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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc (the “**London Stock Exchange**”) (“**AIM**”). This document does not constitute an offer or any part of an offer to the public within the meaning of sections 85 and 102B of the FSMA. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

**Application has been made for the New Ordinary Shares and the Existing Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 28 July 2014.**

**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 United Kingdom 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 has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 5 of this document, and the Company accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document should be read in its entirety. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part II of this document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group’s business, financial position and prospects should be viewed in light of these risk factors.



## **ULS TECHNOLOGY PLC**

*(incorporated and registered in England and Wales with registered number 07466574)*

**Placing of 11,536,250 New Ordinary Shares and 18,713,750 Sale Shares  
at 40 pence per Ordinary Share and Admission to trading on AIM**

***Nominated Advisor and Broker***  
**Numis Securities Limited**

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All of the Ordinary Shares, including the Placing Shares, will, upon Admission, rank equally in all respects, including the right to receive all dividends or other distributions thereafter declared, made or paid.

Numis Securities Limited, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority and is acting as nominated adviser and broker for the purposes of the AIM Rules for Companies exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to any other person for providing the protections afforded to customers of Numis Securities Limited, or for advising any other person on the contents of this document or any matter referred to herein. The responsibilities of Numis Securities Limited, as nominated adviser, are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person and accordingly no duty of care is accepted in relation to them. Numis Securities Limited has not authorised the contents of, or any part of, this document and no representation or warranty, express or implied, is made by Numis Securities Limited as to, and no liability whatsoever is accepted by Numis Securities Limited in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

**This document does not constitute an offer to issue or sell, or the solicitation of any offer to subscribe for or buy, any of the Ordinary Shares in any jurisdiction where it may be unlawful to make such offer or solicitation.** The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe such restrictions. Any such distribution outside the United Kingdom could result in a violation of the laws of such jurisdictions outside the United Kingdom. In particular, this document is not for distribution in or into the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and is not for distribution directly or indirectly to any US person. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (as amended) (the “**US Securities Act**”), or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of any province or territory of Canada or under the securities laws of Australia, Japan, the Republic of Ireland or the Republic of South Africa.

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

## **IMPORTANT NOTICE**

### **Forward Looking statements**

Certain statements in this document are “Forward Looking statements”. These Forward Looking statements are not based on historical facts but rather on the Directors’ expectations regarding the Company’s future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), planned expansion and business prospects and opportunities. Such Forward Looking statements reflect the Directors’ current beliefs and assumptions and are based on information currently available to the Directors. Forward Looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the Forward Looking statements, including risks associated with vulnerability to general economic market and business conditions, competition, environmental and other regulatory changes or actions by governmental authorities, the availability of capital, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond control of the Company. Although the Forward Looking statements contained in this document are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these Forward Looking statements.

### **Market and financial information**

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document. In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

In this document, references to “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

### **References to defined terms**

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading “Definitions”.

All times referred to in this document are, unless otherwise stated, references to London time.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	23 July 2014
Admission and dealings in the Ordinary Shares to commence on AIM	8.00 a.m. on 28 July 2014
CREST accounts credited with Placing Shares	8.00 a.m. on 28 July 2014
Despatch of definitive share certificates, where applicable	By 12 August 2014

Each of the times and dates in the above timetable is subject to change without further notice. References to all times are to London time.

## PLACING STATISTICS

Placing Price	40 pence
Number of Existing Ordinary Shares	53,191,625
Number of Existing Ordinary Shares to be sold pursuant to the Placing	18,713,750
Number of New Ordinary Shares be issued by the Company pursuant to the Placing	11,536,250
Total number of Placing Shares	30,250,000
Number of Ordinary Shares in issue following Admission	64,727,875
Gross funds raised pursuant to the Placing	£12,100,000
Estimated gross proceeds of the Placing receivable by the Company	£4,614,500
Estimated net proceeds of the Placing receivable by the Company	approximately £3.7 million
Percentage of the Enlarged Share Capital represented by the Placing Shares	46.7%
Market capitalisation, upon Admission, of the Company at the Placing Price	approximately £25.9 million
ISIN	GB00BNG8T458
SEDOL	BNG8T45
AIM symbol	ULS

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Peter Adam Ernest Opperman ( <i>Independent Non-Executive Chairman</i> ) Nigel Peter Hoath ( <i>Co-founder and Managing Director</i> ) John Sinclair Williams ( <i>Finance Director</i> ) Andrew John Weston ( <i>Co-founder and IT Director</i> ) Geoffrey (“Geoff”) Alan Wicks ( <i>Independent Non-Executive Director</i> )
<b>Registered Office</b>	The Old Grammar School Church Road Thame Oxfordshire OX9 3AJ
<b>Company Secretary</b>	John Williams
<b>Company website</b>	<a href="http://www.ulsgroup.com">www.ulsgroup.com</a>
<b>Nominated Adviser and Broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Legal advisers to the Company</b>	Dentons UKMEA LLP One Fleet Place London EC4M 7WS
<b>Legal advisers to the Nominated Adviser and Broker</b>	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH
<b>Auditors</b>	Baker Tilly UK Audit LLP Davidson House Forbury Square Reading Berkshire RG1 3EU
<b>Reporting Accountant</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Public relations adviser to the Company</b>	Walbrook PR Limited 4 Lombard Street London EC3V 9HD

## DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“ <b>2006 Act</b> ”	the Companies Act 2006, as amended
“ <b>Admission</b> ”	the admission of the issued and to be issued Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“ <b>AIM</b> ”	AIM, a market operated by the London Stock Exchange
“ <b>AIM Rules for Companies</b> ”	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time
“ <b>AIM Rules for Nominated Advisers</b> ”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time
“ <b>Articles</b> ”	the articles of association of the Company adopted by the Company conditional on Admission
“ <b>Board</b> ” or “ <b>Directors</b> ”	the directors of the Company, whose names are set out on page 5 of this document
“ <b>Business Day</b> ”	a day other than a Saturday, Sunday or other day when banks in the City of London, England are not generally open for business
“ <b>City Code</b> ”	the City Code on Takeovers and Mergers
“ <b>Company</b> ”	ULS Technology plc, a company incorporated under the laws of England and Wales
“ <b>Connected Persons</b> ”	connected persons as defined in section 252 of the 2006 Act
“ <b>CREST</b> ”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held or transferred in uncertificated form
“ <b>CREST Regulations</b> ”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
“ <b>Disclosure and Transparency Rules</b> ”	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of the FSMA, as amended from time to time
“ <b>EIS</b> ”	an Enterprise Investment Scheme for the purposes of Part 5 of the UK Income Tax Act 2007
“ <b>Enlarged Share Capital</b> ”	the entire issued Ordinary Share capital of the Company following Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“ <b>EU</b> ” or “ <b>European Union</b> ”	has the meaning given to it in Article 299(1) of the Establishing the European Economic Community Treaty, as amended by, among others, the Treaty on European Unity, the Treaty of Amsterdam and the Treaty of Lisbon
“ <b>Euroclear</b> ”	Euroclear UK & Ireland Limited

<b>“Existing Ordinary Shares”</b>	the 53,191,625 Ordinary Shares in issue as at the date of this document
<b>“Executive Directors”</b>	Nigel Hoath, John Williams and Andrew Weston
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“Group”</b>	the Company and its subsidiaries
<b>“HMRC”</b>	Her Majesty’s Revenue and Customs
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted for use in the European Union
<b>“LDC”</b>	Lloyds Development Capital
<b>“Lloyds”</b>	Lloyds Bank plc
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“New Ordinary Shares”</b>	the 11,536,250 new Ordinary Shares to be issued by the Company pursuant to the Placing
<b>“Nominated Adviser” or “Numis”</b>	Numis Securities Limited, the Company’s nominated adviser and broker
<b>“Non-Executive Directors”</b>	Peter Opperman and Geoff Wicks
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Ordinary Shares”</b>	ordinary shares of 0.4 pence each in the capital of the Company
<b>“Placee”</b>	subscribers or purchasers (as the case may be) for the Placing Shares, as procured by Numis on behalf of the Company pursuant to the Placing Agreement
<b>“Placing”</b>	the conditional placing by or on behalf of the Company of the New Ordinary Shares and by or on behalf of the Selling Shareholders of the Sale Shares pursuant to the terms of the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 23 July 2014 between the Company, Numis, the Selling Shareholders and the Directors, details of which are set out in paragraph 10.1 of Part IV of this document
<b>“Placing Price”</b>	40 pence per Ordinary Share
<b>“Placing Shares”</b>	the New Ordinary Shares and the Sale Shares
<b>“PRA”</b>	the Prudential Regulation Authority
<b>“Sale Shares”</b>	the 18,713,750 Existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing
<b>“Selling Shareholders”</b>	Nigel Hoath, Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Share Option Plan”</b>	the ULS Technology plc Enterprise Management Incentive and Non Tax-Advantaged Share Option Plan adopted by the Board conditional on Admission, further details of which are set out in paragraph 7 of Part IV of this document

<b>“ULS Limited”</b>	United Legal Services Limited, a company incorporated under the laws of England and Wales
<b>“UK Listing Authority”</b>	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
<b>“uncertificated” or “in uncertificated form”</b>	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“£”</b>	British pounds sterling, the legal currency of the United Kingdom
<b>“United States” or “US”</b>	the United States of America
<b>“VCT”</b>	a Venture Capital Trust, as defined in Part 6 of the Income Tax Act 2007
<b>“VCT Scheme”</b>	Venture Capital Trust Scheme under the provisions of Part 6 of the Income Tax Act 2007

## GLOSSARY

<b>“B2B”</b>	business-to-business
<b>“B2B2C”</b>	business-to-business-to-consumer
<b>“B2C”</b>	business-to-consumer
<b>“Gross Advances”</b>	the total value of residential mortgage loans advanced by societies, including loans for house purchase, further advances, re-mortgages etc.
<b>“SaaS”</b>	Software as a Service, a software delivery model whereby the software and all associated data is stored centrally by the software provider and accessed via the internet

## PART I

### INFORMATION ON THE GROUP

#### 1. Introduction

The Group's business was founded in 2003 and provides a SaaS online comparison service for residential conveyancing and related legal services and searches through its proprietary *eConveyancer* platform. The Group was one of the first providers in this market and the Directors believe that by being a first-mover, the Group has secured important relationships with both distributors and solicitors and stands to benefit from increasing demand for comparison services for residential conveyancing and related services, driven by factors including end customers wanting better value for money and distributors needing to demonstrate that they are treating their customers fairly.

