distribution amongst the members and in priority to any payment to the holders of any other class of shares in the Company an amount equal to the amount paid up or credited as paid up on the Redeemable Shares. The Redeemable Shares shall not confer any further right to participate in the surplus assets of the Company;
- 5.29.3 the holders of the Redeemable Shares shall not be entitled to receive notice of or to vote at any general meeting of the Company; and
- 5.29.4 subject to the provisions of the Act, the Company shall be entitled to redeem all or any of the Redeemable Shares at any time by notice in writing to the holders specifying the number of shares to be redeemed and the date fixed for their redemption, by which date the holders shall be bound to deliver the share certificates for the shares concerned to the Company's registered office or to any other place specified in the notice of redemption in order that they may be cancelled. The amount payable on redemption of each share shall be the amount of its nominal amount paid up as at the date of redemption. All payments in respect of the redemption amount shall in all respects be subject to any applicable fiscal or other laws. A receipt given by the holder for the time being of any redeemable preference shares in respect of the amount payable on redemption of such share shall constitute an absolute discharge to the Company.
- 5.30 The following defined terms in the summary above shall have the following meanings (as set out in the Articles):
- 5.30.1 "**Conflicted Director**" means (in relation to a Relevant Situation) a director who has made a submission for authorisation in respect of that Relevant Situation;
- 5.30.2 "**Independent Directors**" means (in relation to paragraphs 5.14.1 and 5.14.2) the directors, other than the Conflicted Director and any other director(s) interested in the Relevant Situation;

5.30.3 “**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 Uncertificated Regulations;

5.30.4 “**Relevant Situation**” means a situation in which a 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); and

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

6. DIRECTORS’ AND OTHER INTERESTS

6.1 The interests of each of the Directors in the Ordinary Shares (all of which are beneficial) which have been or will be required to be notified to the Company pursuant to section 5 of the DTR or which will be required to be maintained under the provisions of section 808 of the Act, or which are interests of a person connected with any of the Directors (within the meaning of section 252 of the Act), which interests would be required to be disclosed pursuant to the DTR, and the existence of which is known to the Directors or could with reasonable diligence be ascertained by them as at 15 November 2013 (being the last date practicable prior to the publication of this document) are as set out below:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of the Existing Ordinary Shares</i>	<i>Number of Ordinary Shares on Admission</i>	<i>% of the Enlarged Share Capital on Admission</i>	<i>Number of Options</i>
Richard Ramsay	43,515	0.07	43,515	0.03	–
Ian Smith and Tony Weaver*	8,561,608	13.73	10,249,108	7.20	1,692,988
David Payne	100,625	0.16	100,625	0.07	–
Fraser Fisher	90,557	0.15	90,557	0.06	857,143
Peter Hallett	262,500	0.42	262,500	0.18	1,923,994
Total	9,058,805	14.53	10,746,305	7.55	4,474,125

* includes 9,624,108 Ordinary Shares held by MXC Capital (Ian Smith and Tony Weaver are directors and shareholders of MXC Capital) and 625,000 Ordinary Shares held in Ian Smith’s self-invested personal pension plan.

6.2 Richard Ramsay also holds 50,000 Redeemable Shares.

6.3 Save as disclosed in this document, none of the Directors has or will have any interest in the share capital or loan capital of the Company following Admission nor does any person connected with the Directors (within the meaning of section 252 of the Act) have any such interest whether beneficial or non-beneficial.

6.4 Save as disclosed in this document, none of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

6.5 There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any Director.

6.6 There is no Director nor member of a Director’s family (as defined in the AIM Rules) who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

7. SUBSTANTIAL SHAREHOLDERS

- 7.1 As at 15 November 2013 (being the last practicable date prior to the date of this document), save as set out below the Company was not aware of any person, who, directly or indirectly, had an interest representing 3 per cent. or more of the issued ordinary share capital (being the threshold at or above which, in accordance with the provisions of section 5 of the DTR, any interest must be disclosed by the Company).

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of the Existing Ordinary Shares</i>	<i>Number of Ordinary Shares on Admission</i>	<i>% of the Enlarged Share Capital on Admission</i>
Henderson Global Investors	14,397,352	23.08%	30,022,352	21.09%
MXC Capital*	8,561,608	13.73%	10,249,108	7.20%
BlackRock	3,953,305	6.34%	10,203,305	7.17%
Kestrel Partners	5,925,218	9.50%	9,425,218	6.62%
Quantum Partners LP	—	—	9,375,000	6.58%
Eugenia II Investment Holdings Ltd	—	—	7,812,500	5.49%
Hargreave Hale	2,545,540	4.08%	7,545,540	5.30%
Legal & General	6,022,500	9.65%	6,022,500	4.23%
Harwood Capital	—	—	5,000,000	3.51%
Liontrust	—	—	5,000,000	3.51%
Investec	—	—	4,625,000	3.25%

* Ian Smith and Tony Weaver are directors and shareholders of MXC Capital and this figure includes 625,000 Ordinary Shares held in Ian Smith's self-invested personal pension plan.

- 7.2 Save as disclosed in this document and in particular paragraphs 3.18, 3.19, 3.20, 6.1 and 7.1, the Directors are not aware of any person who directly, or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.3 The Company's shareholders listed in paragraphs 6.1 and 7.1 of this Part V do not have voting rights preferential to other holders of Ordinary Shares.
- 7.4 The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

8. ADDITIONAL INFORMATION ON THE DIRECTORS

- 8.1 Other than directorships of the Company, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Richard Ramsay	Castle Trust Capital Management Limited Castle Trust Capital Nominees Limited Castle Trust Capital plc GPS Malta Limited Northcourt Limited Midas Income & Growth Trust plc Redstone plc Richard Ramsay Limited Urica Limited Wolsey Group Limited	Aberdeen Football Club plc Artemis AIM VCT plc Intelli Corporate Finance Limited National Nuclear Laboratory Limited Nexia Solutions Limited NNL Holdings Limited Xploite plc

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Peter Hallett	3Net Limited AH 1 Limited Azur Business Solutions Ltd Bealaw (2013) Limited Caltell Communications Limited Castleton Communications Limited Centric Networks Limited Cognition Solutions Limited Cognition Support Services Limited Compass Communications Technical Services Limited Compass Telecom Limited Comunica Group Limited Comunica Holdings Limited Dialnet plc DXI Networks Limited Essential Network Solutions Limited Fastnet Consulting Services Limited Fastnet Group Limited Fastnet Systems plc Fenphones Communications Limited Fujin Systems Limited Genesis Telecommunications Limited Hotchilli Internet Limited Identa Limited IDN Telecom Limited Independent Digital Networks Ltd Isomatrix UK Limited M2 Systems Limited Marcom Communications Limited Maxima Business Solutions Limited Maxima Holdings Limited Maxima Information Group Limited Minerva Industrial Systems Limited Net Quest Solutions Limited Pure Networks Limited QED Business Systems Limited Redcentric Holdings Limited Redcentric MS Limited Redcentric Managed Services Limited Redcentric Managed Solutions Limited Redstone I4E Limited Redstone Communications Limited Redstone Converged Solutions Limited Redstone Group Holdings Limited Redstone plc Redstone Telecommunications Limited Redstone Telecom Holdings Limited Ringwood Group Limited	Compass Telecom Limited Essential Network Solutions Limited Fenphones Communications Limited Identa Limited IIM Services Limited Lend Lease Construction Management Serviced (One) Limited Managed Infrastructure Services Limited Redstone Converged Solutions Limited Redstone I4E Limited Redstone Managed Solutions Limited Redstone Open Networks Limited Redstone plc Redstone Technology (UK) Limited

