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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 6 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 has been made for the entire issued and to be issued ordinary share capital of Redcentric to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the ordinary share capital will commence on AIM on 24 April 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.**

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# Redcentric plc

*(A company incorporated and registered in England & Wales with registered number 08397584)*

## Admission of the Company to trading on AIM

*Nominated Adviser and Broker*



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**finnCap Ltd (“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 Nominated Adviser and 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 finnCap 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 finnCap, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to 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.**

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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 to 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 exemption, 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 Redcentric’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. finnCap has not authorised the contents of any part of this document, and no liability is accepted by 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 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](http://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 Ordinary Shares being admitted to AIM	62,368,247
ISIN	GB00B7TW1V39
AIM Ticker	RCN

## **ESTIMATED TIMETABLE OF PRINCIPAL EVENTS**

Publication date of this document	18 April 2013
Admission effective and dealings in Ordinary Shares to commence on AIM	24 April 2013

## **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 Company’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 Company’s control that could cause the actual results, performance, achievements of or dividends paid by the Company 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 Company’s present and future business strategies and the environment in which the Company 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 Company’s actual results, performance, achievements or dividends paid differing materially from those in forward looking statements include 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 Company undertake any obligation to update forward looking statements or risk factors other than as required by the AIM Rules.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Richard Alexander McGregor Ramsay ( <i>Non-Executive Chairman</i> ) Anthony (“Tony”) 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”) Ian Smith ( <i>Non-Executive Director</i> )
<b>Company Secretary</b>	Paul Myhill
<b>Company Website</b>	<a href="http://www.redcentricplc.com">www.redcentricplc.com</a>
<b>Registered Office</b>	Newton House Cambridge Business Park Cowley Road Cambridge CB4 0WZ
<b>Nominated Adviser and Broker</b>	finnCap Ltd 60 New Broad Street London EC2M 1JJ
<b>Auditors</b>	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
<b>Solicitors to the Company</b>	DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN
<b>Solicitors to the Nominated Adviser and Broker</b>	Rosenblatt Solicitors 9-13 St. Andrew Street London EC4A 3AF
<b>Registrars to the Company</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Reporting Accountants to the Company</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## DEFINITIONS AND GLOSSARY

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

“Act”	the Companies Act 2006 (as amended from time to time);
“Admission”	the admission to trading on AIM of the Ordinary Shares;
“Admission Document” or “this document”	this document dated 18 April 2013 relating to the Admission;
“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 in force at the date of this document;
“Capita Registrars”	the trading name of Capita Registrars Limited;
“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);
“Code” or “City Code”	the United Kingdom City Code on Takeovers and Mergers;
“Company” or “Redcentric”	Redcentric plc, a company incorporated in England and Wales with company registration number 08397584;
“Continuing Redstone Group”	Redstone and its subsidiaries and subsidiary undertakings following completion of the Demerger, excluding those companies which form part of the Redcentric Group;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the operator;
“Demerger”	the demerger of the Network-Based Managed Services business from the Redstone Group which became effective on 8 April 2013;
“Demerger Agreement”	the agreement between Redstone and Redcentric relating to the demerger of the Network-Based Managed Services business from the Redstone Group entered into on 12 February 2013;
“Demerger Effective Date”	8 April 2013;
“Demerger Dividend”	the special dividend declared by Redstone in connection with the Demerger;
“Directors” or “Board”	the directors of the Company whose names are set out on page 6 of this document, or any duly authorised committee thereof, and “Director” means any one of them;
“finnCap”	finnCap Ltd, a company registered in England and Wales with company registration number 06198898;
“HCI Solutions”	HCI Private Solutions Limited, a company registered in India with company registration number U72200AP2006PTC48738;
“HMRC”	HM Revenue & Customs;

<b>“Hotchilli Internet”</b>	Hotchilli Internet Limited, a company incorporated in England and Wales with company registration number 03428835;
<b>“ICT”</b>	information and communications technology;
<b>“Infrastructure Solutions Business”</b>	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;
<b>“ISP”</b>	Internet Service Provider;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Maxima”</b>	Maxima Holdings Limited, a company incorporated in England and Wales with company registration number 05043538;
<b>“MPLS”</b>	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;
<b>“MXC Capital” or “MXC”</b>	MXC Capital Limited, a company incorporated in England and Wales with company registration number 07039551;
<b>“Network-Based Managed Services” or “Managed Services”</b>	the provision of Cloud, data-centre, ISP and network services and managed Wide Area Networks;
<b>“Official List”</b>	the Official List of the UK Listing Authority;
<b>“Ordinary Shares”</b>	ordinary shares of 0.1 pence each in the capital of Redcentric;
<b>“Overseas Shareholders”</b>	Shareholders with registered addresses outside the UK or who are incorporated in, registered in or otherwise resident or located in, countries outside the UK;
<b>“Prospectus Directive”</b>	Directive 2003/71/EC of the European Parliament and Council;
<b>“Prospectus Rules”</b>	the rules published by the FCA governing the publication of a prospectus, as derived from the Prospectus Directive;
<b>“PwC”</b>	PricewaterhouseCoopers LLP;
<b>“QCA Guidelines”</b>	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance;
<b>“Redcentric Group” or “Group”</b>	Redcentric and its subsidiaries and subsidiary undertakings;
<b>“Redcentric Holdings”</b>	Redcentric Holdings Limited, a company incorporated in England and Wales with company registration number 08399756;
<b>“Redcentric Managed Solutions”</b>	Redcentric Managed Solutions Limited, a company incorporated in England and Wales with company registration number 03410223;
<b>“Redcentric MS”</b>	Redcentric MS Limited, a company incorporated in England and Wales with company registration number 04027996;
<b>“Redeemable Shares”</b>	redeemable shares of £1 each in the capital of Redcentric;
<b>“Redstone”</b>	Redstone plc, a company incorporated in England and Wales with company registration number 03336134;

<b>“Redstone Demerged Business”</b>	the business comprised of the elements as described in Note 1 to Part B of Part III;
<b>“Redstone Group”</b>	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 on and following 8.00 a.m. on 8 April 2013, the Continuing Redstone Group;
<b>“Registrar”</b>	Capita Registrars;
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755), as amended;
<b>“Regulatory Information Services”</b>	has the same meaning as defined in the AIM Rules;
<b>“Reporting Accountant”</b>	PricewaterhouseCoopers LLP;
<b>“SDRT”</b>	stamp duty reserve tax;
<b>“Shareholders”</b>	holders of Ordinary Shares from time to time;
<b>“subsidiary”</b>	has the meaning given in section 1159 of the Act;
<b>“subsidiary undertaking”</b>	has the meaning given in section 1162 of the Act;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code published by the Financial Reporting Council, as amended, updated from time to time;
<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA.
<b>“uncertificated” or “in uncertificated form”</b>	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;
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“US Securities Act”</b>	the US Securities Act of 1933, as amended;
<b>“VAT”</b>	value added tax;
<b>“WAN”</b>	Wide Area Network, a network that covers a broad area using private or public network transports; and
<b>“£” or “sterling”</b>	UK pound sterling.

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

*References to the singular shall include to the plural, where applicable, and vice versa.*

## **PART I**

### **INFORMATION ON THE GROUP**

#### **1. INTRODUCTION**

The Redcentric Group is a 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, creating a genuine end-to-end client service proposition. The Group benefits from an established reputation for delivering robust and reliable mid-market managed services solutions while focusing on maintaining flexibility to meet customer requirements. The services the Group delivers include:

- designing, implementing, securing and maintaining ICT networks;
- hosting services, software and data in the Cloud; and
- managing the ICT environment utilised in the delivery of the services, software and data.

Redcentric was incorporated in order to facilitate the demerger of the Network-Based Managed Services business from the Redstone Group. Admission of Redcentric's Ordinary Shares to trading on AIM will allow the Company to pursue its strategic objectives and shareholders will benefit from the governance, transparency and liquidity that AIM provides.

#### **2. HISTORY AND BACKGROUND**

Redcentric was incorporated on 11 February 2013. The business of the Redcentric Group 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 mid-market business specialising in ICT 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 businesses enjoy a scale that has enhanced their presence in the marketplace and provided an enlarged customer base to cross-sell a broad suite of well regarded and supported services.

#### **3. KEY STRENGTHS**

The Directors believe the key strengths of the Redcentric Group are:

- the quality and breadth of its Network-Based Managed Services;
- its client base;
- the proprietary network assets that underpin its service offering;
- recurring annuity revenues expected to be in excess of 65 per cent. of total revenues in the year to 31 March 2014;
- a targeted EBITDA margin of 20 per cent. per annum before central costs;
- it is well positioned to benefit from opportunities for further organic and acquisitive growth due to the fragmented nature of the sector; and
- its strong cash generation, which will support a progressive dividend policy in due course.

As one of the largest mid-market independent Managed Services providers the Redcentric Group is well placed to benefit from sector consolidation and the Board is committed to maximising value for Shareholders.

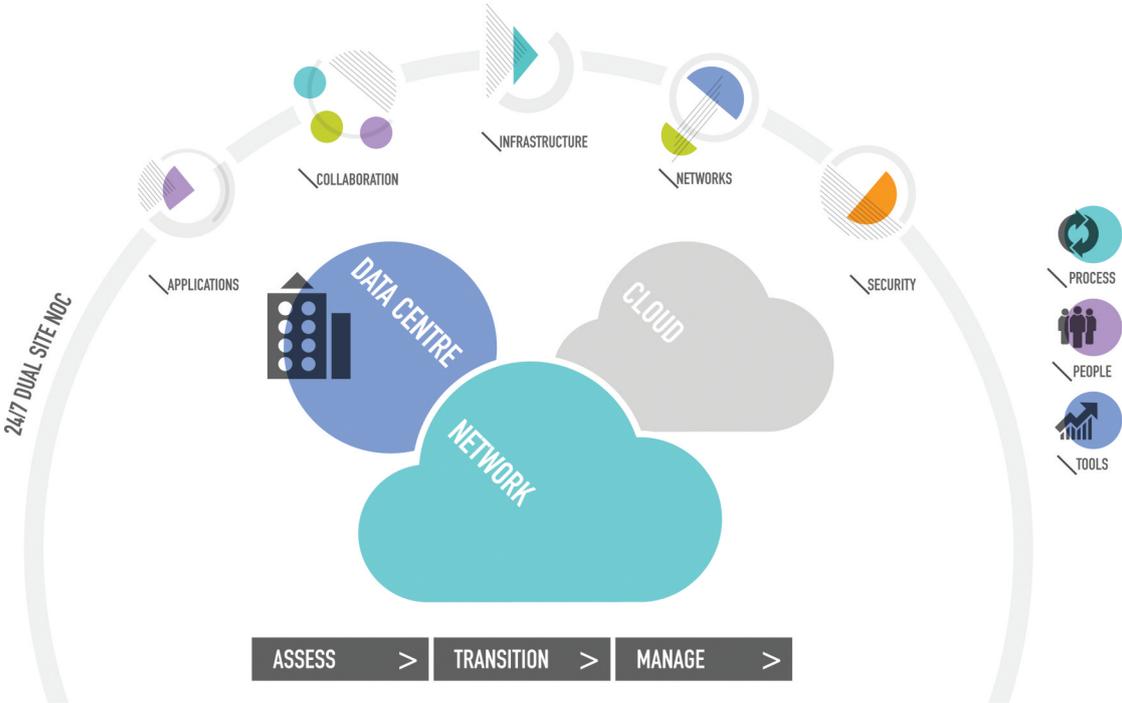
**4. BUSINESS OVERVIEW**

The Redcentric Group 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
- 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 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 24 hour 365 day Support**

The Group’s services are supported by an onshore and offshore 24 hour 365 day 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, the Redcentric Group is able to offer the support required by customers at competitive prices. The Directors believe that good customer references and continuing contract wins demonstrate the resilience of its services and the reliability this support provides.

The Redcentric Group employs approximately 223 people in the functions below of which approximately 145 are based in the UK and approximately 78 are based in Hyderabad.

## **Managed Security Services**

The Redcentric Group'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, the Redcentric Group'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 Directors believe that the increasing importance of online presence, ecommerce and brand positioning means that a customer's 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, such as 2 factor authentication.

## **Connectivity**

The 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 the Redcentric Group's proprietary MANs, data centres and Cloud platforms, but also with the UK's other leading network operators; the Group's approach to collaboration with other providers offers a flexible range of connectivity solutions, namely:

### ***High Capacity Environments***

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

The Redcentric Group 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, and resilient networks for the Group's customers.

### ***Wireless Infrastructure***

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

With what the Directors believe are innovative solutions for managed wireless networks, including support for mobility and the increased trend for Bring Your Own Device (BYOD) support, the Redcentric Group 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**

The Redcentric Group offers unified communications solutions with expertise in converged networks and the delivery of voice and video, to facilitate collaboration and remote working practices.

The Redcentric Group is able to provide on-premises, hybrid and full Cloud enabled collaboration services through partnerships with leading technology providers in the industry. The Directors believe that 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**

The Redcentric Group 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 Quality Assurance Division (QAD) based enterprise applications.

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

### ***Network-Based Managed Services***

The Redcentric Group 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 the Group's own Cloud and data centres. The Directors believe that managed application services from the Redcentric Group 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, the Redcentric Group provides solutions for customers that seek to ensure the performance and lifecycle of their application environments' infrastructure.

### **Physical and Virtual Data Centre Services**

The Redcentric Group 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 increasing market demand for data centre services delivered as a managed service, the Group has invested in its high availability data centre in Hoddesdon, and also in its Cloud platforms which are delivered from Hoddesdon, providing both virtual and physical data centre services to deliver infrastructure, storage, applications and disaster recovery as a service.

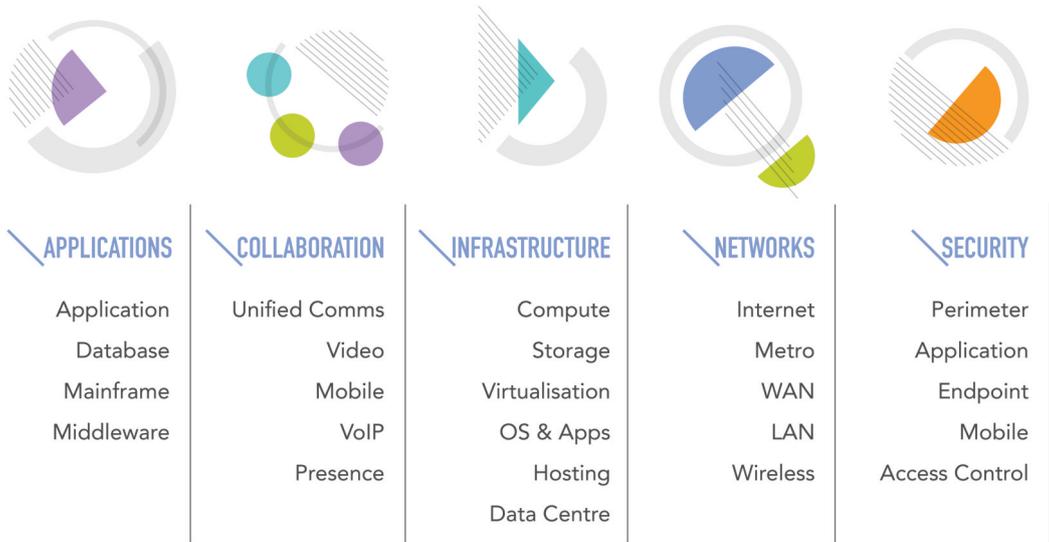
The Directors believe that the investment in data centre and Cloud platforms translates into delivering on demand, cost effective data centre capacity to organisations with flexibility in the underlying capacity required and multiple disaster recovery and resiliency options.