The platform is fully automated and accessed online. This decreases the cost to the Group of each enquiry and enables it to service customers nationwide from a single office location. A fully automated service compares favourably to some of the Group's competitors, which the Directors believe still rely on a series of phone calls to their solicitor network to obtain quotes for customers, even when those enquiries originate via their websites.

The Group takes an active role in managing the service provided to end customers by the solicitors and search agents who receive appointments through the platform; this involves promoting excellence in service delivery by the Group's panel solicitors.

The value of the UK residential conveyancing market has been estimated to be approximately £1.6 billion, with the residential conveyancing market generating over 850,000 conveyancing transactions each year. Based on data collated from the Council of Mortgage Lenders' Regulated Mortgage Survey, the Group estimates that it has increased its market share of conveyancing completions (mortgages and re-mortgages only) from approximately 2.6 per cent. in the year ended 31 March 2012 to approximately 4.5 per cent. in the year ended 31 March 2014.

In 2011, the Group attracted investment from Lloyds Development Capital, a leading mid-market private equity house. This investment enabled the Group to accelerate the expansion of its operations and also to consolidate its long-standing relationship with Lloyds Bank plc.

The Group has a very successful track record of revenue and profit growth, and cash generation. Between 2011 and 2014, the Group grew revenue by 52 per cent. CAGR and EBITDA by 65 per cent. CAGR. In the year ended 31 March 2014, the Group converted 99 per cent. of EBITDA into operating cash flow. The Group maintains a negative net working capital position, which has historically increased in line with trading. The Group's business model allows for significant operational gearing as transaction volumes increase. The Group's revenue growth led to its inclusion in the Sunday Times Tech Track 100 in 2013.

The Group's strategy is to continue to increase its market share in the conveyancing market by increased use of the *eConveyancer* platform within its existing distribution network and by securing new distributors, particularly within the UK mortgage provider market. It will also continue to develop disruptive products in conjunction with existing B2B clients.

#### 2. History and Background

The business was co-founded by Nigel Hoath and Andrew Weston in 2003. In the same year, ULS Limited developed and launched the initial version of its proprietary *eConveyancer* platform, a web-based conveyancing service which enabled end customers to compare the cost, service and location of conveyancers.

In principle, the Group can generate two transactions for each housing transaction, working for both the buyer and the seller. The Group's transactions are predominantly focussed on buy-side and re-mortgages: approximately 49 per cent. of transactions are generated from buyers; approximately 43 per cent. from re-mortgages; and approximately seven per cent. and one per cent. respectively from sellers and transfers of equity.

Between 2003 and 2004, ULS Limited continued to develop the *eConveyancer* solution whilst focusing on marketing its platform to mortgage brokers who would be able to integrate ULS Limited's conveyancing capabilities as part of their services to clients. The Directors believe that, as a result of this focus, ULS Limited successfully launched *eConveyancer* in 2004 with Sesame, the financial adviser network. This was followed in 2006 by a launch with Openwork, the multi-tie mortgage and financial adviser network. These relationships allowed the company to drive increased volumes through the *eConveyancer* platform.

Between 2007 and 2008, three major UK financial institutions namely HBOS (now Lloyds), Legal and General, Yorkshire Building Society became clients of ULS Limited. ULS Limited also agreed contracts with Accord (the mortgage broker lending division of Yorkshire Building Society) in 2007 and Moneysupermarket.com in 2009.

ULS Limited expanded its product range in 2010 with the launch of its *eConveyancer Searches* platform. The *eConveyancer Searches* platform was developed for the purpose of facilitating the process of obtaining official records and searches, such as environmental searches, that are commonly required as part of the conveyancing process.

In 2011, ULS Limited attracted investment from LDC, a leading regional mid-market private equity house. This investment enabled the business to accelerate the expansion of its operations and also to consolidate its long-standing relationship with Lloyds. The Group underwent a corporate reorganisation in connection with the investment by LDC, with the Company being put in place as the new holding company of the Group. In the same year, Lloyds agreed to renew and extend arrangements for the provision of the Group's software services to its branches and to mortgage brokers via BM Solutions, a division of Lloyds. A five year contract was agreed with Lloyds at this time and the Group became providers of conveyancing services to Lloyds. On 25 June 2014, the Group signed a new contract with Lloyds to provide exclusive conveyancing services to Lloyds for a further four years. The commercial terms of the new contract are broadly similar to those of the 2011 contract.

The Group has experienced significant growth in the years between 2011 and 2014, with employee numbers increasing from 17 prior to the investment by LDC to a team of 53 in 2014 and the Group recording revenue growth from over £4 million in the year ended 31 March 2011 to over £16 million in the year ended 31 March 2014. The number of completions generated by the platform has increased significantly, from approximately 25,000 in the year ended 31 March 2012 to approximately 47,000 in the year ended 31 March 2014. In the year ended 31 March 2014, the Group estimates that approximately 82 per cent. of its growth in completions was driven by increased market share and approximately 18 per cent. by a recovery in the conveyancing market. In 2013, the Group's continued growth saw it included in the Sunday Times Tech Track 100. The Group has also diversified its business through the launch of standalone services which are complementary to the Group's existing products, including *ID Checks*, a web-based platform for solicitors to check their clients' identity; and *Lease Extensions*, a web-based tool for brokers and estate agents to help their clients extend their leases on residential properties.

### **3. Key Strengths**

The Directors believe that the Group has a number of key strengths that underpin the success of the business and its expected growth.

#### **First-mover advantage**

The Group was one of the first providers of online comparison services for residential conveyancing and related legal services, and the Directors believe that by being a first-mover, the Group has secured important relationships with both distributors and solicitors and stands to benefit from increasing demand for comparison services for residential conveyancing and related services, driven by factors including end customers wanting better value for money and regulated distributors needing to demonstrate that they are treating their customers fairly.

##### *(i) Long-standing distributor relationships*

The Group has long-term relationships with many of the major UK mortgage broker networks, and is used by over 7,500 individual mortgage brokers. The Group also has a four-year exclusive relationship with Lloyds Banking Group who use the *eConveyancer* platform both in-branch and encourage its use by mortgage brokers via their wholly-owned division, BM Solutions.

##### *(ii) Long-standing solicitor relationships*

The Group has long-term relationships with firms of solicitors across the UK, enabling it to provide both a "local" choice to potential end customers and a number of alternatives drawn from across the UK. As at the end of May 2014, the Group's solicitor pool consisted of more than 150 solicitor firms, many of whom were actively seeking instructions from end users via the *eConveyancer* platform. The Directors estimate that these firms represent approximately 15 per cent. of the market by volume.

The Directors believe that the combination of the Group's long-standing relationships with both distributors and solicitors has been a key factor behind the success of the *eConveyancer* platform. The Directors believe that as the number of end customers appointing conveyancers through the platform has increased, the platform has become an increasingly important source of conveyancing work for solicitors and attracted greater numbers of solicitors to the panel. The Directors believe that the ability of solicitors to compare their pricing against their competitors on the platform has led to lower pricing which (among other factors) has in turn attracted more end customers to the platform. The Directors believe that the platform will benefit from increasing pricing liquidity as more end customers and solicitors are attracted to the platform.

*(iii) Robust, award-winning IT infrastructure*

The Group has built and developed the *eConveyancer* platform over the last 11 years. During that time the Group has maintained a policy of continuous investment in both its software and hardware infrastructure. The platform has been designed to be functionally rich and deliver an excellent user experience, while maintaining high levels of reliability, scalability and security. The Group's servers are distributed across dual locations such that no single point of failure can affect availability of the platform. Automated failover and load balancing ensures that the platform's built-in redundancy is utilised both quickly when needed and to increase performance when not. The platform has been tested by IT consultants and developed through extensive use. In 2013, the Group received two consumer awards for its platform: "Your Mortgage – Best Legal Services Provider" for *eConveyancer* and "Moneyfacts – Best Conveyancing Legal Search Service" for *eConveyancer Searches*.

**Commitment to actively manage the platform**

The Group takes an active role in managing the service provided to end customers by the solicitors and search agents who receive appointments through the platform; this involves promoting excellence in service delivery by the Group's panel solicitors.

To increase pricing transparency and competitiveness, the Group provides analytics that allow solicitors to evaluate how competitive their pricing is, filtered by the nature of the appointment (Sale, Purchase, Remortgage). Solicitors may then choose to adjust their pricing.

To promote excellence in service delivery, the Group provides an online platform for end customers to track the progress of their transaction. If at any time they are unhappy with the service they are receiving from a solicitor they can log a concern online, which is sent both to the solicitor in question and the Group. The Group has a team of customer service managers that actively monitor any such concerns and follow up with solicitors to resolve these as quickly as possible. The Board believes that the Group's commitment to resolving customers' concerns quickly has been instrumental in securing the Group's high levels of customer satisfaction. The Group requests that distributors and end customers rate the service they have received from the solicitor working on their transaction at completion. The solicitor is rated out of five, and both the individual solicitor and their firm's average ratings are updated on the platform. Ratings for solicitors are visible to the solicitors themselves, other solicitors, distributors and end customers. In the last three years, customers have left approximately 42,000 ratings with an average rating of 4.3 out of 5. The Group monitors underperforming solicitors and removes consistently poor providers from the platform.