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Peter Hallett (continued)	Ringwood Software Limited Seventhree Limited Systematic Telecoms Limited Trove Software Limited Xpert Communications Limited Xpert Group Limited	
Tony Weaver	3Net Limited AH 1 Limited Azur Business Solutions Ltd Caltell Communications Limited Castleton Communications Limited Centric Networks Limited Cognition Solutions Limited Cognition Support Services Limited Compass Communications Compass Communications Technical Services Limited Compass Telecom Limited Comunica Group Limited Comunica Holdings Limited Dialnet plc DXI Networks Limited Essential Network Solutions Limited Fastnet Group Limited Fastnet Systems plc Fenphones Communications Limited Fujin Systems Limited Genesis Telecommunications Limited Hotchilli Internet Limited Identa Limited IDN Telecom Limited Independent Digital Networks Ltd M2 Systems Limited Mantin Capital Limited Marcom Communications Limited Mathian LLP Maxima Business Solutions Limited Maxima Holdings Limited Maxima Information Group Limited Minerva Industrial Systems Limited MXC Capital Limited MXC Capital Finance Limited MXC (CM) Limited Net Quest Solutions Limited QED Business Systems Limited Redcentric Holdings Limited Redcentric Managed Solutions Limited Redcentric MS Limited Redstone I4E Limited Redstone Communications Limited	1Spatial plc Compass Communications Technical Services Limited Fujin Nameco Limited Lend Lease Construction Management Services (One) Limited Matrix Network Solutions Limited MXC Capital Limited MXC Capital Listco plc Norwood Adam Technical Services Limited Redstone Open Networks Limited Redstone Open Networks Limited Redstone Technology (UK) Limited Xploite plc

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Tony Weaver (continued)	Redstone Converged Solutions Limited Redstone Group Holdings Limited Redstone plc Redstone Telecommunications Limited Redstone Telecom Holdings Limited Ringwood Group Limited Ringwood Software Limited Seventhree Limited Systematic Telecoms Limited Trove Software Limited Xpert Communications Limited Xpert Group Limited	
Fraser Fisher	East Coast Investments Limited Essex Children and Animals Trust Hawkswood Investments Limited Redcentric Private Solutions Limited (India) Jetdrive Systems Limited Moreland Limited Visor Properties Limited (Gibraltar)	Centric Networks Limited Moreland Limited Netforce Group Public Limited Company
David Payne	Redstone plc	
Ian Smith	2ergo Group plc Fujin Systems Limited Grapple (Holdings) Limited Mantin Capital Limited Mathian LLP Mathian (CM) Limited Maxima Holdings Limited Montal Computer Services Limited Montal Computer Systems Limited Montal Group Limited Montal Holdings Limited MXC Capital Limited MXC Capital Finance Limited Redstone plc	1Spatial plc Accumuli plc Anix Business Systems Limited Anix Computers Limited Anix Group Limited Anix Holdings Limited Blue River Systems Limited Broadblue Catamaran Sales Limited Broadblue Catamarans Limited Dataworkforce Limited Decorum Connect Limited FBHG Limited Fujin Nameco Limited Grapple Mobile Limited Intrinsic Networks Limited Itheon Limited Matrix Network Solutions Limited MXC Capital Listco plc MDMSI Limited Norwood Adam Technical Services Limited Storage Fusion Limited Red Squared Limited Posetiv Limited VBHG Limited Xpolite IHC Limited Xpolite plc

- 8.2 Save as disclosed in paragraphs 8.3, 8.4 and 8.5, none of the Directors has:
- 8.2.1 any unspent convictions in relation to indictable offences;
 - 8.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 8.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a 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 had ceased to be a director of that company;
 - 8.2.4 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;
 - 8.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership 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;
 - 8.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - 8.2.7 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.
- 8.3 Ian Smith was a director of Broadblue Catamarans Limited on 3 February 2009 when the company passed an extraordinary resolution to put the company into creditors' voluntary liquidation and appoint a liquidator. The company was dissolved on 17 April 2011. The estimated deficiency to creditors (excluding shareholders) was approximately £612,500.
- 8.4 Ian Smith was a director of Decorum Networks Limited on 10 November 2006 when the company passed an extraordinary resolution to put the company into creditors' voluntary liquidation and appoint a liquidator. The company was dissolved on 30 August 2007. The estimated deficiency to creditors (excluding shareholders) was approximately £620,000.
- 8.5 On 31 March 2009 Richard Ramsay was a director of Artemis AIM VCT plc when the company passed an extraordinary resolution to put the company into voluntary members liquidation as part of an agreed merger with Artemis AIM VCT 2 plc. The company was dissolved on 30 October 2010. There was no deficiency to creditors.
- 8.6 Save as disclosed in this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.
- 8.7 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

9. DIRECTORS' AND OTHERS' SHARE DEALINGS

Save as disclosed elsewhere in this document, no Director or recent director has dealt in the shares, warrants or any other securities in the Company.

10. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

- 10.1 Save as disclosed below, there are no service agreement or letters of appointment, existing or proposed between any Director and the Company that have been entered into or varied within six months prior to the date of this document. There are no existing or proposed service agreements or letters of appointment between the Company and any of the Directors which do not expire or are not

determinable by the Company without payment of compensation within 12 months immediately preceding the date of this document.

10.1.1 Tony Weaver

On 18 April 2013, Mathian LLP (“Mathian”) entered into an agreement with the Company for the provision of the services of Tony. Under the terms of the agreement, the Company agrees to engage Mathian and Mathian agrees to provide the services of Tony as an executive director and will ensure Tony is available to the Company to provide such services on the terms of the agreement and the service agreement entered into between the Company and Tony on 18 April 2013. The agreement between the Company and Mathian is terminable by either party giving to the other not less than 6 months’ prior written notice. In addition, the agreement shall terminate upon termination of the appointment of Tony as an executive director under the terms of the service agreement. Under the terms of the agreement the Company has agreed to pay Mathian a fee of £15,333.33 per month exclusive of VAT. Under his service agreement, Tony will receive £1 per annum and he is entitled to private medical insurance, death in service insurance and critical illness cover. The service agreement contains provisions for early termination, inter alia, in the event that Tony breaches any material term of the agreement. The service agreement also contains restrictive covenants for a period of 12 months following the termination of his employment.

10.1.2 Peter Hallett

On 18 April 2013, Peter entered into a service agreement with the Company pursuant to which his appointment as Chief Financial Officer was confirmed. The agreement is terminable thereafter on not less than 12 months’ written notice given by either party to the other. The agreement contains provisions for early termination, inter alia, in the event that he breaches any material term of the agreement. The basic salary payable to Peter is £180,000 per annum. This is to be reviewed annually without any obligation to increase the same. In addition, Peter is entitled to a car allowance of £24,000 per annum, private medical insurance, death in service insurance and critical illness cover. The service agreement contains restrictive covenants for a period of 12 months following the termination of his employment.

10.1.3 Fraser Fisher

On 18 April 2013, Fraser entered into a service agreement with the Company pursuant to which his appointment as Chief Operating Officer was confirmed. The agreement is terminable thereafter on not less than 6 months’ written notice given by either party to the other. The agreement contains provisions for early termination, inter alia, in the event that he breaches any material term of the agreement. The basic salary payable to Fraser is £140,000 per annum. This is to be reviewed annually without any obligation to increase the same. In addition, Fraser is entitled to a fuel allowance, a contribution of 5 per cent. of his annual basic salary into the Company’s pension scheme, a performance based bonus, private medical insurance and death in service insurance. The service agreement contains restrictive covenants for a period of 12 months following the termination of his employment.