The virtual data centre solution from the Redcentric Group 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, the Redcentric Group also provides support services – delivering consultancy, professional services and software/hardware support. The Group’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, the Redcentric Group also has an ICT projects and hardware maintenance capability to generate business for and support its core managed services offering.

These Services include the design sale and implementation of complex ICT infrastructure projects, and their ongoing support and maintenance. Underscoring these capabilities, the Redcentric Group has leading technology partners including Brocade elite partner status and Cisco gold accreditation.

## **5. MARKET OPPORTUNITY, COMPETITIVE ENVIRONMENT AND CORPORATE STRATEGY**

The provision of Managed Services and the wider ICT outsourcing market 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 the Redcentric Group.

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 offers a significant market opportunity. Furthermore, the Directors are of the opinion that businesses such as the Redcentric Group, which are able to combine the benefits of a proprietary network with what they believe is a flexible and technically skilled workforce to deliver and support reliable services and solutions, should prosper.

The Redcentric 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
- Value – service offerings that are designed to offer value for money to mid-market customers by leveraging the Group’s wholly owned, hybrid on/offshore support capability

The Directors position the Redcentric Group between the large network operators and system integrators whose solutions are often expensive and inflexible, and the smaller competitors that often lack delivery structure, reputation and reliability. The Directors believe that the Group has an attractive mix of attributes with the opportunity to deliver the flexibility customers desire with sufficient scale, breadth of expertise and track record to instil confidence in its ability to deliver the solutions offered.

## **6. FINANCIAL INFORMATION RELATING TO THE GROUP**

The financial information of the components that form the Redcentric Group is set out in Parts III and Parts IV of this Admission Document. Further details of the financial information included are set out below. The historical financial information in Part III is audited. The financial information in Part IV is unaudited and has not been reviewed by the Reporting Accountant.

### **Redstone Demerged Business combined historical financial information**

The Redstone Demerged Business includes the combined historical financial information of the businesses that were demerged out of Redstone that were owned throughout the track record period, being the three years ended 31 March 2012, 31 March 2011 and 31 March 2010 as set out in Part B in Part III of this Admission Document (the “Redstone Demerged Business Historical Financial Information”) and for the six month periods ended 30 September 2012 and 30 September 2011 in Part B of Part IV of this Admission Document (the “Redstone Demerged Business Interim Financial Information”). The Redstone Demerged Business combined historical financial information has been prepared in accordance with note 2(a) of the Redstone Demerged Business Historical Financial Information for the three years ended 31 March 2012, 31 March 2011 and 31 March 2010 and note 2 of the Redstone Demerged Business Interim Financial Information for the six month periods ended 30 September 2012 and 30 September 2011.

### **Redcentric MS (formerly Maxima Managed Services Limited) consolidated historical financial information**

Redcentric MS (formerly Maxima Managed Services Limited (“MMS”)), was acquired by Redstone plc on 9 November 2012. The consolidated financial information of MMS and its subsidiary undertakings (together “MMS Group”) has been included for the three years ended 31 May 2012, 31 May 2011 and 31 May 2010 in Part A of Part III of this Admission Document (the “MMS Group Historical Financial Information”) and for the five month periods ended 31 October 2012 and 31 October 2011 in Part A of Part IV of this Admission Document (the “MMS Group Interim Financial Information”). The MMS Group consolidated historical financial information has been prepared in accordance with note 2(a) of the MMS Group Historical

Financial Information for the years ended 31 May 2012, 31 May 2011 and 31 May 2010 and note 2 of the MMS Group Interim Financial Information for the five month periods ended 31 October 2012 and 31 October 2011.

## **7. THE BOARD**

The Board comprises the following directors:

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

Richard Ramsay was appointed as a non-executive director of Redstone in October 2010 and as chairman of Redstone in September 2011. He became a director of Redcentric on 11 February 2013. 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 at 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, amongst which Aberdeen Football Club, at which he helped increase profits and become quoted on AIM. More recently, he was a director at Intelli Corporate Finance 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 and Northcourt Limited and a non-executive director of Castle Trust Capital Plc and Midas Income and Growth Trust plc.

### **Tony Weaver** – *Chief Executive Officer, aged 44*

Tony Weaver has served as chief executive officer of Redstone since August 2010 and has been responsible for effecting the restructuring of that business, its subsequent acquisition of Maxima and the Demerger. He became a director of Redcentric on 11 February 2013.

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, and was 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, 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 Hallett was appointed as chief financial officer of Redstone in October 2009. He became a director of Redcentric on 11 February 2013. 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.

**Fraser Fisher** – *Chief Operating Officer, aged 43*

Fraser Fisher was appointed a director of Redcentric on 8 April 2013. Fraser is an experienced IT business leader having successfully built and sold profitable businesses in the sector. 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** – *Independent Non-Executive Director, aged 63*

David Payne was appointed as a non-executive director of Redstone in July 2001. He is chair of the Redstone remuneration committee and a member of the Redstone audit and nomination committees. He became a director of Redcentric on 19 February 2013.

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 47*

Ian Smith was appointed a director of Redcentric on 2 April 2013. Ian is a managing partner of MXC Capital. 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 £20 million of cash to the company's shareholders.

## **8. CORPORATE GOVERNANCE**

The Board recognises the importance of good corporate governance and intends, following Admission, so far as is practicable and appropriate for a company of its size, stage of development and nature 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 has adopted 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 Company has 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 effectiveness of the Company's internal audit function if and when it has one. 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 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.

Within the Board and key management structure in the Redcentric Group there are members who will have a dual responsibility with the Redstone Group. However, the Board is comfortable with the arrangements in place that sufficient time and expertise will be dedicated to the affairs of the Redcentric Group.

## **9. CURRENT TRADING AND PROSPECTS FOR THE GROUP POST ADMISSION**

Redcentric MS and the Redstone Demerged Business have, since the date to which the latest financial information included in this document has been prepared, continued to renew existing contracts and win new business. The Board therefore believes that the Group remains on track to deliver on the metrics which the board of Redstone outlined to shareholders as part of the rationale for the Demerger; namely an expectation of achieving recurring revenues of 65 per cent. of total revenue and a targeted EBITDA margin of 20 per cent. before central costs in the next financial year.

## **10. SHARE OPTION SCHEMES**

### **Redcentric Enterprise Management Incentive ("EMI") Plan 2013**

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

### **Redstone plc 2008 Unapproved Share Option Scheme**

Redstone operates the Redstone plc 2008 Unapproved Scheme ("the 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 are being transferred to the Redcentric Group will be exchanged for unapproved options over Redcentric shares.

## **11. DIVIDEND POLICY**

Declaration and payment of dividends by Redcentric will be dependent upon its financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Board as relevant at the time. It is expected that Redcentric will generate sufficient profits and free cash flow 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.

## **12. 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 tax position, they should seek independent advice as to their own position.

## **13. ADMISSION AND SETTLEMENT**

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 24 April 2013.

#### **14. CREST**

CREST is a computerised paperless transfer and settlement system which allows shares and other securities, including depositary interests, to be held in electronic rather than paper form. The Ordinary Shares are currently eligible for settlement through CREST. Accordingly, settlement of transactions in the new Ordinary Shares may take place within CREST if the relevant shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

#### **15. CITY CODE ON TAKEOVERS AND MERGERS**

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

#### **16. 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 5 of this document. Your attention is also drawn to the information contained in Parts III to V of this document.

## **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 associated with an investment in the 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 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 COMPANY AND ITS BUSINESS**

##### **Reliance on key personnel and management**

The success of the Group will be dependent on the services of key management and operating personnel. The Directors believe that the 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 Group fails to retain or recruit the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

##### **Future acquisitions**

The Board believes that there may be attractive acquisition opportunities for the Group. There can be no assurance that the Group will be able to conclude successfully agreements with any of the target businesses which may be identified. Further, there is no certainty that any acquisitions conducted will prove successful.

##### **The Redcentric Group could fail to meet the challenges involved in operating successfully as a separate business to the Redstone Group**

Although the Board expects that the Demerger will be beneficial for the Group, the Group may not realise those benefits because of challenges relating to operating successfully as a stand-alone business. These challenges include (i) demonstrating to interested parties that the Demerger will not result in adverse changes in standards of business and impairment of relationships with customers or employees as a result of the Demerger; (ii) retaining key personnel; (iii) distraction of management; and (iv) difficulty in effectively marketing and communicating the capabilities of the the Redcentric Group as a successful stand-alone business.

Any failure of the Redcentric Group to meet the challenges involved in setting up and/or separating its systems and functions from those of Redstone, operating as a stand-alone business or to realise any of the anticipated benefits of the Demerger could have an adverse impact on the Group's business, reputation, financial condition and/or operating results.

##### **Redstone and Redcentric will have indemnification obligations in favour of each other**

Redstone and Redcentric have entered into the Demerger Agreement that governs the allocation of the assets and liabilities of the businesses between the Redstone Group and the Redcentric Group, their post-Demerger obligations to each other and their respective indemnity obligations. 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 Redcentric and financial responsibility for the obligations and liabilities of the Infrastructure Solutions Business with Redstone.

Some of these indemnities are unlimited in terms of amount and duration and the amounts payable by the Redstone Group or Redcentric Group (as the case may be) pursuant to such indemnity obligations could be significant and could have an adverse impact on the Redstone Group's business or the Redcentric Group's business (as the case may be), financial condition and/or operating results.

## **Employment**

Pursuant to the Demerger, the contracts of employment of any employees associated with the relevant business and assets were transferred to the Group pursuant to Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). The obligations of the Group to inform and consult under TUPE in respect of those employees transferred may not have been fully fulfilled. As such, any employee inclined to bring a claim for breach of TUPE could potentially do so (the maximum award for compensation a Tribunal could grant being 13 weeks' gross salary).

## **Risks relating to the assignment/novation of contracts from the Redstone Group to the Redcentric Group**

There are still a number of contracts to be assigned/novated to the Redcentric Group following the Demerger including, without limitation, those relating to commercial properties and commercial contracts. There is no guarantee that these will be able to be assigned/novated and there may be costs incurred in doing so.

## **Risks relating to the Board and key management**

Within the Board and key management structure in the Redcentric Group there are members who will have a dual responsibility with the Redstone Group. There is the risk that insufficient time will be dedicated to the Redcentric Group by these members with dual roles.

## **Business continuity and incident management**

The Group's businesses are at risk from disruption of key systems and assets on which they depend. The functioning of the IT systems within the Group's businesses could be disrupted for reasons within or beyond their control, including but not limited to: accidental damage; disruption to the supply of utilities or services; extreme weather events; safety issues; systems failure; workforce actions; or environmental contamination. There is a risk that such disruption may materially and adversely affect the Group's businesses' ability to sell services and products to customers and therefore materially and adversely affect their reputation, performance or financial condition.

## **Intellectual Property Rights**

The industry in which the Group competes makes it difficult to identify infringement of intellectual property rights by other participants. This, together with the protracted and costly nature of litigation may make it difficult to take swift or decisive action to prevent infringement of the Group's intellectual property rights.

## **Risks relating to the Group's subsidiary in India**

The Group has a wholly owned subsidiary in India (HCI Solutions), based in Hyderabad, which provides technical support services to the Group's customers. As a result the 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 Groups 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 Group has found local candidates to be well qualified to date, increasing demand for skilled employees within India could affect the Group's ability to attract and retain suitably qualified staff which in turn could affect the quality of the Group's support function to the detriment of its operations and financial performance;
- 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 (HCI Solutions) is potentially exposed to a higher degree of risk than the Group's operations in the UK. Any such events could adversely affect the Group's operations.

### **Technological risks**

The 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 Group's managed services offering. Staying abreast of technological changes may require investment not currently envisaged. The Group's existing network assets need to be maintained and improved in order to meet customer requirements.

### **Data Centre risks**

The 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 Group bear increased costs with regard to its data centre requirements then it could adversely affect the profitability of the Group.

### **Customer retention risks**

The 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 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 are lower than anticipated by the Board which could materially adversely affect the performance of the Group.

### **Reputation**

Redcentric's reputation, in terms of the service it provides, the way in which it conducts its business and the financial results which it achieves, are central to the 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 Redcentric's reputation.

### **Litigation and claims**

Whilst the Group operates what the Board believes to be stringent customer management and operating systems, the nature of the 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 Group's business or financial condition or operating results could be materially adversely affected.

### **Competition risk**

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

### **Dividends**

The Group has 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 Group. 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 Group's contractual restrictions, restrictions imposed by applicable law, generally accepted accounting principles from time to time and other factors the Board deems relevant.

## **2. 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 Ordinary Shares to be traded 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 Company 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 Company is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price 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 Company 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 Group will be sufficient for its present requirements, it is possible that the Company will need to raise extra capital, whether from equity or debt, in the future to develop fully the Group's business or to take advantage of acquisition opportunities. No assurance can be given that any such additional financing will be available on a timely basis on terms favourable to the Company or to the Shareholders or at all, or that such funds would be sufficient.

The level and timing of future expenditure will depend on a number of factors, some of which are outside the Group's control. If the 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. The above could have a material adverse effect on the Group.

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 Company will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were unable to comply with the terms of the relevant debt facility agreement.

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

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

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

**Taxation**

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 Company may change during the life of the Company.

Any change in the Group’s tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Group or the Group’s ability to provide returns to its Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

## PART III

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### PART A

##### Redcentric MS Limited

*(formerly Maxima Managed Services Limited)*

##### Consolidated Historical Information

For the years ended 31 May 2010, 31 May 2011 and 31 May 2012

#### 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

FinnCap Ltd (the “Nominated Adviser”)  
60 New Broad Street  
London  
EC2M 1JJ

18 April 2013

Dear Sirs

We report on the financial information for Redcentric MS (formerly Maxima Managed Services Limited) (“MMS”) set out below (the “MMS IFRS Financial Information Table”). The MMS IFRS Financial Information Table has been prepared for inclusion in the admission document dated 18 April 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 MMS 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 MMS IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH  
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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 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 MMS' 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 MMS IFRS Financial Information Table gives, for the purposes of the Admission Document dated 18 April 2013, a true and fair view of the state of affairs of MMS as at the dates stated and of its profits/losses, cash flows and changes in equity for the periods 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 years ended 31 May 2010, 2011 and 2012

	<i>Note</i>	<i>2010</i> £'000	<i>2011</i> £'000	<i>2012</i> £'000
Revenue	4	27,837	26,624	23,671
Cost of sales		(9,915)	(11,368)	(11,455)
<b>Gross profit</b>		<u>17,922</u>	<u>15,256</u>	<u>12,216</u>
Exceptional Administrative expenses	6	(498)	(237)	(446)
Other Administrative expenses		(15,668)	(14,544)	(12,429)
Administrative expenses		<u>(16,166)</u>	<u>(14,781)</u>	<u>(12,875)</u>
<b>Operating profit/(loss)</b>	4,5	1,756	475	(659)
Finance income		5	1	3
Finance costs		(6)	(2)	(2)
<b>Profit/(loss) before taxation</b>		<u>1,755</u>	<u>474</u>	<u>(658)</u>
Taxation	8	(552)	(215)	–
<b>Profit/(loss) for the year</b>		<u><u>1,203</u></u>	<u><u>259</u></u>	<u><u>(658)</u></u>

All of the profit/(loss) for the years presented above is attributable to the owners of Redcentric MS Limited (formerly Maxima Managed Services Limited).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the years ended 31 May 2010, 2011 and 2012**

	<i>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Profit/(Loss) for the year</b>	1,203	259	(658)
<i>Other comprehensive income</i>			
Currency translation differences	<u>7</u>	<u>(6)</u>	<u>(20)</u>
<b>Total other comprehensive income/(expense)</b>	<u>7</u>	<u>(6)</u>	<u>(20)</u>
<b>Total comprehensive income/(expense) for the year</b>	<u><u>1,210</u></u>	<u><u>253</u></u>	<u><u>(678)</u></u>

All of the comprehensive income/(expense) for the years presented above is attributable to the owners of Redcentric MS Limited (formerly Maxima Managed Services Limited).