The Group also actively manages the workload of the solicitors on its panel. When a solicitor firm first joins the panel, the Group is careful to ensure they meet the expected service level before increasing the volume of conveyancing appointments they can be allocated. The maximum number of simultaneous appointments a solicitor firm can be awarded through the platform also depends on the number of solicitors within the firm that are dedicated to appointments secured through the platform.

**Fully automated online platform**

The Group's services are delivered via a SaaS model. The platform is fully automated and accessed online. This minimises the cost to the Group of each enquiry and enables it to service customers nationwide from a single office location. A fully automated service compares favourably to some of the Group's competitors, which the Directors believe still rely on a series of phone calls to their solicitor network to obtain quotes for customers, even when those enquiries originate via their websites.

The *eConveyancer* platform is hosted remotely on dedicated servers, with no proprietary software required to be installed on distributors' machines to allow them to access the platform, ensuring ease of access and use.

The platform is designed to assist distributors with their obligation to treat customers fairly and the use of automated selection algorithms also means that the Group can provide reassurance to its distributor network that all recommendations are on an arm's length basis.

### **Scalable platform**

The Group's *eConveyancer* platform is scalable to allow for increased transaction volume and the addition of new 'plug-in' modules to increase the range of services offered.

The ability to add new services in a modular manner reduces the investment required to increase the range of services offered on the platform, as well as the cost of on-going maintenance.

There is no theoretical limit to the number of simultaneous users that can access the *eConveyancer* platform at any one time or the number of transactions that can be monitored by the platform.

### **Able to adapt and enhance the platform quickly**

The Group has an in-house team of developers and often adapts and enhances the *eConveyancer* platform based on user feedback or to meet a particular client's requirements. In some instances, these enhancements are only enabled for that particular client, however, if the Group deems the enhancement to be of benefit to all users, it will be included in a system-wide upgrade. The Group's new *eConveyancer 2* platform has also been designed to be simpler to enhance.

### **Profitable growth with good cash generation and earnings visibility**

The Group has a successful track record of revenue and profit growth, and cash generation. Between 2011 and 2014, the Group grew revenue by 52 per cent. CAGR and EBITDA by 65 per cent. CAGR. The Group's revenue growth led to its inclusion in the Sunday Times Tech Track 100 in 2013. According to the Group's unaudited management accounts, revenues attributable to the Group's core conveyancing business grew from approx. £7,910,000 in FY2013 to approx. £11,816,000 in FY2014. The Group's data indicates that repeat business from existing distributors accounted for approx. £2,349,000 of this growth, generating (on average) 30 per cent. higher revenues than in FY2013; the remaining amount was driven by new distributors.

The Group has generated operating cash since 2011, increasing from £1.3 million in year ended 31 March 2012 to £2.9 million in the year ended 31 March 2014. In the year ended 31 March 2014, the Group converted 99 per cent. of EBITDA into operating cash flow. The Group maintains a negative net working capital position, which has historically increased in line with trading. Solicitors conducting conveyancing work are obliged to pay the Group within seven days of each transaction completing (apart from in the case of Accord, who are obliged to pay monthly). Payments in respect of searches conducted through the platform are collected weekly via direct debit following an order being made.

The Board has good visibility over the Group's expected financial performance three months in advance, in line with the duration of a typical conveyancing appointment. Revenue is only recognised once a case has completed.

### **Generates high margin incremental revenue from most conveyancing transactions**

The Group has benefitted from providing identification checks, land registry searches and local authority searches to the solicitors that win conveyancing appointments via the platform; as existing users of the platform, this is a captive audience for the Group. The Group estimates that approximately half of all completions generate search fees. The success of the Group's search offering has led to the development of a standalone search platform to be launched in 2015 that will be accessible to solicitors undertaking conveyancing work regardless of whether or not they are included on the Group's solicitor panel.

### **Operationally geared business model**

The Group's business model allows for significant operational gearing as transaction volumes increase. The Group has a small team of salesmen who are responsible for maintaining and building relationships with the distribution network, including broker networks and UK mortgage providers, and then it is the distributors that generate transaction volume through the platform. The Group's software development team is already well developed and the Directors do not believe it would need to scale-up in proportion to increased transaction volume. The Directors believe that the most significant additional demand on the Group is likely to be in relation to customer services. The customer services team is responsible for setting up solicitors on the panel, managing the panel and providing support to end customers. The Directors expect that a modest increase in compliance and operations staff may also be required as the Company grows.

#### 4. Market Overview

The UK mortgage market saw significant contraction during H2 2007 and 2008, with gross advances declining from £102 billion in Q3 2007 to £33 billion in Q1 2009. Gross advances were relatively stable between £30 and £40 billion until Q2 2013, when they rose sharply. As at Q1 2014, gross advances stood at £47 billion, still well below their pre-recession level. The number of UK residential property transactions has followed a similar trend. 443,000 residential property transactions completed in Q3 2007, declining to a low of 142,000 transactions in Q1 2009 and recovering to 266,000 transactions in Q1 2014 (a 30 per cent. increase compared to Q1 2013). The Group believes that there is potential for future growth, given that the volume of property transactions remain well below historic highs.

Solicitors' instructions in the residential conveyancing market have historically been generated from direct relationships between home buyers and solicitors, or ad-hoc referrals from real estate intermediaries such as estate agents and mortgage brokers. However, the Group believes that in recent years, an increasing number of instructions have been sourced from online conveyancing services and that this trend is likely to continue.

The Group believes that the key drivers of this structural growth trend are as follows:

##### *Increasing adoption by mortgage brokers of online conveyancing services*

Mortgage brokers and other intermediaries in the UK property market are making increasing use of online conveyancing platforms to offer clients a broad range of conveyancing service providers. The Group believes that online conveyancing platforms offer an attractive proposition for intermediaries by:

- (a) improving the intermediaries' range of services offered to their clients and assisting them in generating multiple sales from the client (i.e. mortgage, conveyancing and related services) in one sitting;
- (b) assisting intermediaries in demonstrating that they are in compliance with the regulatory principle of "treating customers fairly" by presenting clients with a broad range of options based on criteria specified by the user; and
- (c) reducing the time taken to complete the sales process, enhancing the intermediaries' return on investment.

In addition, the Group believes that lenders are becoming increasingly reliant on mortgage brokers to source business. According to Council of Mortgage Lenders data, in Q1 2013, approximately 51 per cent. of mortgage lending was originated from mortgage intermediaries, and Phil Rickards of BM Solutions speculated at The Buy to Let Market Forum in April 2014 that this percentage will rise to 65 per cent. by the end of 2014.

##### *Deregulation of legal services*

The Group believes that, in the context of an increasingly open and competitive conveyancing environment with well known consumer brands entering the market, consumers will be drawn to the broader view of the market and pricing offered by intermediaries such as mortgage brokers and by online comparison platforms. According to research conducted by the Legal Services Consumer Panel in 2012, there are signs of an on-going shift from consumers directly instructing solicitors towards accessing legal services through intermediaries. The Group believes that, on the basis of data from public opinion polls, approximately 60 per cent. of consumers would consider buying legal services from a range of consumer brands, and approximately 34 per cent. would choose a law firm offering online access over one without.

#### 5. Technology, Products and Services

The Group has been developing its technological products with the aim of delivering a scalable, state of the art technology platform to integrate supply and demand for legal and property services which allow the Group to seamlessly launch new services and features.

##### *Principal products and services*

The Group's principal products are as follows:

- (a) *eConveyancer* (including the Group's *BM Conveyancing* white label solution);
- (b) *eConveyancer Searches*;

- (c) *ID Checks*; and
- (d) *Lease Extensions*.

The Group's products operate on application platforms developed and managed by the Group's in-house teams. The application platforms each offer web-based user interfaces; authenticated login for introducers, service providers, consumers, service managers and other related parties, white-labelling support and web service interfaces for integration with partners. The application platforms share a number of components, including messaging, address management, document management and accounts management.

#### *eConveyancer and BM Conveyancing*

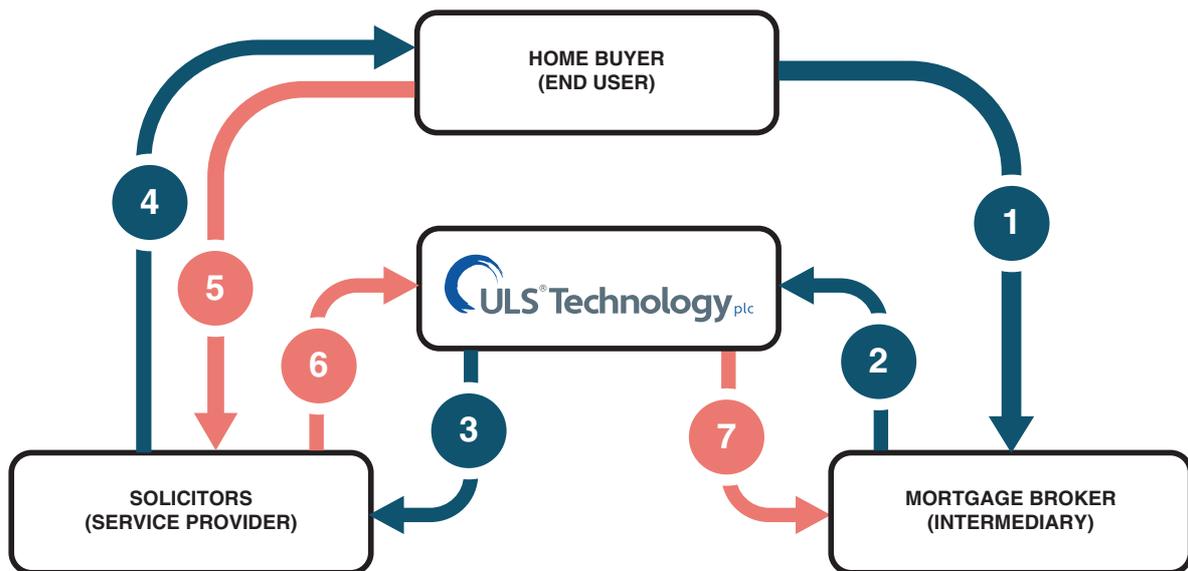
The *eConveyancer* product is a web-based conveyancing platform which allows intermediaries (such as mortgage brokers and independent financial advisers) and end-users to compare and access conveyancing services offered by solicitor firms registered with the Group's panel. The Group's unaudited management accounts show that the Group's online conveyancing business accounted for approximately 70 per cent. of the Group's revenue in the year to 31 March 2014, with the *eConveyancer* platform handling a monthly average of over 5,700 transactions in the year to 31 March 2014, up approximately 50 per cent. from the 3,800 average monthly transactions seen in the year to 31 March 2013.