10.1.4 Richard Ramsay

On 18 April 2013, Richard entered into a non-executive letter of appointment with the Company pursuant to which his appointment as chairman was confirmed. His appointment is terminable by and at the discretion of either party upon six months’ notice in writing. The fee payable to Richard is £25,000 per annum plus a fee of £5,000 per annum to chair the Audit Committee. His removal, cessation or retirement in accordance with the Articles will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

10.1.5 David Payne

On 18 April 2013, David entered into a non-executive letter of appointment with the Company pursuant to which his appointment as a non-executive director was confirmed. His appointment is terminable by and at the discretion of either party upon six months' notice in writing. The fee payable to David is £20,000 per annum plus a fee of £5,000 per annum to chair the Remuneration Committee. His removal, cessation or retirement in accordance with the Articles will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

10.1.6 Ian Smith

On 18 April 2013, Mathian LLP ("Mathian") entered into an agreement with the Company for the provision of the services of Ian. Under the terms of the agreement, the Company agrees to engage Mathian and Mathian agrees to provide the services of Ian Smith as a non-executive director and will ensure Ian is available to the Company to provide such services on the terms of the agreement and the letter of appointment entered into between the Company and Ian on 18 April 2013. The agreement between the Company and Mathian is terminable by either party giving to the other not less than 4 weeks' prior written notice. In addition, the agreement shall terminate upon termination of the appointment of Ian as non-executive director under the terms of the letter of appointment which is also, inter alia, terminable on 4 weeks notice. Under the terms of the agreement the Company has agreed to pay Mathian a fee of £1,666.66 per month exclusive of VAT.

- 10.2 The amounts payable to the Directors (including the amounts payable to Mathian) by the Company under the arrangements in force at the date of this document in respect of the financial year ending 31 March 2014 are estimated to be £580,000 excluding benefits and any VAT payable thereon.

11. EMPLOYEES

Save for the Directors, as at the date of this document, the Company has no employees.

As at the date of this document, the Group has an estimated 249 employees.

On Admission, the Enlarged Group will employ approximately 343 staff in the UK and 96 in India.

12. PRINCIPAL ESTABLISHMENTS

- 12.1 The Company's head office, principal place of business and principal establishment is at Newton House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ.
- 12.2 The registered offices and principal establishments of the companies within the Group (save for Redcentric Solutions) are at Newton House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ. Redcentric Solutions' registered office and principal establishment is #6-3-1182/1/1, 405 to 408, Block II, 4th Floor, White House, Kundan Bagh, Begumpet, Hyderabad, India.
- 12.3 The registered office and principal establishment of InTechnology is at Central House, Beckwith Knowle, Otley Road, Harrogate, North Yorkshire HG3 1NG.

13. MATERIAL CONTRACTS

- 13.1 The following contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

13.1.1 The Company and the Directors have entered into a Placing Agreement with N+1 Singer and finnCap dated 15 November 2013, pursuant to which N+1 Singer and finnCap have agreed, (conditionally, inter alia, on Admission taking place no later than 8.00 a.m. on 6 December 2013 (or such later date as the Company, N+1 Singer and finnCap may agree, being in any event not later than 8.00 a.m. on 31 December 2013)) as agents for the Company to use their respective reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement the Company has agreed to pay N+1 Singer the following fees and commissions: (i) a corporate finance fee of £100,000; (ii) a commission of 1 per cent. of the funds raised from Firm Placees (capped at £150,000); (iii) commission of 1.5 per cent. of the funds raised from another specified investor; (iv) commission of 1 per cent. of funds introduced by MXC; (iv) commission of 3 per cent. on the total funds raised pursuant to the Placing (save for any funds raised from the investors referred to at (ii), (iii) and (iv) in this paragraph or from Placees introduced by the Company or finnCap).

Under the Placing Agreement the Company has agreed to pay finnCap the following fees and commissions: (i) commission of 3 per cent. of the total funds raised pursuant to the Placing from five specified institutions; and (ii) commission of 1.5 per cent. of the total funds raised pursuant to the Placing from one specified institution.

Notwithstanding the commission arrangements described above, it is agreed that if both N+1 Singer and finnCap each receive firm demand from potential investors in the Placing in excess of £20 million, then each broker will receive, in total commission, not less than 50 per cent. of gross commissions paid to the brokers in the Placing.

The Company will also pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing, including all fees and expenses payable in connection with Admission, the expenses of the Company's registrar, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains customary warranties and indemnities given by the Company to N+1 Singer and finnCap as to the accuracy of the information contained in this document and other matters relating to the Enlarged Group's business. The agreement also contains limited warranties from the Directors. N+1 Singer and finnCap are entitled to terminate the Placing Agreement in certain specified circumstances (including force majeure) prior to Admission.

13.1.2 The Company entered into a conditional share sale and purchase agreement with InTechnology plc on 15 November 2013 pursuant to which the Company has agreed to purchase, and InTechnology has agreed to sell, the entire issued share capital of InTechnology for the consideration of £65 million on a cash-free/debt-free basis, adjusted to reflect InTechnology's working capital requirements and certain capital expenditure.

The Consideration will be funded by the Company by way of the Placing and debt facilities available to the Company.

The Share Purchase Agreement contains warranties from InTechnology plc to the Company, inter alia, in relation to InTechnology's business and restrictive covenants on InTechnology plc in relation to InTechnology's business for a period of three years from Completion.

The Acquisition is conditional upon, inter alia, (i) Shareholders at the General Meeting approving the Acquisition and granting the Directors certain authorities to allot Ordinary Shares free from statutory pre-emption rights (including the Placing Shares) and (ii) there not having occurred any material adverse change in relation to, inter alia, InTechnology's net asset value and certain of its customer contracts.

- 13.1.3 On 15 November 2013 the Company and each of its subsidiaries entered into a facility agreement and debenture with Barclays Bank plc, pursuant to which Barclays Bank plc agreed to provide the Company with a £23,200,000 revolving credit facility for a term of three years in connection with the Acquisition and to provide working capital to the Enlarged Group.

The facility contains covenants, including financial covenants of the type usual for facilities of this type and is secured by way of a cross-guarantee and debenture between all companies in the Enlarged Group.

- 13.1.4 As part of the Placing, certain existing investors have, pursuant to the Firm Placing Letters, conditionally agreed to subscribe for a total of 30,312,500 Placing Shares at the Issue Price. These investors will also, under the terms of the Firm Placing Letters, receive a commission of 3 per cent. of the amounts they each invest and be issued the Cornerstone Warrants. Further details in relation to the Cornerstone Warrants are set out in paragraph 13.1.5 below.

- 13.1.5 On 15 November 2013 the Company executed the Cornerstone Warrant Instrument. The Company has agreed to issue 711,885 Cornerstone Warrants to Henderson Volantis Capital, 159,462 Cornerstone Warrants to Guernsey Portfolios PCC Ltd and 509,708 Cornerstone Warrants to other Firm Placees on Admission. Each Cornerstone Warrant entitles the holder to subscribe for one Ordinary Share at the Placing Price. The Cornerstone Warrants will be exercisable, in whole or in part, at any time up to the second anniversary of Admission, at which time they will lapse.

- 13.1.6 On 30 October 2013 Barclays Bank plc agreed to provide the Company with an extension of £1,500,000 to its existing facilities to provide, if required by the Company, additional working capital. The Company has not drawn down on this facility and the facility will be terminated following Admission.

- 13.1.7 An engagement letter dated 25 September 2013 between finnCap and the Company pursuant to which finnCap has agreed to act as joint broker to the Company in connection with the Placing and to act as ongoing joint broker to the Company from the date of appointment of N+1 Singer as nominated adviser and joint broker.