**CONSOLIDATED BALANCE SHEET**  
**As at 31 May 2010, 2011, 2012 and 1 June 2009**

	<i>Note</i>	<i>2009</i> £'000	<i>2010</i> £'000	<i>2011</i> £'000	<i>2012</i> £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	757	704	621	382
Deferred taxation asset	16	–	96	–	–
<b>Total non-current assets</b>		<u>757</u>	<u>800</u>	<u>621</u>	<u>382</u>
<b>Current assets</b>					
Inventories	10	330	242	56	113
Trade and other receivables	11	10,078	11,587	8,433	8,641
Cash and cash equivalents	12	1,375	203	93	51
<b>Total current assets</b>		<u>11,783</u>	<u>12,032</u>	<u>8,582</u>	<u>8,805</u>
<b>Total assets</b>		<u>12,540</u>	<u>12,832</u>	<u>9,203</u>	<u>9,187</u>
<b>Equity</b>					
Share capital	19	–	–	–	–
Share premium		4	4	4	4
Accumulated loss		(3,998)	(2,630)	(2,258)	(3,101)
<b>Total equity</b>		<u>(3,994)</u>	<u>(2,626)</u>	<u>(2,254)</u>	<u>(3,097)</u>
<b>Non-current liabilities</b>					
Provisions	14	96	85	34	35
Borrowings	15	50	24	5	–
<b>Total non-current liabilities</b>		<u>146</u>	<u>109</u>	<u>39</u>	<u>35</u>
<b>Current liabilities</b>					
Trade and other payables	13	15,665	14,943	11,160	12,130
Current tax liabilities	13	369	98	120	–
Borrowings	15	77	25	18	79
Provisions	14	277	283	120	40
<b>Total current liabilities</b>		<u>16,388</u>	<u>15,349</u>	<u>11,418</u>	<u>12,249</u>
<b>Total liabilities</b>		<u>16,534</u>	<u>15,458</u>	<u>11,457</u>	<u>12,284</u>
<b>Total equity and liabilities</b>		<u>12,540</u>	<u>12,832</u>	<u>9,203</u>	<u>9,187</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the years ended 31 May 2010, 2011 and 2012**

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Accumulated loss £'000</i>	<i>Total equity £'000</i>
<b>Balance at 1 June 2009</b>		–	4	(3,998)	(3,994)
Profit for the year		–	–	1,203	1,203
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	7	7
Total comprehensive income		–	–	1,210	1,210
<i>Transactions with shareholders:</i>					
Share based payments	22	–	–	158	158
<b>Balance at 31 May 2010</b>		–	4	(2,630)	(2,626)
Profit for the year		–	–	259	259
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	(6)	(6)
Total comprehensive income		–	–	253	253
<i>Transactions with shareholders:</i>					
Share based payments	22	–	–	119	119
<b>Balance at 31 May 2011</b>		–	4	(2,258)	(2,254)
Loss for the year		–	–	(658)	(658)
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	(20)	(20)
Total comprehensive expense		–	–	(678)	(678)
<i>Transactions with shareholders:</i>					
Share based payments	22	–	–	(165)	(165)
<b>Balance at 31 May 2012</b>		–	4	(3,101)	(3,097)

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the years ended 31 May 2010, 2011 and 2012**

	<i>Note</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cash flows from operating activities</b>				
Profit/(Loss) before taxation		1,755	474	(658)
Adjustments for:				
Depreciation		386	435	377
Loss on disposal		15	3	17
Finance costs		6	2	2
Finance income		(5)	(1)	(3)
Share based payment – non cash movement		158	119	(165)
Changes in working capital:				
Decrease/(increase) in inventories		88	186	(57)
Decrease/(increase) in trade and other receivables		248	879	(1,162)
(Decrease)/increase in trade and other payables		1,536	(342)	(385)
Movement on provisions		368	(214)	(79)
Cash generated from operations		<u>4,555</u>	<u>1,541</u>	<u>(2,113)</u>
Interest paid		(6)	(2)	(2)
Tax paid		(873)	(351)	(25)
Net cash (outflow)/inflow from operating activities		<u>3,676</u>	<u>1,188</u>	<u>(2,140)</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(347)	(356)	(163)
Interest received		5	1	3
Net cash outflow from investing activities		<u>(342)</u>	<u>(355)</u>	<u>(160)</u>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(79)	(26)	(18)
Net transactions with Maxima Group	20	(4,434)	(911)	2,213
Net cash (outflow)/inflow from financing activities		<u>(4,513)</u>	<u>(937)</u>	<u>2,195</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(1,179)</u>	<u>(104)</u>	<u>(105)</u>
Cash and cash equivalents at beginning of year	12	1,375	203	93
Impact of foreign exchange		7	(6)	(11)
<b>Cash, cash equivalents and bank overdraft at 31 May</b>	12,15	<u>203</u>	<u>93</u>	<u>(23)</u>

## 1. GENERAL INFORMATION

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

The MMS 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:

Entity	Principal activity	Country of incorporation	Equity interest at 31 May		
			2010	2011	2012
Hotchilli Internet Limited	Dormant	United Kingdom	100 per cent.	100 per cent.	100 per cent.
HCI Solutions Private Limited	Service centre	India	100 per cent.	100 per cent.	100 per cent.

The principal accounting policies applied in the preparation of these consolidated 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 consolidated historical financial information have 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 consolidated historical financial information has been prepared specifically for the purpose of this Admission Document.

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 MMS 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 MMS Group’s transition date to IFRS is 1 June 2009. 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 periods in order to assist companies with the transition process. The MMS Group has not applied any of the exemptions set out in IFRS 1. The MMS Group has not previously prepared or reported any combined or consolidated 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 consolidated financial information, as required by IFRS 1 on transition to IFRS.

### (b) Basis of consolidation

The historical financial information of subsidiaries are included in the consolidated historical financial information from the date on which control is transferred to the MMS Group until the date that control ceases. Control is achieved where owners of the MMS 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 year 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.

(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 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 does not have 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. The amendment does not have a material impact on the consolidated financial information.
- **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. The amendments did not have a material impact on the consolidated financial statements, as the Group entities do not offer defined benefit schemes to their employees. Where applicable, additional disclosures have been added to comply with requirements of the revised standard.
- **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. The amendment does not have a material impact on the consolidated financial information.
- **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. The standard did not have a material impact on the consolidated financial information.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the consolidated financial information.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the MMS Group:

- **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. The amendment is not expected to have a material impact on the consolidated financial information.
- **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. The amendment is not expected to have a material impact on the consolidated 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. The amendment is not expected to have a material impact on the consolidated financial information.

(c) **New standards, amendments and interpretations** (*continued*)

- **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. The new standard is not expected to have a material impact on the consolidated financial information.
- **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. The standard is not expected to have a material impact on the consolidated financial information, as there are no joint arrangements in the Group.
- **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. The standard is not expected to have a material impact on the consolidated financial information.
- **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. These amendments are not expected to have a material impact on the consolidated financial information.

(d) **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 year-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.

***MMS Group companies***

The results and financial position of all the MMS 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:

	2010	2011	2012
Indian Rupees	67.37	74.14	86.43

(e) **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 MMS 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 MMS 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.

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

The carrying amounts of the MMS 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.

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.

(g) **Financial assets**

The MMS Group classifies its financial assets as loans and receivables.

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 MMS 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.

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 MMS 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) **Trade and other receivables**

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

(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) **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.

(l) **Employee benefits**

*Defined contribution plans*

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

(m) **Provisions**

A provision is recognised in the balance sheet when the MMS Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic

(m) **Provisions** (*continued*)

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.

(n) **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 licences 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.

(o) **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.

***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.

(p) **Exceptional items**

As permitted by IAS1 'Presentation and Disclosure' certain items are presented separately in the Income Statement as exceptional where, in the judgement 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 MMS Group's underlying business performance. Examples of material and non-recurring items which may give rise to disclosure as exceptional items include redundancy 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.

(q) **Income tax** (*continued*)

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 Chief Executive Officer and Chief Financial Officer of the MMS Group, who, together, have been identified as the chief operating decision maker (CODM).

(s) **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.

(t) **Share-based payments**

The MMS Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the MMS 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 MMS 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.

(u) **Leasing**

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### **3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the MMS's Group's 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 judgements 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 judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

#### **Going concern**

The Directors are required to be satisfied that the MMS Group has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the MMS Group to meet its obligations as they fall due, and the support of the Redcentric plc group ("Redcentric Group").

The present cash flow forecasts indicate that the Redcentric Group will be able to operate within its borrowing facility for at least 12 months from the date of approval of this consolidated historical financial information. For these reasons the Directors believe the going concern basis to be appropriate.

#### **Provisions and other contingencies**

##### ***Bad debt provisions***

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

##### ***Dilapidation provisions***

The MMS 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.

### **4. SEGMENT REPORTING**

The operations of the MMS 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 MMS Group as one single segment. Accordingly, the MMS Group represents a single operating and reportable segment. There are no other services that are provided by the MMS Group that would constitute a separately discloseable segment.

In the year ended 31 May 2010, one customer accounted for greater than 10 per cent. of total revenues being £3.89 million accounting for 14.0 per cent. of total revenue.

#### 4. SEGMENT REPORTING (continued)

In the year ended 31 May 2011, two customers accounted for greater than 10 per cent. of total group revenues individually the combined revenues of these two customers were £5.46 million accounting for 20.5 per cent. of total revenue.

In the year ended 31 May 2012, one customer accounted for greater than 10 per cent. of total revenues £2.48 million accounting for 10.5 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 profit/(loss) as follows:

	2010 £'000	2011 £'000	2012 £'000
Adjusted EBITDA	2,640	1,147	164
Depreciation (Note 9)	(386)	(435)	(377)
Exceptional items (Note 6)	(498)	(237)	(446)
Operating profit/(loss)	<u>1,756</u>	<u>475</u>	<u>(659)</u>

#### 5. OPERATING PROFIT/(LOSS)

	2010 £'000	2011 £'000	2012 £'000
Employee benefit expense (Note 7)	9,383	7,969	6,909
Depreciation (Note 9)	386	435	377
Loss on disposal of property, plant and equipment	15	3	17
Operating lease payments	390	479	414
Auditors remuneration in respect of statutory audits	17	18	19
Auditors remuneration in respect of:			
– Taxation services	–	2	2
– Other	1	3	–
	<u>1</u>	<u>3</u>	<u>–</u>

#### 6. EXCEPTIONAL ITEMS

	2010 £'000	2011 £'000	2012 £'000
Redundancy costs	192	–	437
Fees associated with renegotiation of bank facilities*	271	198	–
Fees associated with strategic review*	–	39	–
Other	35	–	9
	<u>498</u>	<u>237</u>	<u>446</u>

\* Recharged from the Maxima Group who incur the costs and then apportion the charge across its subsidiaries based on contribution to the Maxima Group revenue.

## 7. EMPLOYEES

### (a) Employee benefit expense:

	2010	2011	2012
	£'000	£'000	£'000
Wages and salaries	8,139	6,940	6,266
Social security costs	839	769	676
Other pension costs (note 7 (c))	247	141	132
Share based payment charge/(credit) (note 22)	158	119	(165)
	<u>9,383</u>	<u>7,969</u>	<u>6,909</u>

### Average monthly number of people employed:

	2010	2011	2012
	Number	Number	Number
Operations	166	157	157
Selling and distribution	22	23	18
Administration	14	18	16
	<u>202</u>	<u>198</u>	<u>191</u>

### (b) Key management compensation

The directors of the MMS Group were employed and remunerated by Maxima Holdings plc through the years ended 31 May 2010, 2011 and 2012. The key management within the MMS 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 through the years ended 31 May 2012, 2011 and 2010.

### (c) Retirement benefits

The MMS Group contributes towards to eligible employees' stakeholder pension plans. The pensions cost for defined contribution schemes in the year was £132,000 (2011: £141,000; 2010: £247,000).

## 8. TAXATION

### Analysis of charge in year

	2010	2011	2012
	£'000	£'000	£'000
<i>Current tax</i>			
Current tax on profits for the year	627	123	23
Adjustments in respect of prior years	(25)	(4)	(23)
<b>Total current tax</b>	<u>602</u>	<u>119</u>	<u>-</u>
<i>Deferred tax</i>			
Origination and reversal of temporary differences	(50)	96	-
<b>Total deferred tax</b> (note 16)	<u>(50)</u>	<u>96</u>	<u>-</u>
<b>Total income tax</b>	<u>552</u>	<u>215</u>	<u>-</u>

## 8. TAXATION (continued)

The income tax charge for the year differs from the standard rate of corporation tax in the UK of 25.67 per cent. (2011: 27.67 per cent.; 2010: 28 per cent.). The differences are explained below:

	2010 £'000	2011 £'000	2012 £'000
Profit on ordinary activities before tax	1,755	474	(658)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 25.67 per cent. (2011: 27.67 per cent.; 2010: 28 per cent.)	491	131	(169)
Effects of:			
Depreciation in excess of capital allowances	26	25	26
Expenses not deductible	54	38	6
Adjustment in respect of prior years	(25)	(4)	(23)
Impact of foreign taxation	6	(2)	97
Other short term timing differences	–	60	61
Utilisation of tax losses	–	(33)	–
Transfer to tax losses carried forward	–	–	2
<b>Total taxation charge</b>	<b>552</b>	<b>215</b>	<b>–</b>

The MMS Group has unrecognised deferred tax assets of £33,000 as at 31 May 2012 (2011: £Nil, 2010: £Nil), 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 May 2012, would be to reduce the deferred tax asset by £nil.

## 9. PROPERTY, PLANT AND EQUIPMENT

	2010			
	<i>Leasehold Improvements</i> £'000	<i>Computers and Office equipment</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<i>Cost</i>				
At 1 June 2009	535	3,011	74	3,620
Additions	–	294	53	347
Disposals	–	(33)	(9)	(42)
At 31 May 2010	535	3,272	118	3,925
<i>Accumulated depreciation</i>				
At 1 June 2009	387	2,461	14	2,862
Charge for the year	42	323	21	386
Disposals	–	(23)	(4)	(27)
At 31 May 2010	429	2,761	31	3,221
At 1 June 2009	148	549	60	757
At 31 May 2010	106	511	87	704

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

	2011			
	<i>Leasehold Improvements £'000</i>	<i>Computers and Office equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At 1 June 2010	535	3,272	118	3,925
Additions	26	330	–	356
Disposals	(178)	(741)	(5)	(924)
Exchange differences	–	(2)	–	(2)
At 31 May 2011	<u>383</u>	<u>2,859</u>	<u>113</u>	<u>3,355</u>
<i>Accumulated depreciation</i>				
At 1 June 2010	429	2,761	31	3,221
Charge for the year	45	361	29	435
Disposals	(178)	(738)	(5)	(921)
Exchange differences	–	(1)	–	(1)
At 31 May 2011	<u>296</u>	<u>2,383</u>	<u>55</u>	<u>2,734</u>
<i>Net book amount</i>				
At 31 May 2011	<u>87</u>	<u>476</u>	<u>58</u>	<u>621</u>
	2012			
	<i>Leasehold Improvements £'000</i>	<i>Computers and Office equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
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>
<i>Accumulated depreciation</i>				
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>
<i>Net book amount</i>				
At 31 May 2012	<u>57</u>	<u>295</u>	<u>30</u>	<u>382</u>

The net book value of assets held under finance leases was 31 May 2012 £Nil (2011: £3,000); 2010: £37,000).