The *eConveyancer* platform enables customers to obtain residential conveyancing quotations from solicitors based on information parameters specified by the customer, presenting the customer with a range of available firms sorted by distance, satisfaction rating and fees. An all-in quotation is generated upon the customer selecting a conveyancing firm (and, where, the customer does not have a will, a quote for a will is also generated). If the customer chooses to proceed, the platform then instructs the solicitor to conduct the conveyancing. A fee is payable to the Group by the solicitor on completion of the conveyancing. No fee is payable by the end customer to their solicitor should the conveyancing abort for any reason (note that the end customer still has to pay for disbursements for which a sum is typically paid to the solicitors on account at the start of the transaction).

Customers are introduced to the *eConveyancer* platform through a number of distribution channels. The most significant distribution channel by revenue has historically been through mortgage brokers, primarily via the Group's contractual arrangements with mortgage broker networks and indirectly through BM Solutions (via *BM Conveyancing*, a white label product based on the *eConveyancer* platform which BM Solutions actively markets to mortgage brokers). The Group offers access to its *eConveyancer* platform to mortgage brokers registered with a network, enabling them to provide their customers with a conveyancing search service which compares multiple solicitors based on a number of user-selected criteria. By providing a comparison service, the platform may also assist the mortgage brokers with their obligation to "treat customers fairly" under UK financial regulation. Other distribution channels include online portals (such as Moneysupermarket.com, the online price comparison website, and the Group's proprietary online portals) and branches of high street lenders such as Lloyds Bank, TSB Bank, Halifax and the Yorkshire Building Society. Mortgage brokers and other intermediaries who introduce customers to the Group's platform are typically paid a proportion of the fee received by the Group upon completion of the underlying transaction. Further details of the Group's distribution arrangements are set out at paragraph 6 below.

The Group offers its *eConveyancer* platform directly to distributors and customers both as an own-brand product and as a white-label product based on the same technology. The Group has entered into white label arrangements with distributors such as BM Solutions, a division of Lloyds, and Moneysupermarket.com, the price comparison website. The Group has entered into a number of service level agreements with these partners under which the Group is obliged to maintain a specified quality of service in respect of these arrangements.

The diagram below illustrates the operation of the platform in a typical conveyancing transaction.



1. A house buyer approaches a mortgage broker or other intermediary (e.g. Moneysupermarket.com) to obtain a mortgage.
2. The mortgage broker logs onto the ULS eConveyancer platform (or a white-labelled version of the same) to find a solicitor to carry out the conveyancing for which the mortgage is required.
3. If the house buyer is satisfied with a solicitor's indicative quotation, the house buyer or mortgage broker can use the eConveyancer platform to select a solicitor to carry out the conveyancing. Upon being selected, a notification is sent to the solicitor. The solicitor then sends its letter of engagement to the end user for counter-signature.
4. The solicitor executes the conveyancing and invoices the house buyer on the completion of the transaction.
5. The house buyer pays the solicitors invoice (normally as part of the completion monies in respect of the transaction) and the solicitor is paid typically circa. £600.
6. The solicitor then makes a payment of fees to the Group via the eConveyancer platform.
7. The Group remits a proportion of the payment to the mortgage broker or other intermediary.

The eConveyancer platform enables customers to track the progress of their transactions by accessing an online platform. Solicitors are able to access a similar version of the platform to provide customers with updates on whether key milestones have been met. The platform also includes functionality allowing customers to register concerns about a solicitor's handling of their transaction. The Group's customer support team actively monitors customers' concerns and works with panel solicitors to review and resolve these issues with a view to improving the services provided to end-users. The platform offers a satisfaction rating poll at the completion of the transaction which enables customers to rate the service received from the solicitor. This rating is visible to customers, distributors and solicitors.

The eConveyancer platform actively manages the case load of panel solicitors. The platform adjusts the volume of transactions allocated to solicitors based on their expected capacity and case load to mitigate the risk of poor or inconsistent service delivery to end users. The Group also uses analytics software to aggregate data received from the platform to provide solicitors with information on their price positioning and competitiveness within the platform.

The eConveyancer product operates on the Group's core eConveyancer 1 platform. eConveyancer 1 was built using a three-tier software architecture in ASP and VB.net and utilises a Microsoft SQL server back-end database. The Group also offers a tailored online conveyancing product named BM Conveyancing to BM Solutions. The BM Conveyancing platform is built from a branched version of the eConveyancer 1 codebase and the software architecture is substantially identical to eConveyancer 1.

### *eConveyancer Searches and ID Checks*

The *eConveyancer Searches* and *ID Checks* products facilitate the order and delivery of legal searches and ID checks. These products enable solicitors to order legal searches commonly required on a residential conveyancing transaction from a range of service providers partnered with the Group, along with identity checks on their clients through services provided by GB Group plc, the Group's preferred ID verification partner. Mortgage intermediaries are also able to utilise the product to obtain quotations for, and order, energy performance certificates ("EPCs").

Revenues are generated from each completed search. These fees are paid directly by the solicitors ordering the search and are payable whether or not any underlying transaction completes. According to the Group's unaudited management accounts, the Group's legal search revenues increased from approx. £81,000 in Q3 2010 to approx. £934,000 in Q1 2014, and the Group's ID check revenues increased from approx. £2,000 in Q3 2012 to approx. £74,000 in Q2 2014. The Group's legal search business accounted for approximately 24 per cent. of the Group's revenue in year ended 31 March 2014. The Group's internal data indicates that its legal searches business is strongly correlated with its online conveyancing business, allowing the Group to cross-sell its legal searches solution, and each £1 of online conveyancing revenues has historically generated approximately 30 pence in legal searches revenues (on an aggregated basis). The Group believes that it is able to continue to leverage its core conveyancing business to effectively cross-sell complementary solutions to customers.

*eConveyancer Searches* and *ID Checks* are operated on the Group's *eConveyancer Searches* platform, which is coded in VB.net and uses Microsoft SQL Server technology.

### *Lease Extensions*

The *Lease Extensions* product is targeted at estate agents, letting agents and mortgage brokers, its core functionality being to assist their clients with extending their residential leases. *Lease Extensions* allows customers to compare quotations from surveyors and solicitors based on price, distance or service, to instruct selected solicitors and surveyors and to monitor case progress through the Group's online portal. The Group also operates its own B2C website offering the *Lease Extensions* product directly to end users. Revenues are generated from each completed lease extension instruction. *Lease Extensions* operates as a separate independent application developed in-house by the Group. *Lease Extensions* accounted for less than one per cent. of total revenues in the Group's financial year ended 31 March 2014.

### *Other brands*

The Group also has in excess of one hundred white-label and own-brand B2B, B2C and B2B2C websites containing the Group's quotation and solicitor instruction functionality. The Group's own-brand B2C websites include the following:

- (a) *convey4u.com*, a B2C conveyancing price comparison website;
- (b) *epc4us.co.uk*, a B2C EPC website for residential and commercial property owners;
- (c) *increaseyourlease.co.uk*, a B2C lease extension price comparison website;
- (d) *iwillcompare.co.uk*, a B2C will price comparison website; and
- (e) *move4us.co.uk*, a B2C online estate agent website.

The Group operates a dedicated online portal for the full range of its own-brand services. Intermediaries and service providers can register and log-in to the portal, and law firms can use the portal to apply to join the Group's panel of solicitors. The portal is accessible to all of the Group's service providers and intermediaries, but is also accessible to end consumers through the Group's product-specific B2C websites (such as those listed above).

Revenues from these own-brand websites accounted for less than one per cent. of total revenues in the Group's financial year ended 31 March 2014. The Group also intends to launch new comparison services via the *eConveyancer* platform. Please refer to paragraph 11 of Part I of this document for further details.

### *Hardware infrastructure*

Where possible, the Group specifies, procures, configures and maintains all of its own hardware. The Group believes that maintaining in-house expertise in these areas allows it to develop faster creative solutions as well as enabling the Group to react quickly to rectify any existing or potential issues with its service offering. The Group is committed to adopting and maintaining a hardware architecture which is reliable, scalable and secure.

The Group's applications are hosted on virtual servers at third party data centres in Maidenhead and in Reading. To safeguard against business interruption, the hardware infrastructure of the Group has been designed to ensure that there is no single point of failure throughout its systems and that redundancies are available in the event of a catastrophic server failure. In the unlikely event of a total failure at one of the two data centres, each data centre

is capable of autonomously operating the Group's entire online operation. The Group also recognises the importance of adopting a highly scalable infrastructure and the Group's hardware architecture has been designed to support scaling primarily through the creation or replication of virtual servers through the Group's highly scalable virtualisation platform and storage devices.

The Group maintains a documented information security policy and conducts regular penetration tests using external agencies to identify potential vulnerabilities and eliminate them before they can be exploited.

#### *Product evolution and pipeline*

The Systems and Development department of the Group utilises more than 20 developers and IT specialists dedicated to maintaining and improving the functionality of the Group's products, developing new pipeline products and maintaining the networks, systems and frameworks that support the provision of the Group's services. During the two years ended 31 March 2014, the Group spent approximately £600,000 per year in capital expenditure related to the roll-out of improvements to the integrated technology platform for the Group's product suite and the development of new products.