In addition to the commissions payable to finnCap under the Placing Agreement as described in paragraph 13.1.1 above, the Company has agreed to pay to finnCap an ongoing retainer of £25,000 per annum (plus VAT where applicable) to take effect from 1 October 2013. The Company has also agreed to pay the reasonable third party costs, charges and expenses of finnCap properly incurred in connection with the services provided under the letter.

The engagement may be terminated by either party giving the other not less than one month's prior written notice. The engagement may also be terminated immediately by the parties in certain limited circumstances.

The engagement letter includes certain undertakings and indemnities given by the Company to finnCap.

- 13.1.8 An engagement letter dated 16 September 2013 between N+1 Singer and the Company pursuant to which N+1 Singer has been appointed as the Company's nominated adviser and joint broker on an on going basis and in relation to the Transaction.

In addition to the commissions payable to N+1 Singer under the Placing Agreement as described in paragraph 13.1.1 above, the Company has agreed to N+1 Singer an annual retainer for acting as nominated adviser and joint broker commencing from 1 December 2013 (which will be waived for 12 months following any transaction for which N+1 Singer are compensated more than £250,000). The Company has also agreed to pay the reasonable and properly incurred expenses of lawyers acting on N+1 Singer's behalf in connection with the Transaction subject to an agreed cap.

The engagement may be terminated by either party giving to the other not less than one month's written notice and by written notice with immediate effect in certain limited circumstances.

The engagement letter includes certain undertakings given by the Company to N+1 Singer and an indemnity given by the Company to N+1 Singer in relation to the engagement and/or the provision of services to the Company in connection therewith or any matter incidental thereto.

13.1.9 A warrant instrument dated 8 April 2013 pursuant to which Barclays Bank plc was granted warrants over 350,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time from the date of the instrument up until the date on which a sale (in a single transaction) of the entire issued share capital of the Company is completed. The exercise price is 36 pence per Ordinary Share.

13.1.10 An agreement dated 18 April 2013 between the Company and MXC Capital Advisory LLP pursuant to which corporate finance consultancy services will be provided to the Company. In consideration of MXC Capital Advisory LLP's services, the Company has agreed to pay a fee of £20,000 (plus VAT where applicable) per annum. In addition a maximum of 2.5 per cent. of the enterprise value of successful transactions consulted upon is payable by the Company. MXC Capital Advisory LLP and the Company have agreed that, in relation to the acquisition of InTechnology the fee payable would be reduced to £500,000 (plus VAT) and 2 per cent. of the aggregate subscription of any investors introduced to the Placing by MXC. Mantin Capital Limited is a partner in MXC Capital Advisory LLP and, while they do not have executive roles in MXC Capital Advisory LLP, Ian Smith and Tony Weaver are the controlling shareholders of Mantin Capital Limited.

13.1.11 On 12 February 2013, Redstone and the Company entered into the Demerger Agreement which sets out the principal actions required in connection with the separation of the Network-Based Managed Services business from Redstone including a series of internal reorganisation transactions between Redstone and certain of its subsidiaries.

The Demerger Agreement transferred the entire issued share capital of Redcentric Holdings to the Company in consideration for the allotment and issue of Ordinary Shares to Redstone Shareholders, so that each of Redstone and the Company ultimately retained the assets of, and the liabilities associated with, their respective businesses. In particular, the agreement provided that, subject to the terms and conditions contained in the Demerger Agreement:

- (a) all assets to the extent related to the Network-Based Managed Services business were transferred to the Redcentric Group;
- (b) all other assets, including those relating to the Infrastructure Solutions Business, were retained by Redstone;
- (c) liabilities were allocated to, and assumed by, the Redcentric Group to the extent that they related to the Network-Based Managed Services business; and
- (d) liabilities were allocated to, and assumed by, Redstone to the extent that they related to the Infrastructure Solutions Business.

Each party agreed to release and forever discharge the other party and its respective subsidiaries and affiliates from all (a) liabilities existing or arising from any acts or events incurring or failing to incur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Demerger Effective Date and (b) liabilities specifically assumed by a party pursuant to the Demerger Agreement. The releases do not extend to obligations or liabilities under any agreements between the parties that remain in effect following 8 April 2013.

The Demerger Agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Network-Based Managed

Services business with the Company and financial responsibility for the obligations and liabilities of the Infrastructure Solutions Business with Redstone.

To the extent that any transfers contemplated by the Demerger Agreement have not been consummated by the Demerger Effective Date, the agreement provides that all parties will cooperate to effect such transfers as promptly as practicable thereafter. In addition, each of the parties agrees to cooperate with each other and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Demerger Agreement.

The Demerger Agreement also provides that Redstone and the Company will exchange certain information reasonably required to comply with reporting, filing, audit and other obligations, subject to certain exceptions.

The Demerger Agreement contains confidentiality provisions, dispute resolution provisions and provides that during the term of the transitional services agreement (described at paragraph 13.1.13 of this Part V), and for one year thereafter, neither Redstone nor the Company will be permitted to solicit each other's employees without the other's consent. The agreement also provides that neither Redstone nor the Company nor their respective affiliates will have any duty to refrain from engaging in similar activities or lines of business or doing business with suppliers or customers of each other, and both Redstone and the Company acknowledge that neither of them will have any duty to communicate or offer any business opportunities to the other.

13.1.12 On 8 April 2013, the Company and Redstone entered into a tax matters agreement under which tax liabilities relating to taxable periods before and after the Demerger Effective Date are computed and apportioned between the parties, and responsibility for payment of those tax liabilities (including any taxes attributable to the Demerger) are allocated between Redstone and the Company. Furthermore, the agreement sets forth the obligations of the parties in respect of the preparation and filing of tax returns, the handling of enquiries or other tax proceedings and assistance and cooperation and other matters, in each case, for taxable periods ending on or before or that otherwise include the Demerger Effective Date.

13.1.13 On 8 April 2013, the Company and Redstone entered into a transitional services agreement pursuant to which Redstone will provide to the Company, and the Company will provide to Redstone, specified services to help ensure an orderly transition following the Demerger. The services provided for under the transitional service agreement include but are not limited to IT services, human relations services, finance services and engineering services.

It is expected that the transitional services agreement will remain in effect until the expiration of the last time period for the performance of services thereunder, which is expected generally to be no later than twelve months from the Demerger Effective Date.

Both the Company and Redstone are permitted to terminate the transitional services agreement (to the extent it relates to any particular transitional service) if the other party breaches any of its material obligations under the agreement and does not cure such breach within 20 business days of receiving written notice from the non-defaulting party that it is in default. In addition, either party may terminate the agreement if a receiver, administrator, administrative receiver or manager is appointed over the whole or any part of the other party's assets, if the other party becomes insolvent, if the other party is struck off the Register of Companies or at the option of the recipient of any service thereunder with respect to a particular transition service upon three months' written notice to the provider of such service.

The payment terms of the agreement generally provide that the Company will pay Redstone for the time spent by each Redstone employee providing the services, which will be calculated by the portion of the employee's time dedicated to the provision of the services plus ten per cent.

and overheads (which will be invoiced at cost). The time for each employee will be calculated using the employee's fully loaded employment cost. Invoices will be sent on a monthly basis. Similarly, Redstone will pay the Company for the time spent by each Redcentric employee providing the services, which will be calculated by the portion of the employee's time dedicated to the provision of the services plus ten per cent. and overheads (which will be invoiced at cost). The time for each employee will be calculated using the employee's fully loaded employment cost. Invoices will be sent on a monthly basis.