## 10. INVENTORIES

	2010 £'000	2011 £'000	2012 £'000
Items to be used in the delivery of services	<u>242</u>	<u>56</u>	<u>113</u>

## 11. TRADE AND OTHER RECEIVABLES

	<i>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	5,809	4,350	4,930
Less: provision for impairment of trade receivables	(515)	(308)	(214)
Trade receivables, net	<u>5,294</u>	<u>4,042</u>	<u>4,716</u>
Receivables due from Maxima Group entities	4,952	2,422	1,565
Prepayments and accrued income	1,341	1,714	2,202
Corporation Tax recoverable	–	255	158
	<u>11,587</u>	<u>8,433</u>	<u>8,641</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 £0.2 million (2011: £0.3 million, 2010: £0.5 million). The individually impaired receivables relate to receivables over 365 days, customers in financial difficulty, customer acceptance issues and cancelled contracts.

As at 31 May 2012, trade receivables of £1.7 million (2011: £1.4 million, 2010: £2.4 million) 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>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Days outstanding:</b>			
31 – 60 days	1,838	809	1,378
61 – 90 days	140	94	205
91 – 120 days	109	251	33
121 – 150 days	31	44	5
151+ days	812	542	330
	<u>2,930</u>	<u>1,740</u>	<u>1,951</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 MMS Group provision for impairment of trade receivables are as follows:

	<i>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At the start of the year	353	515	308
Additional provisions	246	–	–
Amounts used	(84)	(197)	(90)
Unused amounts reversed	–	(10)	(4)
As at 31 May	<u>515</u>	<u>308</u>	<u>214</u>

## 12. CASH AND CASH EQUIVALENTS

	2010 £'000	2011 £'000	2012 £'000
Cash at bank and in hand	203	93	51

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:

	2010 £'000	2011 £'000	2012 £'000
Indian Rupees	51	39	51

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

## 13. TRADE AND OTHER PAYABLES

	2010 £'000	2011 £'000	2012 £'000
Trade payables	1,016	2,501	2,035
Payables due to Maxima Group entities	4,905	1,464	2,820
Other tax and social security payable	992	967	986
Accruals	2,567	1,984	1,453
Deferred income	5,463	4,244	4,836
	14,943	11,160	12,130

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

## 14. PROVISIONS

	2010		
	<i>Dilapidation provisions</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
At the start of the year	123	250	373
Utilised in the year	(68)	(424)	(492)
Charged to income statement	183	304	487
At 31 May	238	130	368
Due within one year or less	153	130	283
Due after more than one year	85	–	85
	238	130	368

## 14. PROVISIONS (continued)

	2011		
	<i>Dilapidation provisions</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
At the start of the year	238	130	368
Utilised in the year	(189)	(90)	(279)
Charged to income statement	15	50	65
At 31 May	<u>64</u>	<u>90</u>	<u>154</u>
Due within one year or less	30	90	120
Due after more than one year	34	–	34
	<u>64</u>	<u>90</u>	<u>154</u>

	2012		
	<i>Dilapidation provisions</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
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>

### *Dilapidation provisions*

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*

'Other' provisions consists of a provision for "Fibre tax", which is a tax levied on the length of fibre installed in the London area. Charges were received and settled. The provision in place for 2011 was £50,000. The remainder of the 'other' provision relates to a provision specifically for HCI Solutions Private Limited, for the 'Indian Provident fund'. This is an Indian government scheme requiring company contributions for its employees. HCI Solutions Private Limited had not been facilitating the fund correctly, as a result a provision is in place to cover the costs of setting up the fund, professional fees associated with this and potential penalties that could be applied.

## 15. BORROWINGS

	2010 £'000	2011 £'000	2012 £'000
<b>Non-current</b>			
Finance lease liabilities	24	5	–
<b>Current</b>			
Finance lease liabilities	25	18	5
Bank overdraft	–	–	74
	<u>49</u>	<u>23</u>	<u>79</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.

## 16. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27.25 per cent. in 2010.

The movement on the deferred tax account is shown below:

	2010 £'000	2011 £'000	2012 £'000
Deferred tax asset at start of year	–	96	–
Credit/(charged) to income statement	50	(96)	–
Other movements	46	–	–
Net deferred tax asset at 31 May	<u>96</u>	<u>–</u>	<u>–</u>
Net deferred tax asset expected to unwind within one year	96	–	–
Net deferred tax asset expected to unwind after one year	–	–	–
	<u>96</u>	<u>–</u>	<u>–</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 MMS Group.

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.

	2010	
	<i>Deferred tax asset £'000</i>	<i>Credit/ (Charged) to income statement £'000</i>
<i>Origination and reversal of temporary differences</i>		
Trading losses	96	50
	<u>96</u>	<u>50</u>
	2011	
	<i>Deferred tax asset £'000</i>	<i>Credit/ (Charged) to income statement £'000</i>
<i>Origination and reversal of temporary differences</i>		
Trading losses	–	(96)
	<u>–</u>	<u>(96)</u>
	2012	
	<i>Deferred tax asset £'000</i>	<i>Credit/ (Charged) to income statement £'000</i>
<i>Origination and reversal of temporary differences</i>		
Trading losses	–	–
	<u>–</u>	<u>–</u>

## 17. COMMITMENTS AND CONTINGENCIES

### (a) Operating leases

Commitments under non cancellable operating leases due are as follows:

	2010 £'000	2011 £'000	2012 £'000
Within one year	108	124	66
Later than one year and less than five years	1,177	863	525
After five years	689	425	357
	<u>1,974</u>	<u>1,412</u>	<u>948</u>

All operating lease commitments relate to land and buildings.

## 18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The MMS 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 MMS 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.

The MMS Group's discounted financial liabilities are as follows:

	2010 £'000	2011 £'000	2012 £'000
Trade and other payables			
– Trade payables	1,016	2,501	2,035
– Payables from Maxima Group entities	4,905	1,464	2,820
Borrowings	49	23	79
	<u>5,970</u>	<u>3,988</u>	<u>4,934</u>

The table below analyses the MMS 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.

	2010 £'000	2011 £'000	2012 £'000
In less than one year	5,947	3,984	4,935
In more than one year but not more than two years	28	6	–
	<u>5,975</u>	<u>3,990</u>	<u>4,935</u>

## 18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

### Counterparty credit risk

The MMS Group's financial assets are as follows:

	2010 £'000	2011 £'000	2012 £'000
Cash and cash equivalents	203	93	51
Trade and other receivables			
– Trade receivables	5,294	4,042	4,716
– Receivables due from Maxima Group entities	4,952	2,422	1,565
	<u>10,449</u>	<u>6,557</u>	<u>6,332</u>

The MMS 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 2010, 2011 and 2012 is the carrying value of each class of financial assets disclosed above. The MMS Group does not hold any collateral as security.

### Capital risk management

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

### Fair value of financial instruments

The financial assets and financial liabilities of the MMS 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

	2010 Number	2011 Number	2012 Number
<i>Authorised share capital</i>			
Ordinary shares of £1 each	–	1,000	1,000
A Ordinary shares of £1 each	260	–	–
B Ordinary shares of £1 each	640	–	–
C Ordinary shares of £0.10 each	1,000	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
<i>Called up, allotted and fully paid</i>	£	£	£
118 Ordinary shares of £1 each	–	118	118
72 A Ordinary shares of £1 each	72	–	–
28 B Ordinary shares of £1 each	28	–	–
180 C Ordinary shares of £0.10 each	18	–	–
	<u>118</u>	<u>118</u>	<u>118</u>

On 30 June 2010 A, B and C Ordinary classes of shares were consolidated in to Ordinary shares ranking *pari passu* with each other.

## 20. RELATED PARTY TRANSACTIONS

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

The following balances are outstanding with related parties at 31 May 2010, 2011 and 2012:

	2010	2011	2012
	£'000	£'000	£'000
Receivables due from Maxima Group entities	4,952	2,422	1,565
Payable to Maxima Group entities	(4,905)	(1,464)	(2,820)

During 2012, the cash inflows from net transactions with Maxima Group entities were £2,213,000 (2011: Outflow of £911,000; 2010: Outflow of £4,434,000).

No other trading transactions occurred during 2010, 2011 or 2012 between the MMS Group and its related parties.

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 Maxima Holdings plc a company incorporated in the United Kingdom for all periods presented. As described in note 21, on 9 November 2012 Maxima Holdings plc was acquired by Redstone plc which between 9 November 2012 and 8 April 2012 was the ultimate parent undertaking. As described in note 21, on 8 April 2012 the MMS 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 is the parent undertaking of the largest group of undertakings to consolidate this historical financial information at 31 May 2010, 2011 and 2012.

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. EVENTS AFTER THE BALANCE SHEET DATE

On 9 November 2012 Redstone plc acquired Maxima Holdings Plc, the MMS Group's immediate parent undertaking. Previously, and throughout the periods presented, the MMS Group was owned by Maxima Holdings plc.

On 22 March 2013 the MMS Group was acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone plc for a deferred cash consideration of £11.4 million (subject to adjustment).

On 22 March 2013 the MMS Group acquired the Network Managed Services business of Redstone Converged Solutions Limited for a deferred cash consideration of £1.3 million (subject to adjustment).

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone plc by way of a dividend *in specie* to Redcentric plc.

Following the demerger of Redcentric Holdings Limited from Redstone plc, Redcentric plc 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 Senior Revolving Credit Facility to satisfy the consideration obligations arising from the disposal of the business, including the MMS Group, by Redstone plc to Redcentric Holdings Limited.

## 22. SHARE BASED PAYMENTS

The MMS Group has granted options to its directors and employees via SAYE schemes and a Long Term Incentive Plan (“LTIP”).

Typically the SAYE options are granted at an exercise price reflecting a 10 per cent. to 15 per cent. discount at the time of issue and the LTIP at nil cost with performance criteria attached before they can vest. Options are exercisable after three years only if vesting conditions are met.

The tables below reconcile the number of options outstanding by date of grant:

		2010			
<i>Date of grant</i>	<i>At 1 June 2009</i>	<i>Granted during the year</i>	<i>Lapsed during the year</i>	<i>Exercised during the year</i>	<i>At 31 May 2010</i>
28 August 2006	6,452	–	–	–	6,452
22 September 2006	18,038	–	(18,038)	–	–
26 September 2007	10,851	–	(3,757)	–	7,094
3 December 2007	26,500	–	(26,500)	–	–
25 September 2008	51,615	–	(13,594)	–	38,021
19 September 2008	65,217	–	(65,217)	–	–
27 April 2009	188,679	–	–	–	188,679
11 September 2009	–	243,029	(90,146)	–	152,883
Weighted average price	£0.58	£0.01	£0.56	–	£0.24
		2011			
<i>Date of grant</i>	<i>At 1 June 2010</i>	<i>Granted during the year</i>	<i>Lapsed during the year</i>	<i>Exercised during the year</i>	<i>At 31 May 2011</i>
28 August 2006	6,452	–	–	–	6,452
26 September 2007	7,094	–	(4,244)	–	2,850
25 September 2008	38,021	–	(7,505)	–	30,516
27 April 2009	188,679	–	–	–	188,679
11 September 2009	152,883	–	–	–	152,883
5 October 2010	–	80,000	–	–	80,000
29 November 2010	–	50,000	–	–	50,000
Weighted average price	£0.24	£0.01	£2.05	–	£0.14
		2012			
<i>Date of grant</i>	<i>At 1 June 2011</i>	<i>Granted during the year</i>	<i>Lapsed during the year</i>	<i>Exercised during the year</i>	<i>At 31 May 2012</i>
28 August 2006	6,452	–	–	–	6,452
26 September 2007	2,850	–	–	–	2,850
25 September 2008	30,516	–	–	–	30,516
27 April 2009	188,679	–	–	–	188,679
11 September 2009	152,883	–	(12,143)	–	140,740
5 October 2010	80,000	–	(20,000)	–	60,000
29 November 2010	50,000	–	(50,000)	–	–
Weighted average price	£0.14	–	£0.01	–	£0.17

## 22. SHARE BASED PAYMENTS *(continued)*

The fair value of the options is determined using the Black-Scholes valuation model. The significant inputs into the model together with the exercise dates of the options are set out in the table below.

<i>Date of grant</i>	<i>Dates exercisable</i>	<i>Exercise price</i>	<i>Expected volatility (per cent.)</i>	<i>Expected life (years)</i>	<i>Risk free rate (per cent.)</i>	<i>Dividend yield (per cent.)</i>
28 August 2006	August 2009 to August 2016	1.10	35	3	4.4	1.7
22 September 2006	August 2009 to August 2016	1.292	30	5	4.75	2.0
26 September 2007	September 2010 to March 2013	2.724	30	5	5.03	2.25
3 December 2007	December 2010 to December 2017	2.375	30	3	4.46	2.2
19 September 2008	September 2011 to September 2018	0.01	50	3	4.46	4.0
25 September 2008	September 2011 to March 2014	1.665	50	3.85	4.46	4.9
27 April 2009	April 2012 to April 2019	0.01	50	3	2.44	4.9
11 September 2009	September 2012 to September 2019	0.01	50	3	2.44	3.37
5 October 2010	October 2013 to October 2020	0.01	50	3	2.44	3.65
29 November 2010	November 2013 to November 2020	0.01	50	3	2.44	3.65

Expected volatility is based upon historic share price volatility in the software sector.

Out of the 429,237 (2011: 511,380, 2010: 393,129) outstanding options, 6,452 share options were exercisable at 31 May 2012 (2011: 9,302, 2010: Nil)

The weighted average value of options granted during the year determined using the Black Scholes valuation model was £1.55 per option (2011: £0.64, 2010: £0.80). The volatility assumption is based upon historic price volatility in the software sector.

The credit for the year to 31 March 2012 was £165,000, (2011 charge £119,000, 2010 charge £158,000).