*eConveyancer 2*, a new platform, is currently being developed by the Group. It is intended that *eConveyancer 2* will replace both *eConveyancer 1* and *BM Conveyancing* as the Group's core online conveyancing platform once all user groups have been migrated to the new platform. *eConveyancer 2* has a number of improved features and functionalities which the Group believes will offer an enhanced experience to customers.

The Group is in the process of developing *SearchHub*, a legal search platform intended to complement *eConveyancer Searches*. *SearchHub* is intended to be a standalone platform which, not being linked to the *eConveyancer* platform, can be utilised by all users (rather than just panel solicitors who already use *eConveyancer*). *SearchHub* is also intended to be launched with additional functionalities, including a new user interface/user experience designed to meet the information product needs of a conveyancing solicitor, a case-centric (rather than an order-centric) design, and access to an enhanced range of conveyancing searches.

The Group's new product pipeline includes a new comparison platform which is anticipated to go live in 2015. This will allow customers to compare estate agents in the United Kingdom based on factors such as commissions, sale prices achieved and quality of services. This new comparison platform builds upon the core technology used in the Group's *eConveyancer* platform and is intended to provide customers with an integrated and seamless approach to the delivery of comparison services for the UK estate agency market.

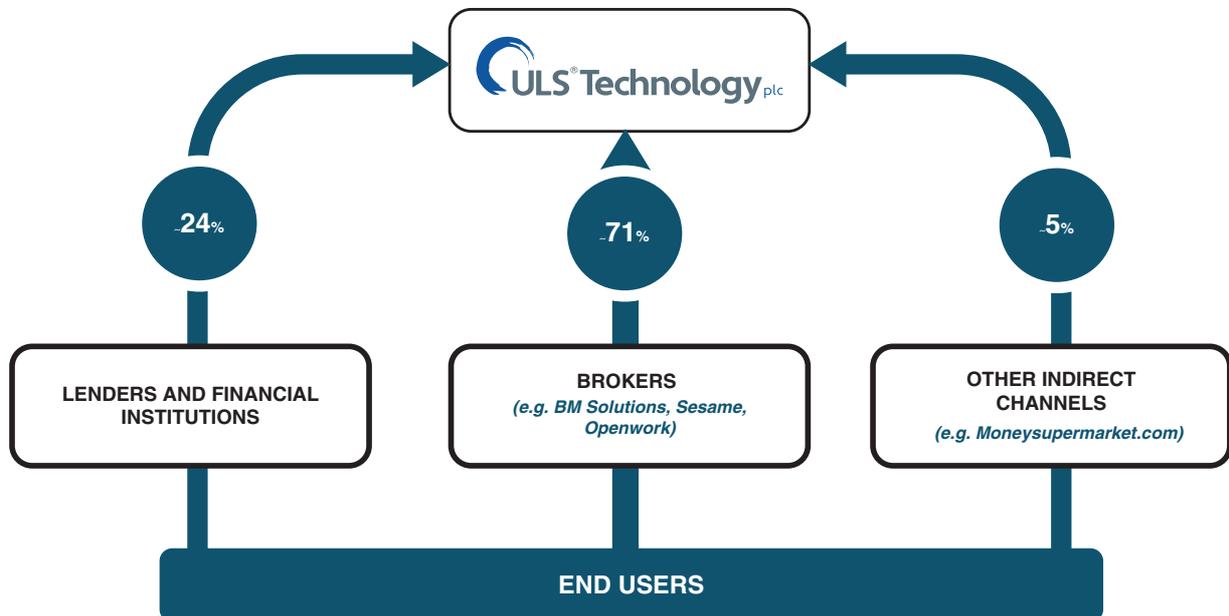
## **6. Customers**

The Group's customer base is split across its principal service offerings, being *eConveyancer*, *eConveyancer Searches*, *ID Checks* and *Lease Extensions*: (i) mortgage broker networks, financial institutions and online price comparison portals are the focus of the Group's distribution strategy for its core *eConveyancer* business; (ii) solicitors form the customer base for the Group's *eConveyancer Search* and *ID Checks* services; and (iii) estate agents, letting agents and mortgage brokers are the main distributors for the Group's *Lease Extensions* solution (as well as its direct to consumer website).

The Group has no overseas operations and derives substantially all of its revenues from customers based in the United Kingdom.

*Broker networks, financial institutions and online price comparison portals*

The Group generates the majority of its revenues through its *eConveyancer* platform. This core business is driven by the Group's partnerships with mortgage broker networks, banks, building societies and independent financial advisers, who act as a B2B distribution network for distributing the Group's products and services to individual end-users. The Group believes that its relationships with these parties enable it to obtain access to a large pool of end-users and drive transaction volumes through the Group's platforms. A diagram showing the Group's distribution model for its core conveyancing price comparison product is set out below.



(Figures in the diagram above relate to approximate percentages of the Group's completed conveyancing transactions originated through indirect channels in the financial year ended 31 March 2014.)

The Group's distribution network includes a number of major UK broker networks and a significant number of individual mortgage brokers and independent financial advisers, as well as financial institutions, estate agents and an online price comparison portal. Lloyds, the UK's largest mortgage lender (estimated £28bn of lending in 2012, estimated 18.3% market share), has also agreed to exclusively recommend the Group's online conveyancing platform for transactional and re-mortgage cases (other than fees free re-mortgages) until at least 2018, including the utilisation of the Group's software in Lloyds Bank, TSB Bank and Halifax branches. The Group believes that its relationship with Lloyds has placed the Group in a strong position to drive higher volume and reach a higher number of customers. Yearly conveyancing completions and revenue attributable to the Lloyds relationship has historically increased, with the number of completions increasing from approx. 7,000 in FY2011 to approx. 34,000 in FY2014, and revenues increasing from approx. £1.9m in FY2011 to approx. £9.5m in FY2014.

In addition to its own-brand *eConveyancer* platform, the Group also offers white-labelled solutions for use on distributors' B2C storefronts and comparison portals. As part of the Group's relationship with Lloyds, the Group provides a white-labelled conveyancing product, *BM Conveyancing*, to BM Solutions, a division of Lloyds. BM Solutions uses the *BM Conveyancing* product in its own B2B2C business, acting as a distributor for the Group's platform. However, BM Solutions also actively markets the *BM Conveyancing* product to other distributors (including, for example, mortgage broker networks), who in turn distribute the Group's platform, marketed as the white-label product, to a wider pool of potential customers. Consequently, whilst the margins generated for the Group by white-label solutions are lower than those generated from the Group's own-brand platform, the Group believes that these solutions allow it to efficiently acquire additional customers at a comparatively low cost.

The Group believes that its key relationships with distributors, and in particular its relationship with Lloyds, are important to the Group's ability to continually generate revenues from end-users. The Group estimates that the Lloyds relationship accounts for approximately 65 per cent. of the Group's gross profit, consisting of both direct customer business generated by branches affiliated with Lloyds and a combination of direct and third-party customer business generated by BM Solutions (this level of gross profit also includes searches which are conducted in connection with the business introduced via the Lloyds relationship). Consequently, the Group recognises the importance of maintaining a diverse base of distributors. Although loss of the relationship with Lloyds may significantly and adversely affect the Group's financial position at least in the short term, the Group believes that many of the third-party mortgage-broker customers of BM Solutions could be recruited to use the

*eConveyancer* platform directly, mitigating this effect somewhat (note that many already have direct access to the *eConveyancer* platform). In the financial year ended 31 March 2014, the largest single distributor network (excluding BM Solutions, which markets the white-label *BM Conveyancing* product separately to other distributors) was Lloyds branches, which accounted for approximately 16 per cent. of the Group's revenues attributable to the *eConveyancer* platform. The top ten distributors accounted for approximately 53 per cent. of such revenues.

The Group extracts additional revenues from the end-user transaction cycle through its other services, including *eConveyancer Search* and *ID Checks*.

#### *Solicitors*

Solicitors are the Group's key customer base for its *eConveyancer Search* and *ID Checks* platforms. The Group has established and maintained relationships with over one hundred conveyancing law firms in the UK, as well as partnerships with a number of major legal and property search providers and GB Group, a leading identity check provider. The Group's most significant customer accounted for approximately 26 per cent. of revenue received from solicitors in the year ended 31 March 2014, whilst the Group's top ten customers accounted for approximately 62 per cent. of revenue in the same period. The Group believes that its *eConveyancer* platform is an attractive proposition to solicitors because it enables solicitors to connect with a large pool of potential clients via intermediaries, increasing work flow at a low cost of acquisition. The Group also believes that the platform helps solicitor firms with low brand recognition by raising their profile and helping them attract new business.

#### *Estate agents, letting agents and brokers*

The Group has established relationships with a number of estate agents, letting agents and mortgage brokers in relation to its *Lease Extensions* solution, a software service intended to allow real estate intermediaries and end-users to compare the cost of surveyors and solicitors required to extend a lease and to instruct and monitor cases. The Group is now looking to expand upon these relationships by launching a new estate agent comparison service in 2015.

## **7. Marketing**

The Group's B2B indirect distribution channels account for the vast majority of the Group's revenues. In the year ended 31 March 2014, the Directors estimate that over 99 per cent. of the Group's completed conveyancing transactions were originated through indirect channels, with approximately 71 per cent. having been acquired through mortgage brokers and mortgage broker networks, approximately 24 per cent. from lenders and financial institutions, and approximately five per cent. from other indirect channels, including Moneysupermarket.com and estate agents. White label arrangements with distributors have also enabled the Group to take advantage of the distributor's advertising in directing customers to the Group's platforms. The Group believes that its B2B distribution channels enable it to generate leads at a relatively low cost compared to traditional B2C channels and has not historically invested significantly in direct marketing to end users. The Group has recently increased its marketing efforts and now has two account managers responsible for developing use of the *eConveyancer* platform by new distributors.