- 13.1.14 On 8 April 2013, the Company and each of its subsidiaries entered into a facility agreement and debenture with Barclays Bank plc, pursuant to which Barclays Bank plc (as lender) agreed to provide a £14,200,000 senior revolving facility, including a £3,000,000 ancillary facility. The facility was utilised on 8 April 2013 and £11,200,000 was drawn down and applied in prepayment of utilisations outstanding under the senior revolving facility agreement entered into between Redstone and certain of its subsidiaries (as borrowers) and Barclays Bank plc (as lender) dated 21 June 2012 (as amended and restated from time to time).
- 13.2 The following are the only contracts, not being contracts entered into in the ordinary course of business which, have been entered into by Redcentric Holdings (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which Redcentric Holdings has any obligation or entitlement which is material to Redcentric Holdings as at the date of this document:
- 13.2.1 On 22 March 2013, Redcentric Holdings entered into a sale and purchase agreement with Maxima pursuant to which Redcentric Holdings agreed to acquire the entire issued share capital of Maxima Managed Services Limited (now called Redcentric MS). The consideration payable under the terms of the agreement was £11,400,000 subject to adjustment required as a result of changes to the financial position of Maxima Managed Services Limited (now called Redcentric MS) between the date of calculation of the consideration and the date of completion. Maxima gave to Redcentric Holdings seven basic warranties including a warranty that it was the only legal and beneficial owner of the shares being transferred.
- 13.2.2 On 22 March 2013, Redcentric Holdings entered into a sale and purchase agreement with Redstone plc pursuant to which Redcentric Holdings agreed to acquire the entire issued share capital of Redstone Managed Solutions Limited (now called Redcentric Managed Solutions). The consideration due to Redstone plc from Redcentric Holdings was satisfied by the allotment and issue of 99 ordinary shares of £1 each in the capital of Redcentric Holdings. Redstone gave to Redcentric Holdings seven basic warranties including a warranty that it was the only legal and beneficial owner of the shares being transferred.
- 13.3 The following are the only contracts, not being contracts entered into in the ordinary course of business which, have been entered into by Redcentric MS (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which Redcentric MS has any obligation or entitlement which is material to Redcentric MS as at the date of this document:
- 13.3.1 On 22 March 2013, Maxima Managed Services Limited (now called Redcentric MS) entered into an asset purchase agreement with Redstone Converged Solutions Limited pursuant to which Maxima Managed Services Limited (now called Redcentric MS) agreed to be acquired from Redstone Converged Solutions certain business and assets. The consideration payable under the terms of the agreement was £1,300,000 (exclusive of VAT) subject to adjustment required as a result of changes to the financial position of the business acquired between the date of calculation of the consideration and the effective time. Redstone Converged Solutions Limited gave to Redcentric MS six standard tax warranties. Redcentric MS Limited agreed under the terms of the agreement to provide Redstone Converged Solutions Limited with those services required to enable it to perform various ICT contracts until 31 March 2014.

- 13.3.2 On 16 April 2012, Redcentric MS entered into an asset purchase agreement with Redcentric Managed Solutions pursuant to which Redcentric MS agreed to acquire from Redcentric Managed Solutions certain business and assets. The consideration payable under the terms of the agreement was £2,250,000 (subject to any post-completion adjustment). The agreement has an effective date of 8 April 2013.
- 13.4 The following are the only contracts, not being contracts entered into in the ordinary course of business, which have been entered into by Redcentric Managed Solutions (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which Redcentric Managed Solutions has any obligation or entitlement which is material to Redcentric Managed Solutions as at the date of this document:
- 13.4.1 On 16 April 2012, Redcentric Managed Solutions entered into an asset sale agreement with Redcentric MS pursuant to which Redcentric Managed Solutions agreed to sell to Redcentric MS certain business and assets. The consideration payable under the terms of the agreement was £2,250,000 (subject to any post-completion adjustment). The agreement has an effective date of 8 April 2013.
- 13.5 The following are the only contracts, not being contracts entered into in the ordinary course of business which, have been entered into by InTechnology (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which InTechnology has any obligation or entitlement which is material to InTechnology as at the date of this document:
- 13.5.1 On 15 November 2013 the Company entered into an assignment and licence with InTechnology plc pursuant to which the Company assigned to InTechnology plc the inTech brand and was licensed by InTechnology plc to use the said brand in the Managed Services business operated by it.
- 13.5.2 On 1 May 2013, the InTechnology Managed Services operations were hived down from InTechnology plc into the Company, on the terms of a hive-down agreement (“HDA”) entered into on 15 November 2013. The consideration payable by the Company in consideration of the hive-down was satisfied by the allotment of 53,487,999 Ordinary Shares to InTechnology plc. The HDA contains warranties and indemnities appropriate to a transaction of the type and scale of the hive-down.
- 13.6 Save as set out in this section 13 of Part V, no Group company has entered into any contract (not being a contract entered into in the ordinary course of business) which contains any provision under which a Group company has any obligation or entitlement which is material to the Group as at the date of this document.

14. RELATED PARTY TRANSACTIONS

Save as referred to below, there were no other nor are there contemplated any related party transactions to which the Company was or will be a party:

- 14.1 On 11 February 2013, the Company allotted and issued 50,000 Redeemable Shares to MXC Capital (a company of which Ian Smith and Tony Weaver are directors and shareholders).
- 14.2 On 7 March 2013, the Company allotted and issued 50 ordinary shares of 1 penny each to Richard Ramsay.
- 14.3 On 8 April 2013, the Company allotted and issued the following Ordinary Shares to the Directors on completion of the Demerger:
- 14.3.1 Richard Ramsay – 43,515 Ordinary Shares to his self-invested personal pension plan;
- 14.3.2 Ian Smith and Tony Weaver – 7,936,608 Ordinary Shares to MXC Capital (a company of which they are both a director and a shareholder);

- 14.3.3 Ian Smith – 625,000 Ordinary Shares to his self-invested personal pension plan;
- 14.3.4 David Payne – 100,625 Ordinary Shares;
- 14.3.5 Fraser Fisher – 90,556 Ordinary Shares; and
- 14.3.6 Peter Hallett – 262,500 Ordinary Shares.
- 14.4 The Company has entered into a lease amendment agreement in relation to Redcentric House, Banters Lane Trading Estate, Chelmsford, a 5,737 square feet property with 50 parking spaces, whereby the Company now pays Moreland Limited £149,754 per annum (plus VAT where applicable), equating to £26.10 per square foot, with a rolling notice period of 6 months. Fraser Fisher is a director and shareholder of Moreland Limited.
- 14.5 On 18 April 2013 the Company entered into an agreement with MXC Capital Advisory LLP, further details of which can be found in paragraph 13.1.10.
- 14.6 On 12 February 2013, Redstone and the Company entered into the Demerger Agreement, further details of which can be found in paragraph 13.1.11.
- 14.7 On 8 April 2013, the Company and Redstone entered into a tax matters agreement, further details of which can be found in paragraph 13.1.12.
- 14.8 On 8 April 2013, the Company and Redstone entered into a transitional services agreement, further details of which can be found in paragraph 13.1.13.
- 14.9 On 27 June 2013, the Company allotted and issued 8,873 Ordinary Shares to Shareholders who held fractional entitlements of Ordinary Shares following the Demerger.
- 14.10 As part of the Placing, Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell), substantial shareholders of the Company, have agreed to subscribe for 15,625,000 and 3,500,000 Placing Shares at the Issue Price, pursuant to the terms of the Firm Placing Letters described in paragraph 13.1.4 of this Part V.
- 14.11 The Company has agreed to issue 711,885 Cornerstone Warrants to Henderson Volantis Capital and 159,462 Cornerstone Warrants to Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) on Admission and to pay each of Henderson Volantis Capital and Guernsey Portfolios PCC Ltd (Kestrel Opportunities Cell) a commission of 3 per cent. of the placing proceeds received from them in return for taking part in the Placing. Further details can be found in paragraph 13.1.5 of Part V.