**PART B**  
**Redstone Demerged Business**

**Consolidated Historical Information**  
**For the years ended 31 March 2010, 31 March 2011 and 31 March 2012**

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



The Directors  
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CB4 0WZ

FinnCap Ltd (the “**Nominated Adviser**”)  
60 New Broad Street  
London  
EC2M 1JJ

18 April 2013

Dear Sirs

**Redstone Demerged Business**

We report on the financial information of the Redstone Demerged Business set out below (the “**IFRS Financial Information Table**”). The IFRS Financial Information Table has been prepared for inclusion in the admission document dated 18 April 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**”)¹ 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 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 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

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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 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 Redstone Demerged Business' circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 18 April 2013, a true and fair view of the state of affairs of the Redstone Demerged Business as at the dates stated and of its profits/losses, 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 the Redstone Demerged Business

### COMBINED INCOME STATEMENT

For the years ended 31 March 2010, 2011 and 2012

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
Revenue	4	16,097	17,911	17,856
Cost of sales		(13,519)	(12,678)	(10,809)
<b>Gross profit</b>		<u>2,578</u>	<u>5,233</u>	<u>7,047</u>
Selling and distribution expenses		(2,201)	(1,041)	(961)
Exceptional administrative expenses		(450)	(626)	(751)
Other administrative expense		(2,453)	(4,122)	(4,871)
Administrative expenses		<u>(2,903)</u>	<u>(4,748)</u>	<u>(5,622)</u>
<b>Operating (loss)/profit</b>	4, 5	(2,526)	(556)	464
Finance costs		(5)	(7)	(4)
<b>(Loss)/profit before taxation</b>		<u>(2,531)</u>	<u>(563)</u>	<u>460</u>
Taxation	8	71	(116)	678
<b>(Loss)/profit for the year from continuing operations</b>		<u>(2,460)</u>	<u>(679)</u>	<u>1,138</u>
Profit/(loss) for the year from discontinued operations	20	63	(4,067)	–
<b>(Loss)/profit for the year</b>		<u>(2,397)</u>	<u>(4,746)</u>	<u>1,138</u>

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

## COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 March 2010, 2011 and 2012

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>(Loss)/profit for the year</b>		(2,397)	(4,746)	1,138
<i>Other comprehensive income</i>				
Gain on revaluation of property, plant and equipment	10	<u>–</u>	<u>4,705</u>	<u>149</u>
<b>Total comprehensive (expense)/income for the year</b>		<u>(2,397)</u>	<u>(41)</u>	<u>1,287</u>
Total comprehensive income arises from:				
Continuing operations		(2,460)	4,026	1,287
Discontinued operations		<u>63</u>	<u>(4,067)</u>	<u>–</u>
<b>Total comprehensive (expense)/income for the year</b>		<u>(2,397)</u>	<u>(41)</u>	<u>1,287</u>

The comprehensive (expense)/income for the years presented above is attributable to the owners of parent.

**COMBINED BALANCE SHEET**  
**As at 31 March 2010, 2011 and 2012**

	<i>Note</i>	<i>2010</i> £'000	<i>2011</i> £'000	<i>2012</i> £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	10,051	12,054	11,185
Property, plant and equipment	10	1,889	6,813	7,528
Deferred taxation asset	16	501	353	677
<b>Total non-current assets</b>		<u>12,441</u>	<u>19,220</u>	<u>19,390</u>
<b>Current assets</b>				
Inventories	11	603	297	285
Trade and other receivables	12	12,327	8,368	9,932
Cash and cash equivalents	13	1,900	1,239	941
<b>Total current assets</b>		<u>14,830</u>	<u>9,904</u>	<u>11,158</u>
<b>Total assets</b>		<u>27,271</u>	<u>29,124</u>	<u>30,548</u>
<b>Equity</b>				
Invested capital		9,571	12,709	13,996
<b>Total equity</b>		<u>9,571</u>	<u>12,709</u>	<u>13,996</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions	15	70	77	133
Deferred tax liability	16	1,057	1,025	671
<b>Total non-current liabilities</b>		<u>1,127</u>	<u>1,102</u>	<u>804</u>
<b>Current liabilities</b>				
Trade and other payables	14	16,573	15,313	15,748
<b>Total current liabilities</b>		<u>16,573</u>	<u>15,313</u>	<u>15,748</u>
<b>Total liabilities</b>		<u>17,700</u>	<u>16,415</u>	<u>16,552</u>
<b>Total equity and liabilities</b>		<u>27,271</u>	<u>29,124</u>	<u>30,548</u>

**COMBINED STATEMENT OF CHANGES IN INVESTED CAPITAL****For the year ended 31 March 2010, 2011 and 2012**

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Balance at start of year</b>		11,968	9,571	12,709
(Loss)/profit for the year		(2,397)	(4,746)	1,138
<i>Other comprehensive income</i>				
Gain on revaluation of property, plant and equipment	10	–	4,705	149
Total comprehensive (expense)/income		<u>(2,397)</u>	<u>(41)</u>	<u>1,287</u>
<i>Transactions with owners</i>				
Contribution arising from acquisition	19	–	3,179	–
<b>Balance as at 31 March</b>		<u>9,571</u>	<u>12,709</u>	<u>13,996</u>

## COMBINED CASH FLOW STATEMENT

For the years ended 31 May 2010, 2011 and 2012

	<i>Note</i>	<i>2010</i> £'000	<i>2011</i> £'000	<i>2012</i> £'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation		(2,531)	(563)	460
Adjustments for:				
Depreciation		457	571	634
Amortisation		1,026	827	869
Finance costs		5	6	4
		<u>(1,043)</u>	<u>841</u>	<u>1,967</u>
Changes in working capital:				
Decrease in inventories		200	306	13
Decrease/(increase) in trade and other receivables		851	3,609	(954)
Increase/(decrease) in trade and other payables		(778)	(1,862)	(752)
Movement on provisions		33	7	56
		<u>(737)</u>	<u>2,901</u>	<u>330</u>
Cash generated from continuing operations		(737)	2,901	330
Interest paid		(4)	(6)	(4)
		<u>(741)</u>	<u>2,895</u>	<u>326</u>
Net cash inflow from continuing operating activities		(741)	2,895	326
Net cash inflow/(outflow) from discontinued operations		63	(4,067)	–
		<u>(678)</u>	<u>(1,172)</u>	<u>326</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<u>(678)</u>	<u>(1,172)</u>	<u>326</u>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary		–	(2,900)	–
Purchase of property, plant and equipment		(467)	(986)	(1,201)
Proceeds from the sale of property, plant and equipment		–	197	–
Purchase of intangible assets		(16)	(281)	–
		<u>(483)</u>	<u>(3,970)</u>	<u>(1,201)</u>
Net cash outflow from continuing investing activities		(483)	(3,970)	(1,201)
Net cash inflow from discontinued investing activities		–	350	–
		<u>(483)</u>	<u>(3,620)</u>	<u>(1,201)</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(483)</u>	<u>(3,620)</u>	<u>(1,201)</u>
<b>Cash flows from financing activities</b>				
Contribution arising from acquisitions	19	–	3,179	–
Net transactions with Redstone Group	21	2,636	952	577
		<u>2,636</u>	<u>4,131</u>	<u>577</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>2,636</u>	<u>4,131</u>	<u>577</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,475</u>	<u>(661)</u>	<u>(298)</u>
Cash and cash equivalents at beginning of year		425	1,900	1,239
<b>Cash and cash equivalents at 31 March</b>	13	<u>1,900</u>	<u>1,239</u>	<u>941</u>

## **1. GENERAL INFORMATION**

The combined historical financial information contained in this report presents the financial track record for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 (the “Track Record Period”) of those businesses that will be owned by Redcentric plc and its subsidiary undertakings, the “Redstone Group”, at the date of the admission of the shares of Redcentric plc on to AIM, which 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 (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 Limited (“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 trading assets and liabilities of I4E were transferred to RCS from 1 April 2011 and therefore I4E is only included for the year ended 31 March 2010, for the remainder of the Track Record Period the results are included in RCS and included in the Track Record Period as set out above.

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 these combined financial statements 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 three years ended 31 March 2010, 2011 and 2012 and as at these dates. On such basis, the combined historical financial information sets out the Group’s balance sheet as of 31 March 2010, 2011 and 2012 and results of operations and cash flows for the three years then ended.

The combined financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, 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, 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

(a) **Basis of preparation** (*continued*)

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 2010, 2011 and 2012 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 2009, the beginning of the first year presented, and the requirements of IFRS 1 have been applied as of that date.

The Group’s transition date to IFRS is 1 April 2009. 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 Group has not applied any of the exemptions set out in IFRS 1. The Group has not previously prepared or reported any combined or consolidated 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 financial information, as required by IFRS 1 on transition to IFRS. In addition, no combined balance sheet at 1 April 2009 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 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 Redstone Group 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 21.

(a) **Basis of preparation** (*continued*)

- 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. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the combined financial information. Accounting policies of entities, or the proportion of entities comprising the Group, are consistent with the policies adopted by the Group.

(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 does not have a material impact on the combined 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. The amendment does not have a material impact on the combined financial information.
- **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. The amendments did not have a material impact on the combined financial statements, as the Group entities do not offer defined benefit schemes to their employees. Where applicable, additional disclosures have been added to comply with requirements of the revised standard.
- **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. The amendment does not have a material impact on the combined financial information.

(c) **New standards, amendments and interpretations** (*continued*)

- **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. The standard did not have a material impact on the combined financial information.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the combined financial information.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Group:

- **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. The amendment is not expected to have a material impact on the combined financial information.
- **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. The amendment is not expected to have a material impact on the combined 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. The amendment is not expected to have a material impact on the combined financial information.
- **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. The new standard is not expected to have a material impact on the combined financial information.
- **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. The standard is not expected to have a material impact on the combined financial information, as there are no joint arrangements in the Group.
- **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. The standard is not expected to have a material impact on the combined financial information.
- **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. These amendments are not expected to have material impact on the combined financial information.

(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 a revaluation decrease 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.

***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.

(e) **Intangible assets** (*continued*)

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.

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

(g) **Financial assets** (*continued*)

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 operating costs 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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(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.

(m) **Revenue** *(continued)*

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 in advance of an invoice being issued and is recognised within Prepayments and Accrued Income.

(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.

***Finance costs and finance income***

Financing costs comprise interest payable on borrowings, calculated using the effective interest rate 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) **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.

(q) **Income tax** (*continued*)

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 Group, who, together, 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 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 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.

### **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.

#### 4. SEGMENT REPORTING *(continued)*

No single customer represented 10 per cent. or more of the Group's revenues in any of the years ended 31 March 2012, 2011 and 2010.

##### 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:

	2010	2011	2012
	£'000	£'000	£'000
Adjusted EBITDA	(593)	1,468	2,718
Depreciation (Note 10)	(457)	(571)	(634)
Amortisation (Note 9)	(1,026)	(827)	(869)
Exceptional items (Note 6)	(450)	(626)	(751)
Operating (loss)/profit	<u>(2,526)</u>	<u>(556)</u>	<u>464</u>

#### 5. OPERATING (LOSS)/PROFIT

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

	2010	2011	2012
	£'000	£'000	£'000
Employee benefit expense (Note 7)	8,171	6,734	5,319
Depreciation (Note 10)	457	571	634
Amortisation (Note 9)	1,026	827	869
Operating lease payments	308	308	382
Auditors remuneration:			
Audit of the statutory entities included in the combined historical financial information	33	28	55
Non-audit services:			
Taxation	32	18	25
Transaction services	13	5	4
Other	15	3	–
	<u>          </u>	<u>          </u>	<u>          </u>

#### 6. EXCEPTIONAL ITEMS

	2010	2011	2012
	£'000	£'000	£'000
Redundancy costs	243	523	637
Aborted transaction costs	–	24	9
Re-organisation costs	13	31	96
Occupancy costs	33	7	–
Other costs	161	41	9
	<u>450</u>	<u>626</u>	<u>751</u>

## 7. EMPLOYEES

### (a) Employee benefit expense

	2010	2011	2012
	£'000	£'000	£'000
Wages and salaries	7,237	5,910	4,661
Social security costs	822	709	555
Other pension costs (note 7 (c))	112	115	103
	<u>8,171</u>	<u>6,734</u>	<u>5,319</u>

Included in the numbers above are amounts of £637,000 (2011: £523,000; 2010: £243,000) of redundancy costs recognised as exceptional items (Note 6).

### *Average monthly number of people employed:*

	2010	2011	2012
	Number	Number	Number
Operations	80	85	75
Selling and distribution	54	54	16
Administration	21	19	15
	<u>155</u>	<u>158</u>	<u>106</u>

### (b) Key management compensation

Aggregate Directors emoluments totaled £132,000 (2011: £117,000; 2010: £36,000). There were four directors (2011: four; 2010: two) none of whom retirement benefits were accruing to under stakeholder pension plans. The highest paid director received total emoluments of £56,000 in 2012 (2011: £63,000; 2010: £27,000).

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:

	2010	2011	2012
	£'000	£'000	£'000
Wages and salaries	44	149	228
Pension costs	–	3	8
	<u>44</u>	<u>152</u>	<u>236</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 £103,000 (2011: £115,000; 2010: £112,000).

## 8. TAXATION

### Analysis of charge in year

	2010 £'000	2011 £'000	2012 £'000
<i>Current tax</i>			
Current tax on profits for the year	–	–	–
<b>Total current tax</b>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Deferred tax</i>			
Origination and reversal of temporary differences	71	(116)	678
<b>Total deferred tax</b> (Note 16)	<u>71</u>	<u>(116)</u>	<u>678</u>
<b>Total income tax</b>	<u>71</u>	<u>(116)</u>	<u>678</u>

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

	2010 £'000	2011 £'000	2012 £'000
(Loss)/profit on ordinary activities before tax	(2,531)	(563)	460
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 26 per cent. (2011: 28 per cent.; 2010: 28 per cent.)	(709)	(158)	120
Effects of:			
Depreciation in excess of capital allowances	93	16	39
Expenses not deductible	104	23	13
Adjustment in respect of prior years	–	–	(1)
Group relief claimed	(294)	–	(29)
Utilisation of tax losses	–	–	(142)
Transfer to tax losses carried forward	806	119	–
Movement in deferred tax and the effect of change in tax rate	(71)	116	(678)
<b>Total taxation charge/(credit)</b>	<u>(71)</u>	<u>116</u>	<u>(678)</u>

The Group has unrecognised deferred tax assets of £4,320,000 as at 31 March 2012 (2011: £4,753,000, 2010 £3,836,000), 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 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 £34,000 and deferred tax liability by £33,000.