The Group recognises the importance of maintaining and building upon its existing relationships as well as recruiting new distributors and solicitors. As at 31 March 2014, 15 personnel were employed in the Group's sales and customer support department. Personnel are typically assigned to marketing the Group's products and developing its relationships with both existing partners and potential new partners and customers. The Group recruits:

- (a) brokers by identifying brokers who are doing significant levels of business, and contacting any such brokers who do not utilise the Group's platform either directly (through the Group's proprietary *eConveyancer* brand) or indirectly (through a white label product such as *BM Conveyancing*); and
- (b) solicitors by targeting firms using criteria such as size and accreditation or through referrals by lenders doing business with the Group, and contacting such solicitors by telephone, email and/or meetings.

The Group also attends certain tradeshows and exhibitions dependent on whether these are perceived to be beneficial or cost effective.

## **8. Competition**

Solicitors' instructions in the UK mortgage and re-mortgage market have historically been generated principally through existing relationships between home buyers and solicitors, through ad-hoc recommendations by estate agents or other professional intermediaries, or through personal recommendations. However, the Group believes that online conveyancing services are well positioned for future growth as competition in the legal services market increases and customers become more receptive to accessing legal services through intermediaries and

online comparison websites. Based on data from the Council of Mortgage Lenders, the Group calculated its share of the UK conveyancing market as approximately 4.9 per cent (measured as a percentage of mortgages and re-mortgages) in the first quarter of 2014.

The Group believes that it is one of few service providers in the conveyancing sector of a significant size whose business is dedicated to developing purely technological products. Whilst there is an established market for sourcing conveyancing online, the Group believes that the larger competing service providers in the market (such as Countrywide, myhomemove, LMS and Enact) tend to be focussed on delivering an in-house conveyancing solution to end-users, with customer acquisition primarily through partnerships or vertical integration with established estate agents, or alternatively with lenders and mortgages brokers. In addition, one or more lenders in the mortgage market currently offer conveyancing solutions to their customers through proprietary or closely integrated third party platforms, and the Group will not focus on marketing to these lenders in the short term given the significant separation costs. The Group believes that its focus in delivering a dedicated pure-play technology platform differentiates it from other service providers and has enabled the Group to establish itself in the online conveyancing market.

The Group is aware of a number of newer entrants to the online conveyancing market which share the Group's primarily technological focus and have adopted business models comparable to the Group. The Group believes that it is able to differentiate itself from these competitors by leveraging its first-mover advantage, established distribution network and existing and developing complementary products to respond rapidly to developing market trends and to provide a "best in class" suite of products to its distributors and end-users. Having an established presence in the market, the Group captures a consistent flow of demand for conveyancing services which has allowed it to gain traction with a large and growing number of solicitor firms. The Group's *eConveyancer* platform enables such firms to compete on pricing and service levels to attract end customers. The Directors believe that the platform already benefits from pricing liquidity given the number of end customers and solicitors using the platform and that this liquidity is likely to increase as the user numbers grow.

## 9. Intellectual property rights

The Group's core suite of products and platforms are developed and supported by its in-house teams. It is not dependent on any patents, licences, industrial, commercial or financial contracts other than: (i) off-the-shelf licenses for Microsoft Windows Server and Microsoft SQL Server; and (ii) minor components which are not material to the business of the Group.

The Group has no registered intellectual property rights in respect of the source code of its platforms. However, under English law, the Group would be protected by copyright over the source code of the platforms. The Group also protects its intellectual property rights by:

- (a) on-going product innovation and regular upgrades of functionality for its core products;
- (b) restricting knowledge of, and access to, proprietary source code to certain members of the Systems and Development department;
- (c) incorporating non-disclosure terms in employee contracts; and
- (d) incorporating confidentiality and non-disclosure clauses in client contracts and only providing clients with a version of the software that keeps the source code confidential (i.e. by providing SaaS products rather than the source code).

## 10. Employees

As at 31 March 2014, the Group employed 54 staff (including the Executive Directors), all of whom are based at its headquarters in Thame, United Kingdom. The roles of these employees are as follows:

Management	5
Operations	12
Sales and Customer Support	15
Systems and Development	18
Finance	4
<b>Total</b>	<b>54</b>

Short biographies of the Executive Directors and other senior management are set out at paragraph 15 of Part I of this document below.

## **11. Strategy**

The Group's strategy is to continue to increase its market share in the conveyancing market by increased use of the *eConveyancer* platform within its existing distribution network and by securing new distributors, particularly within the UK mortgage provider market. It intends to continue developing disruptive products in conjunction with existing B2B clients.

### ***Increasing use of the platform within the Company's existing distribution network***

The Directors believe that there is the potential to generate significant additional transaction volume from focused marketing and education within the Company's existing distribution network.

The Company has enjoyed a commercial relationship with Lloyds (formerly HBOS) since 2007, and is currently used in 853 branches and by over 4,800 brokers who access the platform through BM Solutions. However, there is still additional growth to be achieved from continued engagement with Lloyds and the Group has four account managers dedicated to this. The Directors believe that the new four year exclusive contract recently signed with Lloyds will assist the Group in achieving closer engagement with Lloyds. The Group has also entered into a non-exclusive contract for the supply of its services to TSB plc.

### ***Secure additional distributors, particularly within the UK mortgage provider market***

The Directors are keen to replicate the Company's relationship with Lloyds with other UK mortgage providers. The Directors are aware of a number of large UK mortgage providers that at present either do not offer a conveyancing recommendation service to their customers or offer an alternative solution (such as a tied conveyancing network). The Company intends to make securing a contract with a new UK mortgage provider a key focus of the sales team following Admission, though it should be borne in mind that such contracts are long term and difficult to move from incumbents.

The Group believes that following Admission, the Group's greater financial strength and increased independence as a result of the listing will be attractive to these potential distributors, who are also under pressure from regulatory bodies to demonstrate that they are treating their customers fairly, while driving returns for shareholders.

### ***Continue to develop disruptive products in conjunction with existing B2B clients***

The Company intends to launch new comparison services via the *eConveyancer* platform, including wills and probate. The Company is also aiming to launch a new estate agency comparison service in 2015.

In addition, the Directors believe that as the Company increases the range of products it is able to offer via the *eConveyancer* platform, it will increasingly attract independent financial advisers, who could benefit from a one-stop solution providing comparison for a number of legal services (such as, for example, wills and probate services). This would represent a new addressable market for the Group, and one that is similar in nature to the network of mortgage brokers the Company already serves.

## **12. Current Trading and Prospects**

The Directors are pleased with the Group's performance during the current year to date, which has been in line with their expectations. The Group has continued to grow significantly, with revenue increasing by approximately 31 per cent. and profit before tax increasing by approximately 70 per cent. compared to the first two months of the year ended 31 March 2014. The Directors believe this is the result of both increasing market share and greater activity in the market. Gross margin was approximately 1 per cent. higher than the same period last year. The Directors are confident in the Group's future prospects.

### 13. Summary Financial Information

The financial information set out in the table below has been extracted from the historical financial information of the Group included in Section B of Part III of this document. Shareholders should read the full historical financial information set out in Section B of Part III of this document and not rely solely upon the summary below.

£'000	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
Revenue	8,366	10,590	16,301
<i>Growth</i>	<u>80.6%</u>	<u>26.6%</u>	<u>53.9%</u>
Gross profit	2,617	3,303	5,254
<i>Gross margin</i>	<u>31.3%</u>	<u>31.2%</u>	<u>32.2%</u>
Operating profit	1,391	1,601	2,496
<i>Operating margin</i>	<u>16.6%</u>	<u>15.1%</u>	<u>15.3%</u>
Profit before taxation	1,117	1,379	2,341
<i>Profit before taxation margin</i>	<u>13.4%</u>	<u>13.0%</u>	<u>14.4%</u>
Tax expense	(285)	(359)	(182)
<i>Tax rate</i>	<u>25.5%</u>	<u>26.0%</u>	<u>14.4%</u>
Profit after tax	<u>832</u>	<u>1,020</u>	<u>2,159</u>
Cash inflow from operating activities	<u>1,344</u>	<u>1,631</u>	<u>2,917</u>
Net cash used in investing activities	<u>(220)</u>	<u>(727)</u>	<u>(1,310)</u>
Net cash used in financing activities	<u>(279)</u>	<u>(1,454)</u>	<u>(571)</u>
Net cash	<u>1,532</u>	<u>981</u>	<u>2,017</u>

Revenue grew by a CAGR of 39.6 per cent. and profit before tax by a CAGR of 44.8 per cent. between the year ended 31 March 2012 and the year ended 31 March 2014 (the “**Period**”).

#### Revenue growth

Revenue is currently dominated by income paid in respect of conveyancing appointments, the remainder comprised of income from legal searches, identity checks and lease extensions. Revenue trends tend to follow those of the housing market, offset by three months due to the time between agreeing a transaction and completion. The Group only recognises revenue upon completion of a transaction. The Group’s quietest period is normally April to June, and its most active July to November.

Revenue growth in conveyancing during the Period was driven almost entirely by increased volume, the result of increased market share and a recovering market for housing transactions. Revenue from legal searches and identity checks increased due to greater use of these services by the Group’s solicitor panel.

#### Profit growth

Increased profitability during the Period was driven mainly by greater volume, with pricing constant. Margins improved slightly, which the Directors believe is a result of operational leverage and favourable changes in the mix of revenue. Recruitment of additional staff, specifically in IT and service management increased overheads in the years ended 31 March 2013 and 31 March 2014.

#### Tax charge

The Group benefits from the ability to claim an additional deduction of 125 per cent. on qualifying R&D expenditure when arriving at profits chargeable to corporation tax. The effective tax charge in the year ended 31 March 2014 was significantly lower than the UK statutory rate of 23 per cent. due to recognising the benefit of these R&D claims for the years ended 31 March 2012 and 31 March 2013. The Group’s effective tax charge in the year ended 31 March 2013 was slightly higher than the UK statutory rate in that year due to non-deductible goodwill charges.