15. TAKEOVER OFFERS BY THIRD PARTIES FOR THE COMPANY'S SHARES

Since its incorporation on 11 February 2013 there has not been a takeover offer (within the meaning of Part 28 of the Act) for any of the Company's shares.

16. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and taking into account facilities available to the Enlarged Group and the net proceeds of the Placing receivable by the Company, the Enlarged Group has sufficient working capital for its present requirements, that is at least 12 months from the date of Admission.

17. PRINCIPAL INVESTMENTS

- 17.1 The principal investment made by the Company since its incorporation is the acquisition of Redcentric Holdings on 8 April 2013, further details of which are set out in paragraph 13.1.11 of this Part V.
- 17.2 Save for the Acquisition, there are no principal investments of the Company that are in progress or in relation to which the Company has made any firm commitment.

18. INTELLECTUAL PROPERTY

18.1 Save as disclosed below, the Enlarged Group does not own, control or otherwise have any interest in any intellectual property rights and there are no intellectual property rights which are material to the Enlarged Group's business.

18.2 The following domain names are currently owned, or controlled by, the Company:

www.Redcentricplc.com

www.Redcentricplc.co.uk

www.Redcentricplc.net

www.Redcentricplc.org.uk

www.Redcentricms.com

www.Redcentricms.co.uk

www.Redcentricms.net

www.Redcentricms.org.uk

www.Redcentric.co.uk

www.Redcentric.net

www.Redcentric.org.uk

www.Redcentricmanagementservices.co.uk

www.Redcentricmanagementservices.com

www.Redcentricmanagementservices.net

www.Redcentric.plc.uk.

18.3 InTechnology currently holds the licence to use the Intech brand name in relation to the provision of Managed Services.

19. LEGAL AND ARBITRATION PROCEEDINGS

19.1 There are no governmental, legal or arbitration proceedings in which the Enlarged Group is involved or of which the Company is aware, pending or threatened by or against the any member of the Enlarged Group which may have or have had in the past twelve months preceding the date of this document a significant effect on the Company's financial position.

19.2 There are no governmental, legal or arbitration proceedings in which InTechnology is involved or of which InTechnology is aware, pending or threatened by or against InTechnology which may have or have had in the past twelve months preceding the date of this document a significant effect on InTechnology's financial position.

20. TAXATION

20.1 Introduction

The information in this section is based on the Directors' understanding of current UK tax law and HMRC practice as at the date of this document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional adviser regarding their own tax position and the consequences of making an investment in the Company.

20.2 Tax residence of the Company

The Company is considered to be resident for tax purposes in the UK. Accordingly, the information provided in this section reflects the taxation treatment appropriate to an investment in a UK tax resident company.

20.3 Taxation of chargeable gains made by shareholders

A sale or other disposal of the Ordinary Shares may, subject to any available reliefs and exemptions, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

Individuals and Trustees

Chargeable gains realised on a disposal of Ordinary Shares by an individual or trustee resident and ordinarily resident in the UK will be subject to capital gains tax which is charged at a rate of 28 per cent. for those individuals whose total income and gains exceed the income tax basic rate limit, and at a rate of 18 per cent. where total income and gains fall below the basic rate limit. A flat rate of 28 per cent. applies for trustees and personal representatives.

An individual shareholder who disposes of Ordinary Shares while only temporarily not resident in the UK for tax purposes, may, under anti-avoidance legislation, still be liable to UK tax on his or her return to the UK. A period of non residence of less than five whole tax years prior to the year in which the shareholder returns to the UK will be treated as a temporary period for these purposes. Shares of the same class acquired by the same person and in the same capacity are “pooled” and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed.

Companies

UK resident corporate shareholders are subject to corporation tax on their chargeable gains. Gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the company’s relevant rate. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed. As for individuals and trustees, shares of the same class held by a corporate shareholder are “pooled”.

Non residents

Shareholders who are not resident or ordinarily resident in the UK and who are not affected by the rules relating to temporary non residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realised on the disposal of their Ordinary Shares. Such shareholders may be subject to foreign taxation on any gain realised under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

20.4 Taxation of dividends

The taxation of dividends paid by the Company and received by an investor resident for tax purposes in the UK is summarised below.

Individuals

A UK resident individual shareholder in receipt of dividends is treated as receiving income of an amount equal to the sum of the dividend and its associated tax credit. The tax credit currently equates to 10 per cent. of the gross dividend, being the combined amount of the dividend and the tax credit (the tax credit therefore representing one-ninth of the net dividend). The gross dividend is subject to income tax as the top slice of the individual’s income and is taxed at the individual’s marginal rate of income tax. The tax credit is available to set against the resulting liability (if any) to income tax. An

individual liable to income tax at the basic rate will be liable to tax on the gross dividend at a rate of 10 per cent. (“the dividend ordinary rate” which is a special rate of tax set for basic rate taxpayers in receipt of dividend income). Accordingly, the tax credit will satisfy the income tax liability of such an individual. Similarly, individuals liable at the starting rate for savers, currently set at 10 per cent., will have no further liability as a result of the available tax credit. An individual liable to income tax at the higher rate will pay tax on the gross dividend at a rate of 32.5 per cent. (“the dividend upper rate” which is a special rate of tax set for higher rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent. a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, which equates to 25 per cent. of the actual or net dividend. An individual liable to income tax at the additional rate will pay tax on the gross dividend at a rate of 37.5 per cent. (“the dividend additional rate” which is a special rate of tax set for additional rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent., an additional rate taxpayer will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.56 per cent. of the actual or net dividend.

Trustees

UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 37.5 per cent. (“the dividend trust rate”) of the gross dividend. After giving effect to the tax credit of 10 per cent. the trustees will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.56 per cent. of the actual or net dividend.

Companies

Although a UK resident corporate shareholder is potentially liable to corporation tax on its dividend income, it is anticipated that the general exemption for dividends will be available to exempt from corporation tax corporate investors in receipt of dividends from the Company.

20.5 Withholding tax and tax credit in UK

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. Other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

20.6 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Transfers of Ordinary Shares may give rise to liabilities to stamp duty and SDRT. The paragraphs below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate. No liability to stamp duty or SDRT will generally arise on the allotment and issue of new Ordinary Shares by the Company.

Transfers outside CREST

An instrument (generally a stock transfer form) transferring Ordinary Shares outside CREST will be liable to ad valorem stamp duty broadly at a rate of 0.5 per cent. of the consideration paid (rounded up to the nearest multiple of £5). Stamp duty is normally paid by the purchaser. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which the agreement becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at a rate of 0.5 per cent. of the

consideration paid). If within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and on the instrument is duly stamped any liability to SDRT will be cancelled or repaid.

Transfers within CREST

Paperless transfers of Ordinary Shares within CREST will be charged to SDRT (rather than stamp duty) at a rate of 0.5 per cent. of the consideration paid. SDRT is payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the system.

20.7 Income Tax

The following paragraphs apply to non-employee shareholders. Employee shareholders may be subject to an alternative tax regime and should consult their own professional adviser. There will be no charge to income tax on the purchase or sale of the Ordinary Shares. The tax treatment of dividends received on the Ordinary Shares is dealt with in paragraph 20.4 above.

20.8 Inheritance Tax

The Ordinary Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for 2 years prior to the chargeable transfer for inheritance tax purposes.

20.9 General

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, on who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser immediately.