## 9. INTANGIBLE ASSETS

	<i>2010</i>			
	<i>Goodwill</i>	<i>Software</i>	<i>Customer contracts and related relationships</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>				
At 1 April 2009	6,257	13	9,371	15,641
Additions	–	16	–	16
At 31 March 2010	<u>6,257</u>	<u>29</u>	<u>9,371</u>	<u>15,657</u>
<i>Accumulated amortisation</i>				
At 1 April 2009	–	5	4,575	4,580
Amortisation	–	7	1,019	1,026
At 31 March 2010	<u>–</u>	<u>12</u>	<u>5,594</u>	<u>5,606</u>
<i>Net book amount</i>				
At 1 April 2009	6,257	8	4,796	11,061
At 31 March 2010	<u>6,257</u>	<u>17</u>	<u>3,777</u>	<u>10,051</u>
	<i>2011</i>			
	<i>Goodwill</i>	<i>Software</i>	<i>Customer contracts and related relationships</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>				
At 1 April 2010	6,257	29	9,371	15,657
Additions	2,479	2	700	3,181
Disposal of subsidiary	(350)	(1)	–	(351)
At 31 March 2011	<u>8,386</u>	<u>30</u>	<u>10,071</u>	<u>18,487</u>
<i>Accumulated amortisation</i>				
At 1 April 2010	–	12	5,594	5,606
Amortisation	–	13	814	827
At 31 March 2011	<u>–</u>	<u>25</u>	<u>6,408</u>	<u>6,433</u>
<i>Net book amount</i>				
At 31 March 2011	<u>8,386</u>	<u>5</u>	<u>3,663</u>	<u>12,054</u>

## 9. INTANGIBLE ASSETS (continued)

	2012			
	<i>Goodwill</i>	<i>Software</i>	<i>Customer contracts and related relationships</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>				
At 1 April 2011 and 31 March 2012	8,386	30	10,071	18,487
<i>Accumulated amortisation</i>				
At 1 April 2011	–	25	6,408	6,433
Amortisation	–	3	866	869
At 31 March 2012	–	28	7,274	7,302
<i>Net book amount</i>				
At 31 March 2012	8,386	2	2,797	11,185

### 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>2010</i>			
	<i>Leasehold Improvements £'000</i>	<i>Network infrastructure and equipment £'000</i>	<i>Equipment, fixtures and fittings £'000</i>	<i>Total £'000</i>
<i>Cost or valuation</i>				
At 1 April 2009	40	1,822	146	2,008
Additions	–	320	147	467
At 31 March 2010	<u>40</u>	<u>2,142</u>	<u>293</u>	<u>2,475</u>
<i>Accumulated depreciation</i>				
At 1 April 2009	–	52	77	129
Charge for the year	15	438	4	457
At 31 March 2010	<u>15</u>	<u>490</u>	<u>81</u>	<u>586</u>
<i>Net book amount</i>				
At 1 April 2009	40	1,770	69	1,879
At 31 March 2010	<u>25</u>	<u>1,652</u>	<u>212</u>	<u>1,889</u>
	<i>2011</i>			
	<i>Leasehold Improvements £'000</i>	<i>Network infrastructure and equipment £'000</i>	<i>Equipment, fixtures and fittings £'000</i>	<i>Total £'000</i>
<i>Cost or valuation</i>				
At 1 April 2010	40	2,142	293	2,475
Revaluation	–	4,705	–	4,705
Additions	231	47	708	986
Disposals	(161)	–	(193)	(354)
At 31 March 2011	<u>110</u>	<u>6,894</u>	<u>808</u>	<u>7,812</u>
<i>Accumulated depreciation</i>				
At 1 April 2010	15	490	81	586
Charge for the year	52	359	160	571
Disposals	(29)	(1)	(128)	(158)
At 31 March 2011	<u>38</u>	<u>848</u>	<u>113</u>	<u>999</u>
<i>Net book amount</i>				
At 31 March 2011	<u>72</u>	<u>6,046</u>	<u>695</u>	<u>6,813</u>

## 10. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	2012			
	<i>Leasehold Improvements £'000</i>	<i>Network infrastructure and equipment £'000</i>	<i>Equipment, fixtures and fittings £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At April 2011	110	6,894	808	7,812
Revaluation	–	149	–	149
Additions	204	995	2	1,201
At 31 March 2012	<u>314</u>	<u>8,038</u>	<u>810</u>	<u>9,162</u>
<i>Accumulated depreciation</i>				
At 1 April 2011	39	848	113	1,000
Charge for the year	50	583	1	634
At 31 March 2012	<u>89</u>	<u>1,431</u>	<u>114</u>	<u>1,634</u>
<i>Net book amount</i>				
At 31 March 2012	<u>225</u>	<u>6,607</u>	<u>696</u>	<u>7,528</u>

### Revaluation

For the years ended 31 March 2012 and 2011 the Directors have revalued the metropolitan area network assets (“MAN”) residing in the property plant and equipment.

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 has been reflected at cost.

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

	2011	2012
Fair value	£5,501,000	£5,650,000
Annualised value of contract base	£1,600,000	£1,400,000
Annualised revenue growth:		
– Years 1 to 2	20 per cent.	20 per cent.
– Years 3 to 4	5 per cent.	5 per cent.
– Years 5 and beyond	2.5 per cent.	2.5 per cent.
Discount rate	<u>15 per cent.</u>	<u>15 per cent.</u>

The carrying amount that would have been recognised had the asset continued to be carried under the cost model was £800,000 at 31 March 2012 (2011: £800,000).

## 11. INVENTORIES

	2010 £'000	2011 £'000	2012 £'000
Items to be used in the delivery of services	603	297	285
	<u>603</u>	<u>297</u>	<u>285</u>

## 12. TRADE AND OTHER RECEIVABLES

	2010 £'000	2011 £'000	2012 £'000
Trade receivables	4,418	2,588	2,572
Less: provision for impairment of trade receivables	(11)	(302)	(57)
Trade receivables, net	<u>4,407</u>	<u>2,286</u>	<u>2,515</u>
Receivables due from Redstone Group	4,237	3,887	4,497
Other receivables	1,066	118	105
Prepayments and accrued income	2,617	2,077	2,815
	<u>12,327</u>	<u>8,368</u>	<u>9,932</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 2012, trade receivables of £57,000 (2011: £302,000, 2010: £11,000) were impaired and fully provided for. The quality of trade receivables can be assessed by reference to the historical default rate of £258,000 (2011: £3,000, 2010: £178,000) for the preceding 365 days being 9.9 per cent. of the opening trade receivables balance.

The carrying value of trade receivables that are individually impaired is £13,000 (2011: £56,000, 2010: £nil). The individually impaired receivables relate to receivables over 365 days, customers in financial difficulty, customer acceptance issues and cancelled contracts.

As at 31 March 2012, trade receivables of £1,668,000 (2011: £1,760,000, 2010: £3,794,000) 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:

	2010 £'000	2011 £'000	2012 £'000
<b>Days outstanding:</b>			
31 – 60 days	1,724	750	770
61 – 90 days	630	418	603
91 – 180 days	613	278	264
181 – 270 days	827	246	18
271 – 365 days	–	12	–
365+ days	–	56	13
	<u>3,794</u>	<u>1,760</u>	<u>1,668</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:

	2010 £'000	2011 £'000	2012 £'000
At the start of the year	189	11	302
Additional provisions	–	294	13
Amounts used	(178)	(3)	(258)
As at 31 March	<u>11</u>	<u>302</u>	<u>57</u>

### 13. CASH AND CASH EQUIVALENTS

	<i>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	1,900	1,239	941

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>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	3,021	2,131	1,716
Payables due to Redstone Group entities	5,689	6,291	7,478
Other payables	1,508	47	51
Other tax and social security payable	437	379	528
Accruals	461	1,681	1,096
Deferred income	5,457	4,784	4,879
	<u>16,573</u>	<u>15,313</u>	<u>15,748</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>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At the start of the year	37	70	70
Additional provisions	40	–	70
Impact of discounting	(7)	–	(7)
As at 31 March	<u>70</u>	<u>70</u>	<u>133</u>

The provision represents dilapidation provisions 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.

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: 26 per cent. (2011: 28 per cent.; 2010: 28 per cent.).

## 16. DEFERRED TAX *(continued)*

### Deferred tax assets

The movement on the deferred tax account is shown below:

	2010 £'000	2011 £'000	2012 £'000
Deferred tax asset at start of year	802	501	353
(Charge)/credit to income statement	(301)	(148)	324
Deferred tax asset at 31 March	501	353	677
Deferred tax asset expected to unwind within one year	501	353	677
Deferred tax asset expected to unwind after one year	–	–	–
	<u>501</u>	<u>353</u>	<u>677</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.

### Deferred tax liabilities

The movement on the deferred tax account is shown below:

	2010 £'000	2011 £'000	2012 £'000
Deferred tax liability at start of year	1,411	1,057	1,025
(Credit)/charge to income statement	(354)	(32)	(354)
Deferred tax liability at 31 March	<u>1,057</u>	<u>1,025</u>	<u>671</u>
Deferred tax liability expected to unwind within one year	213	242	208
Deferred tax liability expected to unwind after one year	844	783	463
	<u>1,057</u>	<u>1,025</u>	<u>671</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.

	2010		Credit/ (Charged)
<i>Origination and reversal of temporary differences</i>	<i>Deferred tax asset</i>	<i>Deferred tax liability</i>	<i>to income statement</i>
	£'000	£'000	£'000
Trading losses	501	–	(230)
On acquired intangibles	–	1,057	301
	<u>501</u>	<u>1,057</u>	<u>71</u>

## 16. DEFERRED TAX *(continued)*

	2011		Credit/ (Charged)
<i>Origination and reversal of temporary differences</i>	<i>Deferred tax asset</i>	<i>Deferred tax liability</i>	<i>to income statement</i>
Trading losses	353	–	(148)
On acquired intangibles	–	1,025	32
	<u>353</u>	<u>1,025</u>	<u>(116)</u>

	2012		Credit/ (Charged)
<i>Origination and reversal of temporary differences</i>	<i>Deferred tax asset</i>	<i>Deferred tax liability</i>	<i>to income statement</i>
Trading losses	677	–	324
On acquired intangibles	–	671	354
	<u>677</u>	<u>671</u>	<u>678</u>

## 17. OPERATING LEASE COMMITMENTS

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

	2010 £'000	2011 £'000	2012 £'000
Within one year	289	247	452
Later than one year and less than five years	497	343	435
After five years	–	–	–
	<u>786</u>	<u>590</u>	<u>887</u>

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

	2010 £'000	2011 £'000	2012 £'000
Within one year	–	30	32
Later than one year and less than five years	–	104	80
After five years	–	–	–
	<u>–</u>	<u>134</u>	<u>112</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.

## 18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

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 discounted financial liabilities are as follows:

	2010 £'000	2011 £'000	2012 £'000
<b>Trade and other payables</b>			
Trade payables	3,021	2,131	1,716
Payables to other Redstone Group entities	5,689	6,291	7,478
	<u>8,710</u>	<u>8,422</u>	<u>9,194</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.

	2010 £'000	2011 £'000	2012 £'000
In less than one year	8,491	8,422	9,194
	<u>8,491</u>	<u>8,422</u>	<u>9,194</u>

### Counterparty credit risk

The Group's financial assets are as follows:

	2010 £'000	2011 £'000	2012 £'000
Cash and cash equivalents	1,900	1,239	941
Trade and other receivables			
Trade receivables	4,407	2,286	2,515
Receivables due from Redstone Group entities	4,237	3,887	4,497
	<u>10,544</u>	<u>7,412</u>	<u>7,953</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 2010, 2011 and 2012 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.

## 18. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(continued)*

### 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. BUSINESS COMBINATIONS

On 8 November 2010 the Redstone Group acquired 100 per cent. of the share capital of Fujin Systems Limited for a total consideration of £2,900,000. The consideration was satisfied by £400,000 in cash and deferred consideration of a maximum of £2,500,000 payable partly in cash (£500,000) and the balance (£2,000,000) by the issue of shares in the Redstone Group. The deferred consideration was paid on 31 October 2011 through the achievement of a profit target of £564,000 for the year ending 31 October 2011. The fair value of the net assets acquired by Redstone Group and the associated details of the purchase consideration are set out below;

	<i>Fair value to Redstone Group £'000</i>
Computer equipment and software	14
Stock	20
Trade and other receivables	371
Borrowings	(240)
Trade and other payables	(48)
Deferred Income	(200)
Deferred tax liability	(196)
Intangible assets	700
	<hr/>
	421
	<hr/>
Fair value of net assets	421
Goodwill	2,479
	<hr/>
<b>Total purchase consideration</b>	<b>2,900</b>
	<hr/>
<b>Purchase consideration</b>	
	<i>£'000</i>
Cash Paid	400
Deferred consideration:	
payable in cash	500
payable with equity	2,000
	<hr/>
<b>Total purchase consideration</b>	<b>2,900</b>
	<hr/>

On acquisition the Redstone Group's Directors assessed the business acquired to identify any intangible assets. Customer contracts and related relationships met the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset

## 19. BUSINESS COMBINATIONS *(continued)*

would be exchanged between knowledgeable and willing parties in an arm's length transaction. The identifiable intangible assets and related deferred tax liability are as follows:

	<i>£'000</i>
Customer contracts and related relationships	700
Deferred tax liability	(196)
	<hr/>

As described in note one, the proportion of the Fujin trading result and assets and liabilities associated with the network based managed services business which is being demerged have been recognised in the combined historical financial information from the date of acquisition. The associated goodwill (£2,479,000) and identifiable intangible assets (£700,000) have all been recognised in the Group's combined historical financial information, as based on an assessment by the Directors of the Group all of the goodwill and intangible assets recognised on acquisition are associated with the Fujin business that has been demerged. As a consequence the deferred tax liability associated with the recognition of the intangible assets has also been recognised in this combined historical financial information. The net impact of the transaction (£3,179,000) has been recognised within net invested capital as an effective contribution from the Redstone Group.

## 20. DISCONTINUED OPERATIONS

During the year ended 31 March 2011 the Group sold the Redstone Managed Security business which was historically part of RMS. The impact on the results is highlighted below.

	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
Revenue	9,220	3,679
Cost of sales	(5,748)	(3,733)
<b>Gross profit</b>	<hr/> 3,472	<hr/> (54)
Administrative expenses	(3,409)	(3,333)
<b>Profit/(loss) before taxation</b>	<hr/> 63	<hr/> (3,387)
Income tax expense	–	–
<b>Profit/(loss) on operations discontinued</b>	<hr/> 63	<hr/> (3,387)
Loss on disposal of discontinued operation	–	(680)
<b>Profit/(loss) from discontinued operation</b>	<hr/> <hr/> 63	<hr/> <hr/> (4,067)

The loss on disposal is made up as follows:

	<i>£'000</i>
Net assets at disposal	
Non-current assets	553
Current assets	1,149
Current liabilities	(887)
	<hr/> 815
Sale proceeds	(135)
<b>Loss on disposal of discontinued operation</b>	<hr/> <hr/> 680

## 21. RELATED PARTY TRANSACTIONS

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

The following balances are outstanding with related parties at 31 March 2010, 2011 and 2012:

	2010 £'000	2011 £'000	2012 £'000
Receivables due from Redstone Group entities	4,237	3,887	4,497
Payables to Redstone Group entities	(5,689)	(6,291)	(7,478)

During 2012, the net cash inflows from transactions with Redstone Group entities were £577,000 (2011: inflow £952,000; 2010: inflow £2,636,000).

### Other

The acquisition of Fujin Systems Limited in the year ended 31 March 2011 is classified as a related party transaction as Ian Smith, Executive Chairman, and Tony Weaver, Chief Executive, were each interested in approximately 21 per cent. of the ordinary share capital of Fujin and are also Directors and shareholders of Redstone plc. The other Directors of Redstone plc at the time of the transaction, being Peter Hallett, David Payne and Richard Ramsay, after consultation with finnCap Ltd, the Nominated Financial Adviser, considers that the terms of the transaction are fair and reasonable insofar as the shareholders of Redstone plc are concerned. Each of these Directors are also Directors of Redcentric plc.

## 22. EVENTS AFTER THE BALANCE SHEET DATE

On 22 March 2013 the businesses comprising the Redstone Demerged Business were acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone plc for 99 shares in Redcentric Holdings Limited with an attributed value of £0.5 million issued in consideration.

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone plc by way of a dividend *in specie* to Redcentric plc.

Following the demerger of Redcentric Holdings Limited from Redstone plc, Redcentric plc 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 business, including the Redstone Demerged Business, by Redstone plc to Redcentric Holdings Limited.