## **Cash generation**

As a technology business, the Group is not capital intensive and has been cash generative at the operating level throughout the Period. The Group operates with negative net working capital as a result of its increasing trade creditor balance. Following the investment by LDC in 2011, the Group increased capital expenditure on development of the *eConveyancer* platform and spent approximately £550,000 on the refurbishment of the head office in FY 2014. The Group made substantial repayments of the LDC loan notes during the Period (FY 2012: £896,000; FY 2013: £1, 227,000; FY 2014: £409,000). These notes have been fully repaid using funds made available to the Group as part of the Group's refinancing with Clydesdale Bank plc (described at paragraph 10.6 of Part IV of this document).

## **14. Dividend Policy**

The business model of the Group requires relatively low levels of additional capital as it grows and is highly cash generative. This being the case, and the Directors recognising the importance of dividend income to Shareholders, the Board intends to adopt a progressive dividend policy. This policy will be subject to the retention of funds needed to fund future growth of the Group's business and its strategic aims.

All of the Ordinary Shares will rank *pari passu* for the payment of dividends. The Directors propose to pay an interim dividend equal to one half of the total aggregate annual dividend following the publication of the Group's interim accounts, with the balance being paid as a final dividend following the end of the Group's financial year. A dividend is expected to be proposed by the Group at the time of the Group's interim results for the six months to 30 September 2014 on a *pro rata* basis for the period following Admission and paid by the end of December 2014.

## **15. Board of Directors and Senior Management**

The Board currently comprises three Executive Directors and two Non-Executive Directors. Brief biographies of the Directors are set out below.

### **Board of Directors**

#### *Peter Opperman (aged 53) – Independent Non-Executive Chairman*

Peter joined the Company in January 2011 at the point that LDC invested in the business. Peter has spent the last twenty years in executive and non executive roles working in private equity backed businesses. He was until 1 July 2014 deputy chairman of GVA Grimley Limited which has been acquired by Bilfinger SE in 2014. Prior to this, he was chairman of Leasedrive Group Limited which was recently sold to HgCapital, and during his time as chairman, operating profits increased from £5m to £14m. Previous non-executive appointments include Porterbrook Leasing and Time Out.

#### *Nigel Hoath (aged 47) – Co-founder and Managing Director*

Nigel co-founded ULS Limited, the initial company in the Group, in 2003. He has over 30 years' experience, having worked in the financial services sector. Nigel started in Equity and Law followed by Clerical Medical and Scottish Amicable before qualifying as a financial adviser and starting his first business, Hoath Independent, in 1994. In 2000, Nigel then founded United Surveyors Ltd (he sold 60 per cent. to Countrywide in 2011) and then in 2007 co-founded ehps Ltd (now United Home Services Ltd, part of the Group). LDC backed Nigel in 2011 to grow the Group.

#### *John Williams (aged 47) – Finance Director*

John joined the business in January 2011 at the point of LDC's investment in the Group. Prior to joining the Company, John was Finance Director at Stortext FM Limited, a private equity backed SaaS business specialising in document management. There, he led a merger process before taking the lead in a successful trade sale of the merged entity to Box-it Limited. He is a Chartered Accountant, having qualified with Ernst & Young before gaining blue-chip experience with Motorola in a number of roles.

#### *Andrew Weston (aged 46) – Co-founder and IT Director*

Andrew co-founded ULS Limited in 2003. He started his career developing and implementing software solutions at PE International plc and Vintner Computer Systems. He has founded his own businesses: Weston Computing, founded in 1995 and incorporated in 2000; and Weston Technology, founded and incorporated in 2000. Andrew has spent the last 11 years building property, financial and legal services applications for the Group and also co-founded ehps Ltd in 2007.

*Geoff Wicks (aged 65) – Independent Non-Executive Director*

Geoff Wicks was CEO of Group NBT plc, a specialist in online brand protection and digital asset management, from 2001 until he led the sale of the business to HgCapital in 2011. He remained as part of the Group NBT business, now renamed NetNames, as a non-executive director until 2013. Geoff spent much of his earlier career at Reuters, including heading divisions in the UK, France and Nordic regions and latterly was director of corporate communications. Prior to Reuters, Geoff worked in the banking and insurance industries.

**Senior Management**

*Judith Dickinson (aged 48) – Head of Operations*

Judith joined the business in 2003 and was appointed Operations Director in 2011. Judith began her career in Andersen Consulting (now Accenture) in 1988, followed by eight years in IT project/service management roles in KPMG. Prior to joining the business, Judith spent four years establishing and managing the resource and operations function for Hays Redfern before its integration in to the Hays Consulting and Solutions Group. Since joining the Company, Judith has undertaken project, service and operational management roles.

*Alan Young (aged 30) – Head of Sales*

Alan joined the business in 2009. His sales career began in 2004 with four years as a business development manager at GMAC RFC. In 2008, he joined McCurrach UK Limited as a business development manager prior to joining United Legal Services Limited as a national account manager. He was promoted to Head of Sales in 2012 and is now responsible for sales and key client relationships.

**16. The Placing**

The Company is proposing to issue 11,536,250 New Ordinary Shares at a price of 40 pence per New Ordinary Share through a placing by Numis. In addition, 18,713,750 Sale Shares held by the Selling Shareholders will also be sold pursuant to the Placing.

Numis has entered into the Placing Agreement with the Company, the Selling Shareholders and the Directors. Under the Placing Agreement, Numis has conditionally agreed to use its reasonable endeavours to procure, as agent of the Company, subscribers for the New Ordinary Shares and, as agent of the Selling Shareholders, purchasers for the Sale Shares, in each case at the Placing Price. The majority of the Placing Shares are being placed with institutional investors.

EIS and VCT investors should be aware that, whilst advance assurance has been obtained from HMRC, the Directors cannot guarantee that the New Ordinary Shares will be able to be treated as qualifying for relief under the EIS Scheme under Part 5 of the Income Tax Act 2007 or as qualifying holdings under the VCT scheme within the meaning of Part 6 of the Income Tax Act 2007. The Placing, which is not underwritten and is conditional, inter alia, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects and not being terminated by 8.00 a.m. on 28 July 2014 or such later date (being no later than 15 August 2014) as the Company and Numis may agree.

The New Ordinary Shares will be issued credited as fully paid and the Sale Shares are credited as fully paid. On Admission, the New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The New Ordinary Shares to be issued by the Company pursuant to the Placing will represent approximately 17.8 per cent. of the Enlarged Share Capital. On Admission the Company will have a market capitalisation of approximately £25.9 million at the Placing Price. The proceeds of the Placing receivable by the Company (before expenses) will be approximately £4.6 million.

Further details of the Placing Agreement are set out in paragraph 10.1 of Part IV of this document.

**17. Selling Shareholders**

The Selling Shareholders have, pursuant to the terms of the Placing Agreement, agreed to sell the Sale Shares at the Placing Price, having provided customary warranties to Numis in respect of their title and ability to sell the Sale Shares. Further details of the Sale Shares are set out at paragraph 6 of Part IV of this document.

## 18. Reasons for Admission and Use of Proceeds

The Directors consider that Admission will be an important step in the Group's development and will assist the growth of its business. In addition, broadening the Group's shareholder base through admission to trading on AIM gives the Group the capacity, if required, to raise further capital to support its strategic objectives as suitable opportunities arise.

The Directors believe that the admission of the Group to AIM will also raise the profile of the Company with its principal customers. It is currently viewed by some of its potential customers as being under the control of Lloyds through its equity stake via LDC. The Directors believe that the reduction of the LDC equity stake and the removal of normal private equity controls will highlight its independence to other clearing banks.

The net proceeds of the Placing of New Ordinary Shares will be used to repay £1.85 million of indebtedness and to continue to develop the Company's existing and new products, specifically in developing the new *SearchHub* and the estate agency comparison web site.

## 19. Lock-ins and Orderly Market Arrangements

Each of the Directors, holding, in aggregate 53 per cent. of the Existing Ordinary Shares and 33 per cent. of the Enlarged Share Capital, has undertaken to the Company and Numis (subject to certain limited exceptions) following Admission not to dispose of the Ordinary Shares held by each of them on Admission (the "**Restricted Shares**") or any other shares which may accrue to them as a result of their holding of Ordinary Shares (or any interest in them or in respect of them) at any time prior to the date 12 months from the date of this document (the "**Lock-in Period**").

Furthermore, each of the Directors has also undertaken to the Company and Numis not to dispose of the Restricted Shares for the period of 12 months following the expiry of the Lock-in Period otherwise than pursuant to certain orderly market provisions.

Each of Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited, holding, in aggregate 47 per cent. of the Existing Ordinary Shares and 19.9 per cent. of the Enlarged Share Capital, have undertaken to the Company and Numis (subject to certain limited exceptions) following Admission not to dispose of the Ordinary Shares held by each of them on Admission (the "**LDC Restricted Shares**") or any other shares which may accrue to them as a result of their holding of Ordinary Shares (or any interest in them or in respect of them) at any time prior to the date six months from the date of this document (the "**LDC Lock-in Period**"). Furthermore, each of Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited, have also undertaken to the Company and Numis not to dispose of the LDC Restricted Shares for the period of six months following the expiry of the LDC Lock-in Period otherwise than pursuant to certain orderly market provisions.

Further details of these arrangements are set out in paragraph 10 of Part IV of this document.

## 20. Employee Share Option Plan

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation. Accordingly, the Board has adopted, conditional upon Admission, the Share Option Plan. Further details of the Share Option Plan are set out in paragraph 7 of Part IV of this document.

Options granted under the Share Option Plan in any 10 year period, to be satisfied by newly issued Ordinary Shares, are limited in total to 10 per cent. of the Company's issued share capital from time to time.

## 21. Admission, Settlement and CREST

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence at 8.00 a.m. on 28 July 2014. This date and time may change.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to

CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

In the case of Placees who have requested to receive New Ordinary Shares in uncertificated form, it is expected that CREST accounts will be credited with effect from 28 July 2014. In the case of Placees who have requested to receive New Ordinary Shares in certificated form, it is expected that share certificates will be dispatched by post within 14 days of the date of Admission.