21. SHARE OPTIONS

21.1 Redstone plc 2008 Unapproved Share Option Scheme (the “Scheme”)

Redstone operates the Redstone plc 2008 Unapproved Scheme, which is an unapproved option plan. Options granted under the Scheme which are held by employees who are not being transferred to the Redcentric Group have been adjusted in accordance with the rules of the Scheme to reflect the demerger. Options granted under the Scheme which are held by employees who have been transferred to the Redcentric Group have been exchanged for unapproved options over Redcentric shares.

21.2 Redcentric EMI Plan 2013 (the “Plan”)

Principal terms of the Plan are set out below;

21.2.1 General

The Plan allows the grant of tax efficient Enterprise Management Incentive (EMI”) share options (where qualifying criteria are met) and unapproved share options. Options may be granted under the Plan by the Remuneration Committee (the “Committee”).

21.2.2 Eligibility

At the discretion of the Committee, all employees of participating companies in the Group will be eligible to participate. Where options are to be EMI qualifying options, individuals must meet applicable HMRC qualifying conditions.

21.2.3 Grant of options

- (a) Options may not be granted during a proscribed period for dealings by directors or certain employees of the Company or Group (whether by the AIM Listing Rules or otherwise).

- (b) Subject to that, options may be granted during the period of 42 days immediately following the adoption of the Plan and, thereafter, within 42 days following the preliminary announcement by the Company of its annual or interim results. If the Committee is unable to grant options during this period because of dealing restrictions, the 42 day period will commence on the first day after the dealing restrictions have been lifted. Options may also be granted at any other time when the circumstances are considered by the Committee to be exceptional.
- (c) No option may be granted later than ten years after the adoption of the Plan by the Company.
- (d) An option is personal to the option holder and is not transferable (other than on death when it may become exercisable by the option holder's personal representative).

21.2.4 *Exercise price*

The exercise price payable for each share subject to an option shall be determined by the Remuneration Committee and shall not be less than the market value of a share at the date the option is granted.

21.2.5 *Limits on issue of shares*

On any grant date the total number of new shares (excluding treasury shares) issued and issuable under options granted under the Plan over any ten year period, together with shares issued and issuable under any other employees' share schemes of the Company (including "all employee" schemes), may not exceed ten per cent. of the issued ordinary share capital of the Company.

There is no limit on the total market value of shares that can be subject to options granted to any individual employee.

21.2.6 *Performance conditions*

- (a) The Committee may make options subject to performance conditions. In relation to the first tranche of options to be granted to Peter Hallett, it is intended that half of these options will vest after 12 months, provided the share price has been, for a period of 30 days, at or over 107.5 per cent. of 80 per cent. of the mid-market price of Redstone shares on the day before the Demerger. The second half of these options will vest after 24 months, provided the share price of the Ordinary Shares has been, for a period of 30 days, at or over 115 per cent. of 80 per cent. of the mid-market price of Redstone shares on the day before the Demerger.
- (b) In relation to the first tranche of options to be granted to Fraser Fisher, it is intended that a third of these options will vest after 12 months, provided the share price of the Ordinary Shares has been, for a period of 30 days, at or over 107.5 per cent. of 80 per cent. of the mid-market price of Redstone shares on the day before the Demerger. A further third of these options will vest after 24 months, provided the share price of the Ordinary Shares has been, for a period of 30 days, at or over 115 per cent. of 80 per cent. of the mid-market price of Redstone shares on the day before the Demerger. A final third of these options will vest after 36 months, provided the share price of the Ordinary Shares has been, for a period of 30 days, at or over 122.5 per cent. of 80 per cent. of the mid-market price of Redstone shares on the day before the Demerger.
- (c) Performance conditions may be amended if reasonable in the circumstances, but the amended conditions must not be materially less difficult to satisfy than the original conditions. The Committee may design different performance conditions for subsequent options.

21.2.7 *Vesting of options*

Except in certain specific circumstances such as those detailed in paragraphs 21.2.8 and 21.2.9 below, an option will be capable of exercise (subject to the satisfaction of performance conditions and continuing employment) on the relevant date as specified in the option certificate issued in respect of the option.

21.2.8 *Cessation of employment*

- (a) Options will lapse on cessation of employment except if an employee dies or leaves employment due to ill-health, injury, disability, retirement, redundancy or the employing company or business being sold or transferred outside the Group, in which case the option will be exercisable for six months following termination (or twelve months following death).
- (b) If an employee leaves employment for any other reason other than by reason of ill-health, injury, disability, retirement, redundancy or the employing company or business being sold or transferred outside the Group, the Remuneration Committee may allow options to be exercised.

21.2.9 *Change of control*

If there is a change of control of the Company, all options will vest. The Committee may declare such options to be exercisable shortly before the change of control for tax or administrative efficiency.

21.2.10 *Pensionability*

Options under the Plan shall not count towards pensionable remuneration for a defined benefit pension scheme or calculating a mandatory employer contribution under a defined contribution pension scheme.

21.2.11 *Rights attaching to shares*

Ordinary Shares allotted under the Plan shall rank equally with the ordinary shares of the Company already in issue (save as regards any rights attaching to such shares, by reference to a record date prior to the date of issue).

21.2.12 *Adjustment of options*

In the event of any variation in the Company's share capital, the Remuneration Committee may make such adjustments as they consider appropriate to the total number of shares subject to an option and the exercise price, if any.

21.2.13 *Amendments to the Plan*

The Remuneration Committee may at any time amend the Plan in any respect provided that:

- (a) no such amendment shall adversely affect the rights of existing option holders unless they have approved such amendment; and
- (b) the prior approval of the Company in general meeting is obtained for amendments made for the benefit of option holders to the provisions relating to the persons to whom an option may be granted, the limit on the aggregate number of shares over which options may be granted, and the adjustment of options on a reorganisation (save for minor amendments to benefit the administration of the Plan or minor amendments necessary or desirable to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for participants or for the Company or its subsidiaries).

22. MANDATORY BIDS, SQUEEZE-OUT AND SELL OUT RULES

22.1 Mandatory bid

The City Code will apply to the Company from Admission. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary 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 Ordinary Shares in the Company at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary 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 voting rights in the Company.

22.2 Squeeze-out

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

22.3 Sell-out

The Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company 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 Shares, any shareholder to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Ordinary 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 could impose a time limit on those rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period under the offer. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

23. NO SIGNIFICANT CHANGE

- 23.1 There has been no significant change in the financial or trading position of the Group since the date to which the historical financial information set out in Part III of this document has been prepared, save for set out below:

23.1.1 *Maxima Managed Services Limited ("MMS Group")*

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone by way of a dividend *in specie* to Redcentric.

Following the demerger of Redcentric Holdings Limited from Redstone, Redcentric secured a new senior revolving credit facility with Barclays Bank plc. The total facility of £14.2 million is subject to semi annual reductions culminating in a bullet repayment of £8.0 million on 1 July 2015. Interest is levied at LIBOR plus 2.75 per cent. On 8 April 2013, Redcentric Holdings Limited drew £11.2 million of the new revolving credit facility to satisfy the consideration

obligations arising from the disposal of the Redstone Demerged Business and the MMS Group, by Redstone to Redcentric Holdings Limited.

23.1.2 **Redstone Demerged Business**

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone plc by way of a dividend *in specie* to Redcentric.

Following the demerger of Redcentric Holdings Limited from Redstone, Redcentric secured a new senior revolving credit facility with Barclays Bank plc. The total facility of £14.2 million is subject to semi annual reductions culminating in a bullet repayment of £8.0 million on 1 July 2015. Interest is levied at LIBOR plus 2.75 per cent. On 8 April 2013, Redcentric Holdings Limited drew £11.2 million of the new revolving credit facility to satisfy the consideration obligations arising from the disposal of the Redstone Demerged Business and the MMS Group, by Redstone to Redcentric Holdings Limited.