**PART IV**

**UNAUDITED INTERIM FINANCIAL INFORMATION**  
**RELATING TO THE GROUP**

**PART A**  
**Redcentric MS Limited**  
*(formerly Maxima Managed Services Limited)*

**Consolidated Historical Information**  
**for the five months ended 31 October 2011 and 31 October 2012**

**CONSOLIDATED INCOME STATEMENT**

**For the five months ended 31 October 2011 and 2012**

	<i>Unaudited Five months ended 31 October 2011 £'000</i>	<i>Unaudited Five months ended 31 October 2012 £'000</i>
Revenue	10,067	10,505
Cost of sales	(4,696)	(5,676)
<b>Gross profit</b>	<u>5,371</u>	<u>4,829</u>
Exceptional Administrative expenses	(24)	–
Other Administrative expenses	(5,473)	(4,768)
Administrative expenses	<u>(5,497)</u>	<u>(4,768)</u>
<b>Operating (loss)/profit</b>	<u>(126)</u>	<u>61</u>
Finance income	<u>3</u>	<u>–</u>
<b>Profit/(loss) before taxation</b>	(123)	61
Taxation	<u>–</u>	<u>–</u>
<b>Profit/(loss) for the year</b>	<u>(123)</u>	<u>61</u>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the five months ended 31 October 2011 and 2012

	<i>Unaudited Five months ended 31 October 2011 £'000</i>	<i>Unaudited Five months ended 31 October 2012 £'000</i>
<b>(Loss)/Profit for the period</b>	(123)	61
<i>Other comprehensive income</i>		
– Currency translation differences	7	5
<b>Total other comprehensive income/(expense)</b>	<u>7</u>	<u>5</u>
<b>Total comprehensive income/(expense) for the year</b>	<u>116</u>	<u>66</u>

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

**CONSOLIDATED BALANCE SHEET**

As at 31 May 2012 and 31 October 2012

	<i>Audited</i> <i>31 May</i> <i>2012</i> <i>£'000</i>	<i>Unaudited</i> <i>31 October</i> <i>2012</i> <i>£'000</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	382	287
<b>Total non-current assets</b>	<u>382</u>	<u>287</u>
<b>Current assets</b>		
Inventories	113	27
Trade and other receivables	8,641	5,707
Corporation tax recoverable	158	–
Cash and cash equivalents	51	103
<b>Total current assets</b>	<u>8,805</u>	<u>5,837</u>
<b>Total assets</b>	<u>9,187</u>	<u>6,124</u>
<b>Equity</b>		
Share capital	–	–
Share premium	4	4
Accumulated loss	(3,101)	(3,023)
<b>Total equity</b>	<u>(3,097)</u>	<u>(3,019)</u>
<b>Non-current liabilities</b>		
Provisions	35	35
<b>Total non-current liabilities</b>	<u>35</u>	<u>35</u>
<b>Current liabilities</b>		
Trade and other payables	12,130	8,656
Borrowings	79	412
Provisions	40	40
Total current liabilities	<u>12,249</u>	<u>9,108</u>
<b>Total liabilities</b>	<u>12,284</u>	<u>9,143</u>
<b>Total equity and liabilities</b>	<u>9,187</u>	<u>6,124</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2012 and five months ended 31 October 2012

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Accumulated loss £'000</i>	<i>Total equity £'000</i>
<b>Balance at 31 May 2011</b>		–	4	(2,258)	(2,254)
Loss for the year		–	–	(658)	(658)
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	(20)	(20)
Total comprehensive expense		–	–	(678)	(678)
<i>Transactions with shareholders:</i>					
Share based payments	23	–	–	(165)	(165)
<b>Balance at 31 May 2012</b>		–	4	(3,101)	(3,097)
Loss for the period		–	–	61	61
<i>Other comprehensive income:</i>					
Currency translation differences		–	–	5	5
Total comprehensive expense		–	–	66	66
<i>Transactions with shareholders:</i>					
Share based payments	23	–	–	12	12
<b>Balance at 31 October 2012</b>		–	4	(3,023)	(3,019)

## CONSOLIDATED CASH FLOW STATEMENT

For the five month period ended 31 October 2011 and 2012

	<i>Unaudited Five months ended 31 October 2011 £'000</i>	<i>Unaudited Five months ended 31 October 2012 £'000</i>
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(123)	61
Adjustments for:		
Depreciation and loss on disposal	172	105
Finance income	(3)	–
Share based payment – non cash movement	(69)	12
Changes in working capital:		
Decrease/(increase) in inventories	(354)	85
Decrease/(increase) in trade and other receivables	797	1,370
(Decrease)/increase in trade and other payables	(2,758)	(1,838)
Cash generated from operations	(2,338)	(205)
Tax paid	211	–
Net cash inflow from operating activities	(2,127)	(205)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(81)	(10)
Interest received	3	–
Net cash outflow from investing activities	(78)	(10)
<b>Cash flows from financing activities</b>		
Repayment of borrowings	–	(5)
Net transactions with Maxima Group	1,575	(71)
Net cash inflow/(outflow) from financing activities	1,575	(76)
<b>Net decrease in cash and cash equivalents</b>	(630)	(291)
Cash and cash equivalents at beginning of period	93	(23)
Impact of foreign exchange	8	5
<b>Cash and cash equivalents at 31 October</b>	(529)	(309)

## NOTES TO THE HALF-YEARLY FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The condensed consolidated historical financial information contained in this report presents the financial track record for the five month period ended 31 October 2012 (the “Interim Period”) of Redcentric MS Limited (formerly Maxima Managed Services Limited) and its subsidiaries (together the “MMS Group”). The MMS Group has been wholly owned by Redstone plc (“Redstone”) since 9 November 2012 following the acquisition by Redstone of Maxima Holdings Plc, the MMS Group’s immediate parent undertaking. Previously, and throughout the periods presented, the MMS Group was owned by Maxima Holdings plc (together with its subsidiaries, the “Maxima Group”). On 8 April 2013 the MMS Group was demerged from Redstone plc by way of a dividend *in specie* to Redcentric plc.

The MMS 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.

### 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated historical financial information for the six months ended 31 October 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, ‘Interim financial reporting’, as adopted by the European Union together with the basis on which the consolidated historical financial information has been prepared for the three years ended 31 May 2010, 31 May 2011 and 31 May 2012. The condensed consolidated historical financial information should be read in conjunction with the consolidated historical financial information for the three years ended 31 May 2010, 31 May 2011 and 31 May 2012.

The accounting policies and basis of preparation adopted are consistent with those of combined historical financial information for the years ended 31 May 2010, 31 May 2011 and 31 May 2012, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined historical financial information for the years ended May 2010, 31 May 2011 and 31 May 2012.

### 4. SEGMENT REPORTING & ADJUSTED EBITDA

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.

#### 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:

	<i>Unaudited</i> <i>Five months</i> <i>ended</i> <i>31 October</i> <i>2011</i> <i>£'000</i>	<i>Unaudited</i> <i>Five months</i> <i>ended</i> <i>31 October</i> <i>2012</i> <i>£'000</i>
Adjusted EBITDA	70	166
Depreciation	(172)	(105)
Exceptional items	(24)	–
Operating profit/(loss)	<u>(126)</u>	<u>61</u>

## 5. EXCEPTIONAL ITEMS

In accordance with the Group's policy of integration and strategic costs the following charges/(credits) were incurred:

	<i>Unaudited</i> <i>Five months</i> <i>ended</i> <i>31 October</i> <i>2011</i> <i>£'000</i>	<i>Unaudited</i> <i>Five months</i> <i>ended</i> <i>31 October</i> <i>2012</i> <i>£'000</i>
Costs of integration:		
Staff redundancy costs and compromise agreements	24	–
	<u>24</u>	<u>–</u>

## 6. SUBSEQUENT EVENTS

On 9 November 2012 Redstone plc acquired Maxima Holdings Plc, the MMS Group's immediate parent undertaking. Previously, and throughout the periods presented, the MMS Group was owned by Maxima Holdings plc.

On 22 March 2013 the MMS Group was acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone plc for a deferred cash consideration of £11.4 million (subject to adjustment).

On 22 March 2013 the MMS Group acquired the Network Managed Services business of Redstone Converged Solutions Limited for a deferred cash consideration of £1.3 million (subject to adjustment).

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone plc by way of a dividend *in specie* to Redcentric plc.

Following the demerger of Redcentric Holdings Limited from Redstone plc, Redcentric plc 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 Senior Revolving Credit Facility to satisfy the consideration obligations arising from the disposal of the business, including the MMS Group, by Redstone plc to Redcentric Holdings Limited.

**PART B**  
**Redstone Demerged Business**

**Consolidated Historical Information**  
**for the six months ended 30 September 2011 and 30 September 2012**

**COMBINED INCOME STATEMENT**

**For the 6 months ended 30 September 2011 and 2012**

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i>
<i>Note</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
<b>Continuing operations</b>		
Revenue	8,847	8,030
Cost of sales	(4,339)	(4,115)
	<hr/>	<hr/>
<b>Gross profit</b>	4,508	3,915
Selling and distribution expenses	(566)	(709)
Exceptional administrative expenses	5 (338)	(81)
Other administrative expenses	(3,295)	(2,982)
	<hr/>	<hr/>
Administrative expenses and exceptional items	(3,633)	(3,063)
	<hr/>	<hr/>
<b>Operating profit</b>	309	143
Net Finance costs	–	(8)
	<hr/>	<hr/>
<b>Profit before taxation</b>	309	135
Taxation	320	5
	<hr/>	<hr/>
<b>Profit for the year from continuing operations</b>	<hr/> <b>629</b>	<hr/> <b>140</b>

## COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 September 2011 and 2012

	<i>Unaudited Six months ended 30 September 2011 £'000</i>	<i>Unaudited Six months ended 30 September 2012 £'000</i>
<b>Profit for the year</b>	629	140
<b>Total comprehensive income</b>	<u>629</u>	<u>140</u>

## CONSOLIDATED BALANCE SHEET

	<i>Audited</i>	<i>Unaudited</i>
	<i>31 March</i>	<i>Six months</i>
	<i>2012</i>	<i>ended</i>
	<i>£'000</i>	<i>30 September</i>
		<i>2012</i>
		<i>£'000</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	11,185	10,751
Property, plant and equipment	7,528	7,756
Deferred taxation asset	677	578
<b>Total non-current assets</b>	<u>19,390</u>	<u>19,085</u>
<b>Current assets</b>		
Inventories	285	343
Trade and other receivables	9,932	9,319
Cash and cash equivalents	941	1,109
<b>Total current assets</b>	<u>11,158</u>	<u>10,771</u>
<b>Total assets</b>	<u>30,548</u>	<u>29,856</u>
<b>Equity</b>		
Invested capital	13,996	14,136
<b>Total equity</b>	<u>13,996</u>	<u>14,136</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	15,748	14,888
Borrowings	–	52
<b>Total current liabilities</b>	<u>15,748</u>	<u>14,940</u>
<b>Non-current liabilities</b>		
Provisions	133	133
Borrowings	–	79
Deferred tax liability	671	568
<b>Total non-current liabilities</b>	<u>804</u>	<u>780</u>
<b>Total liabilities</b>	<u>16,552</u>	<u>15,720</u>
<b>Total equity and liabilities</b>	<u>30,548</u>	<u>29,856</u>

## COMBINED STATEMENT OF CHANGES IN INVESTED CAPITAL

For the 6 months ended 30 September 2011 and 2012

	<i>Unaudited Six months ended 30 September 2011 £'000</i>	<i>Unaudited Six months ended 30 September 2012 £'000</i>
<b>Balance at 1 April</b>	12,709	13,996
Profit/(loss) for the year	629	140
<b>Balance as at 30 September</b>	<u>13,338</u>	<u>14,136</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the 6 months ended 30 September 2011 and 2012**

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2011</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2012</i> <i>£'000</i>
<b>Cash flows from operating activities</b>		
Profit before taxation	309	135
Adjustments for:		
Depreciation and impairment	273	423
Amortisation	435	434
Finance costs	–	8
	<u>1,017</u>	<u>1,000</u>
Changes in working capital:		
Increase in inventories	71	(58)
Decrease in trade and other receivables	(1,805)	468
Decrease/(increase) in trade and other payables	608	(262)
Cash generated from operations	<u>(109)</u>	<u>1,148</u>
Interest paid	–	(8)
Net cash inflow from operating activities	<u>(109)</u>	<u>1,140</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(151)	(653)
Proceeds from the sale of property, plant and equipment	–	1
Net cash outflow from investing activities	<u>(151)</u>	<u>(652)</u>
<b>Cash flows from financing activities</b>		
Net transactions with Redstone Group	(660)	(453)
Increase in Borrowings	–	135
Repayment of Borrowings	–	(2)
Net cash outflow from financing activities	<u>(660)</u>	<u>(320)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(920)</u>	<u>168</u>
Cash and cash equivalents at beginning of year	<u>1,239</u>	<u>941</u>
<b>Cash and cash equivalents at 30 September</b>	<u>319</u>	<u>1,109</u>

## **NOTES TO THE HALF-YEARLY FINANCIAL INFORMATION**

### **1. GENERAL INFORMATION**

The condensed combined historical financial information contained in this report presents the financial track record for the six month period ended 30 September 2012 (the “Interim Period”) of those businesses that will be owned by Redcentric plc and its subsidiary undertaking Redcentric Holdings Limited (together the “Redstone Demerged Business), at the date of the admission of the shares of Redcentric plc on to the AIM market operated by the London Stock Exchange, which were controlled by Redstone plc (“Redstone”, together with its subsidiary undertakings, the “Redstone Group”) during the Interim Period.

The Redstone Demerged Business comprises:

- Redcentric Managed Solutions (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.

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.

### **2. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The condensed combined historical financial information for the six months ended 30 September 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, ‘Interim financial reporting’, as adopted by the European Union together with the basis on which the combined historical financial information has been prepared for the three years ended 31 March 2010, 31 March 2011 and 31 March 2012. The condensed combined historical financial information should be read in conjunction with the combined historical financial information for the three years ended 31 March 2010, 31 March 2011 and 31 March 2012.

The accounting policies and basis of preparation adopted are consistent with those of combined historical financial information for the years ended 31 March 2010, 31 March 2011 and 31 March 2012, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined historical financial information for the years ended 31 March 2010, 31 March 2011 and 31 March 2012.

### **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.

#### 4. SEGMENT REPORTING (continued)

No single customer represented 10 per cent. or more of the Group's revenues in any of the periods ended 30 September 2011 or 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:

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2011</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2012</i> <i>£'000</i>
Adjusted EBITDA	1,354	1,080
Depreciation	(273)	(423)
Amortisation	(435)	(434)
Exceptional items	(338)	(81)
Operating profit	<u>308</u>	<u>142</u>

#### 5. EXCEPTIONAL ITEMS

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2011</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 September</i> <i>2012</i> <i>£'000</i>
Costs of integration:		
Staff redundancy costs and compromise agreements	186	28
Staff costs incurred up to the date of termination	129	–
Other costs	18	57
Other strategic costs:		
Aborted transaction costs	5	–
Occupancy costs	–	(4)
	<u>338</u>	<u>81</u>

#### 6. SUBSEQUENT EVENTS

On 22 March 2013 the businesses comprising the Redstone Demerged Business were acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone plc for 99 shares in Redcentric Holdings Limited with an attributed value of £0.5 million issued in consideration.

On 8 April 2013 Redcentric Holdings Limited was demerged from Redstone plc by way of a dividend *in specie* to Redcentric plc.

Following the demerger of Redcentric Holdings Limited from Redstone plc, Redcentric plc 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 business, including the Redstone Demerged Business, by Redstone plc to Redcentric Holdings Limited.

## PART V

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 6 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, 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 for and obtained its certificate to commence trading.

2.2 The liability of the members of the Company is limited.

2.3 On Admission, the Company's principal activity is that of a holding company whilst the principal activities of its wholly owned subsidiaries will be as follows:

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

2.4 The principal legislation under which the Company operates is the Act and the regulations made there under.

2.5 The Company's registered office is at Newton House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ. The telephone number of the Company is 0845 034 1111.

2.6 The accounting reference date of the Company is 31 March and will remain so on Admission.

#### 3. SHARE CAPITAL

3.1 The Company's 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 Registrars 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, 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 (as an ordinary resolution in the case of resolution 1 and as a special resolution in the case of resolution 2):

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 preference 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 as special 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
    - 2.2 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 £27,984,600 (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 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;
  - 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 to 0.1 pence 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 As at 17 April 2013 (the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

	<i>Number</i>	<i>Nominal Value (£)</i>
<b>Issued and Fully Paid</b>		
Ordinary Shares	62,368,247	62,368.247
<b>Issued and Not Fully Paid</b>		
Redeemable Shares	50,000	50,000 (one quarter paid up)

- 3.16 The issued share capital of the Company immediately following Admission, assuming that none of the outstanding Options are exercised, will be as follows:

	<i>Number</i>	<i>Nominal Value (£)</i>
<b>Issued and Fully Paid</b>		
Ordinary Shares	62,368,247	62,368.247
<b>Issued and Not Fully Paid</b>		
Redeemable Shares	50,000	50,000 (one quarter paid up)

- 3.17 On 18 April 2013 the following Options were granted over a total of 4,474,125 Ordinary Shares representing approximately 7.17 per cent. of the issued ordinary share capital on Admission. 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 replace 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.

- 3.18 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.
- 3.19 The Company has not issued any convertible loan notes.
- 3.20 Save as disclosed in paragraphs 3.17 and 3.19 above:
- 3.20.1 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
- 3.20.2 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.
- 3.21 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 share capital of the Company to the extent not disapplied by a special resolution of the Company.
- 3.22 The Ordinary 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 no Shareholders in the Company enjoy different or enhanced voting rights.

- 3.23 The Company had one ordinary share of 1 penny in issue on incorporation and 62,368,247 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.
- 3.24 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.
- 3.25 The International Security Identification Number for the Ordinary Shares to be admitted to trading on AIM is GB00B7TW1V39.
- 3.26 Save for the issue of up to 4,474,125 Ordinary Shares to option holders referred to in paragraph 3.17 above and the proposed issue of the Warrants referred to in paragraph 3.18 above, there is no present intention to issue any of the authorised but unissued share capital of the Company and there are no agreements or undertakings pursuant to which the Company has agreed to issue Ordinary Shares.

#### 4. SUBSIDIARY UNDERTAKINGS

- 4.1 The Company currently has five subsidiary undertakings, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Shareholder</i>	<i>per cent. of ownership interest</i>	<i>per cent. of voting power</i>
Redcentric Holdings	England and Wales	Holding company	The Company	100	100
Redcentric MS	England and Wales	Managed services	Redcentric Holdings	100	100
HCI Solutions	India	Managed services support	Redcentric MS	100	100
Hotchilli Internet	England and Wales	Dormant	Redcentric MS	100	100
Redcentric Managed Solutions	England and Wales	Managed services	Redcentric Holdings	100	100

#### 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 of the Act or, in default, may be convened by the members requisitioning such meeting in accordance with section 305 of 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 95 per 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 is 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 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*

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 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 Regulations.

### *Certificated shares*

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 in 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 the 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, 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, shall be disregarded.
- 5.13.6 The Company may by ordinary resolution (of which special notice has been given in accordance with section 312 of 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 of 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 paragraph the article described at 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 continuation 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; and
  - (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 it is 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 this the article described at 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 of the Act.

5.14.4 Save as provided in the article described at 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) of 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 5.15.2.

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 the Articles).

#### **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:***

- 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 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 Regulations).

## 6. DIRECTORS' AND OTHER INTERESTS

- 6.1 The interests of each of the Directors in the ordinary share capital of the Company (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 17 April 2013 (being the last date practicable prior to the publication of this document) are as set out below:

<i>Name</i>	<i>Number of Ordinary Shares as at the date of this document and on Admission</i>	<i>per cent. of the issued Ordinary Share Capital as at the date of this document and on Admission</i>	<i>Number of Options</i>
Richard Ramsay	43,515	0.07	–
Ian Smith and Tony Weaver*	8,561,608	13.73	1,692,988
David Payne	100,625	0.16	–
Fraser Fisher	90,556	0.15	857,143
Peter Hallett	262,500	0.42	1,923,994
<b>Total</b>	<u>9,058,804</u>	<u>14.53</u>	<u>4,474,125</u>

\* includes 7,936,608 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 ordinary 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 who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## 7. SUBSTANTIAL SHAREHOLDERS

- 7.1 As at 17 April 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 Ordinary Shares as at the date of this document and on Admission</i>	<i>per cent. of the issued Ordinary Share Capital as at the date of this document and on Admission</i>
Henderson Global Investors Limited	14,464,055	23.19
MXC Capital*	8,561,608	13.73
Kestrel Partners LLP	7,270,767	11.66
Legal and General Investments Stephens	4,925,689	7.90
Blackrock Investment Management	3,000,000	4.81
Hargreave Hale & Co	2,900,000	4.65
Zaphirou Zarifi Overseas Equities Inc	2,430,289	3.90
	1,885,000	3.02

\* 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 3.17, 3.18, 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	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 Limited Bealaw (2013) Limited Caltell Communications Limited Castleon 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 Fenfones Communications Limited Fujin Systems Limited Genesis Telecommunications Limited HIM Financial Services Limited Hotchilli Internet Limited Identa Limited IDN Telecom Limited Independent Digital Networks Limited Isomatrix UK Limited M2 Systems Limited Marcom Communications Limited Maxima Business Solutions Limited Maxima Holdings plc 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	Compass Telecom Limited Essential Network Solutions Limited Fenfones 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 Redcentric 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)	Redstone Telecom Holdings Limited Ringwood Group Limited 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 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 Limited M2 Systems Limited Mantin Capital Limited Marcom Communications Limited Mathian LLP Maxima Business Solutions Limited Maxima Holdings plc Maxima Information Group Limited Minerva Industrial Systems Limited MXC Capital Limited MXC Capital Listco plc MXC (CM) Limited Net Quest Solutions Limited QED Business Systems Limited Redcentric Holdings Limited Redcentric MS Limited Redcentric Managed Solutions Limited Redstone I4E 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 Norwood Adam Technical Services 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 Communications Limited 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 HCI Private Solutions Limited (India) Jetdrive Systems Limited Visor Properties Limited (Gibraltar)	Centric Networks Limited Moreland Limited
David Payne	Redstone plc	
Ian Smith	Fujin Systems Limited Grapple (Holdings) Limited Grapple Mobile Limited Mantin Capital Limited Mathian LLP Mathian (CM) Limited Maxima Holdings Limited MXC Capital Limited MXC Capital Litsco plc Redstone plc Redstone Converged Solutions Limited	ISpatial 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 Decorum Connect Limited Ezee Entertainment UK Limited FBHG Limited Fujin Nameco Limited Intrinsic Networks Limited Itheon Limited Matrix Network Solutions Limited MDMSI Limited Norwood Adam Technical Services Limited Storage Fusion Limited Red Squared Limited Posativ Limited VBHG Limited Xpolite IHC Limited Xpolite plc

8.2 Save as disclosed in paragraphs 8.3 to 8.4, 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 Broad 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.
- 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.
- 8.4 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.
- 8.5 Save as disclosed in this document, there are no actual or potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.
- 8.6 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 Weaver. Under the terms of the agreement, the Company agrees to engage Mathian and Mathian agrees to provide the services of Tony Weaver as an executive director and will ensure Tony Weaver 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 Weaver 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 Weaver 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 Weaver 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 of the Company 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 of the Company 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 Smith. 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 Smith 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 Smith 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 Smith 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 total aggregate remuneration payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the financial year ending 31 March 2014 is 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 223 employees.

It is anticipated that following Admission the Group will retain its current employee levels and will look to increase the level of employees in line with the anticipated growth of the Group.

### 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 Group companies (save for HCI Solutions) are at Newton House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ. HCI Solution’s 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.

### 13. MATERIAL CONTRACTS

13.1 The following are the only 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 An introduction agreement between the Company, the Directors and finnCap dated 18 April 2013 pursuant to which, conditional upon, among other things, Admission taking place by not later than 8.00 a.m. on 24 April 2013 (or such later date as the Company and finnCap may agree, being not later than 4.30 p.m. on 31 May 2013) finnCap has agreed, as agent for the Company to procure the admission to trading on AIM of the Company by way of an introduction.

The introduction agreement contains warranties and indemnities from the Company in favour of finnCap, in relation to, among other things, the accuracy of the information contained in this

document and the application for Admission as well as the working capital position of the Group, together with provisions which enable finnCap to terminate the introduction agreement in certain circumstances prior to Admission including circumstances where any of the warranties given by the Company are found to be untrue or inaccurate in any material respect.

Under the terms of the introduction agreement, the Company is to pay finnCap a fee of £80,000 plus VAT on Admission. The Company has also agreed to reimburse finnCap for all reasonable costs and expenses, including the fees of finnCap's legal and other professional advisers, incurred in connection with Admission.

13.1.2 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.

13.1.3 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. 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.

13.1.4 An engagement letter dated 18 April 2013 between finnCap and the Company under which finnCap has been appointed the Company's nominated adviser, financial adviser and exclusive broker for the purposes of the AIM Rules, conditional upon and with effect from Admission.

The Company has agreed to pay finnCap a fee of £35,000 (plus VAT where applicable) per annum. The Company has also agreed to reimburse finnCap for all reasonable costs and expenses, including without limitation the fees of finnCap's legal and other professional advisers, incurred in connection with the services provided by finnCap, provided that the Company will have the opportunity to pre-approve any single expense in excess of £500.

The engagement may be terminated by either party giving the other not less than one month's prior written notice, to expire not earlier than six months from the Admission Date. 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 in relation to, among other things, provision of information to and consultation with finnCap by the Company and compliance with applicable laws and regulations.

13.1.5 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 are transferred to the Company;

- (b) all other assets, including those relating to the Infrastructure Solutions Business, are retained by Redstone;
- (c) liabilities are allocated to, and assumed by, the Company to the extent that they relate to the Network-Based Managed Services business; and
- (d) liabilities are allocated to, and assumed by, Redstone to the extent that they relate to the Infrastructure Solutions Business.

Except as expressly set out in the Demerger Agreement, neither Redstone nor the Company made any representation or warranty in connection with the Demerger and reorganisation transactions preceding the Demerger.

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 the Demerger Effective Date pursuant to the Demerger Agreement.

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 13.1.7 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.

Redstone had the right to terminate the agreement in its absolute discretion by notice in writing to the Company at any time before the Demerger Effective Date, but Redstone did not exercise such right.

13.1.6 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.

13.1.7 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.

13.1.8 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 acquire 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 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 Pursuant to non-binding heads of terms dated 18 April 2013, which supersedes a previous agreement on more onerous terms, the Company has agreed to enter into a lease agreement in relation to Redcentric House, Banters Lane Trading Estate, Chelmsford, a 5,737 square feet property with 50 parking spaces, whereby the Company will pay 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 13.1.3.
- 14.6 On 12 February 2013, Redstone and the Company entered into the Demerger Agreement, further details of which can be found in paragraph 13.1.5
- 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 13.1.6.
- 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 13.1.7.

## **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 Ordinary Shares.

## **16. WORKING CAPITAL**

The Directors are of the opinion that, having made due and careful enquiry and taking into account existing facilities available to the Group, the 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 13.1.5 of this Part V.
- 17.2 There are no other principal investments of the Company that are in progress or that the Company has made since incorporation on which the Company has made any firm commitment.

## **18. INTELLECTUAL PROPERTY**

- 18.1 Save as disclosed below, the Company does not own or otherwise have any interest in any intellectual property rights and there are no intellectual property rights which are material to the Company's business.

- 18.2 The following domain names are currently owned by Claire Botha, Marketing Director of Redstone and Redcentric, but will be transferred to the Company as soon as practicable following Admission:

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

## **19. LEGAL AND ARBITRATION PROCEEDINGS**

- 19.1 There are no governmental, legal or arbitration proceedings in which the Company is involved or of which the Company is aware, pending or threatened by or against the Company 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 Redcentric Holdings, Redcentric Managed Solutions, Redcentric MS, Hotchilli Internet or HCI Solutions are involved or of which Redcentric Holdings, Redcentric Managed Solutions, Redcentric MS, Hotchilli Internet or HCI Solutions are aware, pending or threatened by or against Redcentric Holdings, Redcentric Managed Solutions, Redcentric MS, Hotchilli Internet or HCI Solutions which may have or have had in the past twelve months preceding the date of this document a significant effect on the financial position of Redcentric Holdings, Redcentric Managed Solutions, Redcentric MS, Hotchilli Internet or HCI Solutions.

## **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 21.4 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 will be 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**

21.2.3.1 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).

21.2.3.2 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.

- 21.2.3.3 No option may be granted later than ten years after the adoption of the Plan by the Company.
- 21.2.3.4 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***

21.2.6.1 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.

21.2.6.2 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.

21.2.6.3 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*

21.2.8.1 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).

21.2.8.2 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:

21.2.13.1 no such amendment shall adversely affect the rights of existing option holders unless they have approved such amendment; and

21.2.13.2 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 Takeover Code will apply to the Company from Admission. Under the Takeover 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 on Takeovers and Mergers) 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.

## 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. It would do so by sending a notice to outstanding shareholders telling them that it would compulsorily acquire their Ordinary Shares. Six weeks later, it 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 may 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 The following events have occurred in relation to the Group since the date to which the historical financial information set out in Parts III and IV of this document has been prepared in relation to Redcentric MS Limited (formerly Maxima Managed Services Limited) and the Redstone Demerged Business:

### 23.1.1 Maxima Managed Services Limited (“MMS Group”)

On 9 November 2012 Redstone acquired Maxima Holdings Plc, the MMS Group's immediate parent undertaking. Previously, and throughout the periods presented, the MMS Group was owned by Maxima Holdings plc.

On 22 March 2013 the MMS Group was acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone for a deferred cash consideration of £11.4 million (subject to adjustment).

On 22 March 2013 the MMS Group acquired the Network-Based Managed Services business of Redstone Converged Solutions Limited for a deferred cash consideration of £1.3 million (subject to adjustment).

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.

### **Redstone Demerged Business**

On 22 March 2013 the businesses comprising the Redstone Demerged Business were acquired by Redcentric Holdings Limited, a wholly owned subsidiary of Redstone plc for 99 ordinary shares in Redcentric Holdings Limited with an attributed value of £0.5 million issued in consideration.

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.

- 23.1.2 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 Save as disclosed in paragraph 23.1 above, there has been no significant change in the trading or financial position of:
- 23.2.1 the Company since its incorporation;
  - 23.2.2 Redcentric Holdings since its incorporation;
  - 23.2.3 Redcentric Managed Solutions since 30 September 2012 the date to which its most recent unaudited interim accounts have been drawn up;
  - 23.2.4 Redcentric MS (including HotChilli Internet and HCI Solutions) since 31 October 2012 the date to which its most recent unaudited interim accounts have been drawn up.

## **24. GENERAL**

- 24.1 The total expenses payable by the Company in connection with Admission (including those fees and commissions referred to in paragraph 13) are estimated to amount to approximately £500,000 (excluding VAT).
- 24.2 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 Admission 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 finnCap or for advising any such person in connection with Admission, this document or any matter, transaction or arrangement referred to in it.

- 24.3 finnCap is registered in England and Wales under company number 06198898 and its registered office is at 60 New Broad Street, London EC2M 1JJ.
- 24.4 The Company was incorporated on 11 February 2013 and has not prepared any financial statements at the date of the Admission Document. The Company will prepare its first financial statements at its first accounting reference date being 31 March 2014.
- 24.5 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.
- 24.6 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.
- 24.7 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.
- 24.8 Save as set out in this document, as far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 24.9 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.
- 24.9.1 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has (i) received, directly or indirectly, from the Group within the 12 months preceding the date of this document; or (ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group 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 Admission.
- 24.10 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.
- 24.11 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.
- 24.12 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 Group or which are likely to have a material effect on the 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 finnCap at 60 New Broad Street, London EC2M 1JJ.

**Dated: 18 April 2013**