23.1.3 On 8 April 2013, the Company and each of the subsidiaries of the Company entered into a facility agreement and debenture with Barclays Bank plc, pursuant to which Barclays Bank plc (as lender) agreed to provide a £14,200,000 senior revolving facility, including a £3,000,000 ancillary facility. Further details can be found in paragraph 13.1.8 of this Part V.

23.2 There has been no significant change in the financial or trading position of InTechnology since the date to which the historical financial information set out in Part IV of this document has been prepared.

24. **GENERAL**

24.1 The total expenses payable by the Company in connection with the Transaction (including those fees and commissions referred to in paragraph 13) are estimated to amount to approximately £3.7 million (excluding VAT). £3 million of these expenses relate to the Placing and Admission and £0.7 million relate to the Acquisition. The net proceeds of the Placing will be £60.3 million.

24.2 N+1 Singer which is authorised by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. N+1 Singer is acting exclusively for the Company in connection with the Placing and Admission and not for any other persons. N+1 Singer will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with the Placing, Admission, this document or any matter, transaction or arrangement referred to in it.

24.3 N+1 Singer is registered in England and Wales under number OC364131 and its registered office is at One Bartholomew Lane, London EC2N 2AX.

24.4 finnCap which is authorised by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. finnCap is acting exclusively for the Company in connection with the Placing and not for any other persons. finnCap will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with the Placing, Admission, this document or any matter, transaction or arrangement referred to in it.

24.5 finnCap is registered in England and Wales under company number 06198898 and its registered office is at 60 New Broad Street, London EC2M 1JJ.

24.6 The Company was incorporated on 11 February 2013 and has not prepared any statutory financial statements at the date of this document. The Company will prepare its first statutory financial statements at its first accounting reference date being 31 March 2014.

- 24.7 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of the reports set out in Parts III and IV and has authorised the contents of its reports for the purposes of Schedule Two of the AIM Rules in the form and context in which they appear.
- 24.8 PricewaterhouseCoopers LLP, which is a member of the Institute of Chartered Accountants in England and Wales, and whose office is at The Atrium, 1 Harefield Road, Uxbridge, Middlesex UB8 1EX were appointed auditors to the Company on 18 April 2013.
- 24.9 Save as set out in this document, there are no patents or intellectual property rights, licences or industrial, commercial or financial contracts which are of material importance to the Group's business or profitability.
- 24.10 Save as set out in this document, as far as the Directors are aware, there are no environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 24.11 Save for the Company's EMI Share Option Scheme and the Company's Unapproved Share Option Scheme detailed in paragraph 21, there are no employee share incentive arrangements involving a share in the capital of the Company in place at the date of this document.
- 24.12 The gross sum raised pursuant to the Placing and increase in the Company's existing banking facilities is £74 million which will be applied in the following order of priority:
- 24.12.1 consideration for the Acquisition: £65 million;
 - 24.12.2 commissions and expenses payable under the Placing: £3.7 million; and
 - 24.12.3 additional working capital for the Company: £5.3 million.
- The proceeds of the Placing are sufficient to fund the proposed use stated above.
- 24.13 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 24.13.1 received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or
 - 24.13.2 entered into any 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;
 - (b) securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - (c) any other benefit with the value of £10,000 or more at the date of this document.
- 24.14 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in connection with the application for Admission.
- 24.15 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Enlarged Group's activities.
- 24.16 Save as disclosed in this document, so far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that have or may have had in the last 12 months preceding the publication of this document a significant effect on the financial position of the Enlarged Group or which are likely to have a material effect on the Enlarged Group's prospects for the next 12 months.

25. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document will be available free of charge during normal business hours on any week day (Saturdays' Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of N+1 Singer at One Bartholomew Lane, London EC2N 2AX and the Offices of finnCap at 60 New Broad Street, London EC2M 1JJ.

Dated: 18 November 2013

REDCENTRIC PLC

(the “Company”)

(Registered and incorporated in England and Wales with company number 08397584)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN on 5 December 2013 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (the “**Resolutions**”) which in the case of Resolutions 1 and 2 will be proposed as ordinary resolutions and in the case of Resolution 3 will be proposed as a special resolution.

Ordinary Resolutions

1. THAT, the acquisition by the Company of the entire issued share capital of InTechnology Managed Services Limited (the “**Acquisition**”) pursuant to the terms of a conditional sale and purchase agreement dated 15 November 2013 and made between InTechnology PLC (1) and the Company (2) particulars of which are set out in the admission document of the Company dated 18 November 2013 (the “**Admission Document**”) be and is hereby approved and that the directors of the Company be and are hereby authorised to take all steps necessary to effect the Acquisition with such minor modifications, variations, amendments or revisions and to do or procure to be done such other things in connection with the Acquisition as they consider to be in the best interests of the Company.
2. THAT, in accordance with section 551 of the Companies Act 2006 (the “**Act**”) the directors of the Company be and are generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution):
 - 2.1 up to a maximum nominal amount of £80,000.00 in connection with the proposed placing of shares as described in the Admission Document accompanying the notice of general meeting (the “**Placing**”);
 - 2.2 up to a maximum nominal amount of £6,205.18 in pursuance of the exercise of outstanding options/warrants granted by the Company;
 - 2.3 up to an aggregate nominal amount of £14,237.71 in addition to the authorities conferred in sub-paragraphs 2.1 and 2.2 above, representing approximately 10 per cent. of the Company’s enlarged issued share capital following the Placing,

provided that this authority, unless duly renewed, varied or revoked by the Company, will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted after such expiry and, the directors may allot Relevant Securities in pursuance of such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special Resolution

3. THAT, conditional on the passing of Resolution 2, the directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, pursuant to the authority conferred by Resolution 2, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 3.1 the allotment of equity securities in connection with an offer by way of a rights issue:
- 3.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
- 3.1.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,
- but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any applicable regulatory body or stock exchange;
- 3.2 the allotment (otherwise than pursuant to sub-paragraph 3.1 above) of equity securities in connection with the Placing;
- 3.3 the allotment (otherwise than pursuant to sub-paragraphs 3.1 and 3.2 above) of equity securities on the exercise of options/warrants granted by the Company;
- 3.4 the allotment (otherwise than pursuant to sub-paragraphs 3.1, 3.2 and 3.3 above) of equity securities up to an aggregate nominal amount of £103,752.12, representing approximately 10 per cent. of the Company's enlarged issued share capital following the Placing,

provided that the power granted by this resolution will expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution (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 such an offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

BY ORDER OF THE BOARD

Paul Myhill
Company Secretary

Registered Office:
Newton House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

18 November 2013

Explanatory Notes:

Entitlement to attend and vote

1. The Company specifies that only those members registered on the Company's register of members at:

- 6.00 p.m. on 3 December 2013; or,
- if this meeting is adjourned, at 6.00 p.m. on the day two days 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. To appoint more than one proxy please refer to the notes on the Form of Proxy.

Appointment of proxy using hard copy proxy form

5. 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 Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 6 p.m. on the day two days prior to the meeting.

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 proxy by joint members

6. 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-named being the most senior).

Changing proxy instructions

7. 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 apply 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 Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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

8. In order to revoke a proxy instruction you will need to inform the Company using the following method:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. 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 Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 6 p.m. on the day two days prior to the meeting.

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.

Definition of Relevant Securities

9. Shares in the Company other than shares allotted pursuant to:

- (a) – an employee share scheme (as defined by section 1166 of the Act);
 - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
 - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- (b) Any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