All documents or remittance sent by, or to a Placee, or as a Shareholder may direct, will be sent through the post at their risk.

Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified by the Registrars against the Company's register of members. No temporary documents of title will be issued.

The Registrar is in charge of maintaining the Company's register of members.

The International Securities Identification Number or "ISIN" for the Ordinary Shares is GB00BNG8T458.

## **22. Corporate Governance**

The Directors recognise the importance of, and are committed to, high standards of corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Directors intend to apply the principles insofar as they consider them appropriate for a public company of the Company's size whose securities are traded on AIM, taking into account the recommendations contained in the Quoted Companies Alliance (QCA) Guidelines.

The Board comprises five Directors: three Executive Directors and two Non-Executive Directors. The Company intends to hold regular Board meetings at which financial and other reports are considered and, where appropriate, voted on. In addition to such regular meetings, additional meetings will be arranged when necessary to review strategy, planning, operational procedures, financial performance, risk, capital expenditure and human resource management.

The Board has established an audit committee, a remuneration committee and, with effect from Admission, a nomination committee, each with formally delegated responsibilities.

The audit committee will be chaired by Peter Opperman and its other member will be Geoff Wicks. The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee will meet at least twice a year and will have unrestricted access to the Group's auditors.

The remuneration committee will be chaired by Geoff Wicks and its other member will be Peter Opperman. The remuneration committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The remuneration committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company will be set by the Board. The remuneration committee will meet at least once a year.

The nomination committee will be chaired by Peter Opperman and its other member will be Geoff Wicks. The nomination committee will be responsible for ensuring that the Board has a formal and transparent appointment procedure and will have primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed on the Board and those individuals who might best provide them. The nomination committee will meet at least once a year.

## **23. Share Dealing Code**

The Company has adopted, with effect from Admission, a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

## 24. VCT and EIS eligibility

Information regarding certain taxation considerations for corporate, individual and trustee shareholders in the United Kingdom is set out in paragraph 12 of Part IV of this document. **These details are, however, intended as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.**

### 24.1 VCTs

The Directors have received advance assurance from HMRC that the Company is a “qualifying holding” for the purpose of investment by VCTs.

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, inter alia, on the Ordinary Shares being held as a “qualifying holding” for VCT purposes throughout the period of ownership.

Neither the Company nor the Directors give any warranty, representation or undertaking that any VCT investment in the Company will remain a qualifying holding. The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of a VCT Scheme. VCTs considering making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances.

Prospective investors should be aware that the Sale Shares acquired by VCTs will not be a qualifying holding for VCT purposes. It is intended that so far as is practicable, VCT investors will be allocated New Ordinary Shares. Prospective investors should not, however, invest on the basis of receiving such relief.

### 24.2 EIS

The Directors have received advance assurance from HMRC that they would be able to authorise the Company to issue certificates under section 204(1) of the Income Tax Act 2007 in respect of the Placing Shares issued to individuals, following receipt from the Company of a properly completed compliance statement (EIS 1 form) within the prescribed time limit stipulated in section 205(4) of the Income Tax Act 2007.

The continuing status of the Placing Shares as qualifying for EIS purposes will be conditional on the qualifying conditions being satisfied throughout the relevant period of ownership.

Neither the Company nor the Directors give any warranty, representation or undertaking that any investment in the Company by way of EIS shares will remain a qualifying investment for EIS purposes.

EIS eligibility is also dependent on a Shareholder’s own position and not just that of the Group. Accordingly, investors should take their own advice in this regard.

Your attention is drawn to the further taxation information set out in paragraph 12 of Part IV of this document.

## 25. The City Code

The City Code, which is issued and administered by the Takeover Panel, applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a company which has its registered office in the United Kingdom, the Channel Islands or the Isle of Man and the securities of which are admitted to trading on AIM.

The Company is a public limited company which has its registered office in the United Kingdom. Accordingly, following Admission, the City Code will apply to the Company and, as a result, Shareholders are entitled to the benefit of the takeover offer protections provided under the City Code.

For further details, see paragraph 4.3.2 of Part IV of this document.

**26. Further Information**

Your attention is drawn to the further information set out in Parts II to IV of this document, including the risk factors set out in Part II. You are advised to read the whole of this document.

## PART II

### RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Group is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exclusive summary of the risks affecting the Group. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Group's business, financial conditions, results or future operations could be materially adversely affected. In such cases, the market price of the Group's shares could decline and an investor may lose part or all of his or her investment.

#### 1. Risks relating to the Group and its business

##### 1.1 The Group and its operations are based in the United Kingdom and are therefore vulnerable to any deterioration in UK economic, market and fiscal conditions

The Group is based in the United Kingdom and only sells its products to customers in the United Kingdom. The Group is therefore exposed to the economic, market, and fiscal conditions in the United Kingdom and to changes in any of these conditions, and the Group's *eConveyancer* platforms are particularly exposed to the UK mortgage market.

Any deterioration in economic conditions in the United Kingdom, including deterioration caused by uncertainties arising in relation to the Euro and the Eurozone, rises in the Bank of England's interest rate or change in government policy adversely affecting the UK mortgage market, including any downscaling or cessation of the Help to Buy scheme or any restrictions being imposed on mortgage lenders, could result in a downturn in new business and sales volumes of the Group's products and a decrease of its investment return. Any such development could have a material adverse effect on the Business and the Group's results of operations and financial condition.

##### 1.2 Loss of key customers or sales/distribution partners

Despite having a very large number of underlying customers, a material proportion of the Group's revenue and profit is generated via a modest number of high value contracts with key customers and sales/distribution partners. In particular, the Group's contractual arrangements with Lloyds (including its contracts with BM Solutions) accounted for approximately 64 per cent. of its gross margin for the financial year ended 31 March 2014. The Group's new contract with Lloyds has an initial term of four years from 25 June 2014 and may be extended twice at the option of Lloyds for further periods of one year and once for a further six month period. The contract is terminable upon, among other situations, a direct competitor of Lloyds taking control of the Company. If this Lloyds contract was terminated or if the Group were to lose another key distributor, there is no guarantee that the Group would be able to replace these relationships with a similarly significant new distributor, resulting in a reduction in revenue and profitability. In some cases, the loss of a contract with a sales/distribution partner would lead to the loss of the associated underlying customers. For example, the termination of the Lloyds relationship may result in the Group ceasing to be able to access customers through branches affiliated with Lloyds. Consequently, the termination of the Lloyds contracts or the loss of another key customer or a sales/distribution partner could have a material adverse effect on the Group's business, financial condition and results of operations.

### 1.3 Loss of key panel firms

A material proportion of the Group's revenue is attributable to a small number of panel firms of solicitors who enjoy significant volumes of end consumer leads generated through the Group's *eConveyancer* platform. In particular, the top firm of solicitors by revenue accounted for approximately 26 per cent. of the Group's revenue received from solicitors in the financial year ended 31 March 2014, whilst the Group's top ten customers accounted for approximately 62 per cent. of revenue in the same period. In the event that some or all of these panel firms were to: (i) cease to be included on the Group's panel; (ii) cease trading; (iii) enter into any insolvency process; or (iv) otherwise terminate their relationship with the Group, this may have a material adverse effect on the business, financial condition and results of operations of the Group. The termination of relationships with solicitors may also adversely affect the competitiveness of the pricing offered by the *eConveyancer* platform to end consumers, which may lead to a diminution in the Group's ability to attract new end consumers and distributors to its products.

### 1.4 Legal regulatory risk

The Group's principal source of revenue is fees generated from solicitors instructed by home buyers through the *eConveyancer* platform. It is possible that these fees would be characterised as referral fees to which the rules and guidance contained in the SRA Handbook, and other applicable law and regulation, may apply. As at the date of this document, other than referral fees in personal injury cases which are banned under the Legal Aid, Sentencing and Punishment of Offenders Act 2013 ("LASPO"), solicitors' referral fees are not generally prohibited by the SRA or by any applicable law or regulation (and the Company has systems to try to ensure that all the solicitors on its panel adhere to the rules relating to such fees in any event in relation to fees payable to the Company).

In 2009, the Law Society of England and Wales (the professional association that represents and governs the solicitors' profession in England and Wales) reached the view that all solicitors' referral fees ought to be banned and requested the Legal Services Board (the independent body responsible for overseeing the regulation of lawyers in England and Wales) to review referral fees, referral arrangements and fee sharing. In May 2011, the Legal Services Board review concluded that a ban on referral fees in conveyancing transactions would not be justified. In September 2011, the Law Society issued a public statement stating its disappointment that the ban on referral fees was not being extended more widely, including into the area of conveyancing, and that it remained opposed to referral fees in any form.

Consequently, there can be no assurance that referral fees in conveyancing transactions (or all solicitors' referral fees in general) will not be banned in future. Any change to the rules on referral fees in the SRA Handbook or applicable law (including, for example, any change to the meaning of "prescribed legal business" under LASPO) may have a significant adverse impact on the Group's core business model and there is no assurance that Group's business model would continue to be viable in the future were any such change to occur.

### 1.5 Financial regulatory risk

The Group has invested significantly in the *eConveyancer* platform in order to assist the Group's customers and distributors (especially mortgage brokers) in complying with the regulatory regime and guidance applicable within the United Kingdom, in particular in relation to compliance with the principle of "Treating Customers Fairly". If the applicable level of regulation was reduced, this could attract other competitors with alternative or less sophisticated products and lead to greater competition in the Group's key markets. Some competitors may use lower pricing to sell alternative or lower level services and gain market share. There is no guarantee that the pricing levels for the Company's services will remain at current levels. This could have a material impact on the Group's ability to retain existing customers and win new customers, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations. If the applicable level of regulation was increased or the regulator's interpretation of the current rules were to change, there is no assurance that the Group's products will comply, or be capable of complying, with any enhanced regulatory regime.

### 1.6 Migration to the *eConveyancer 2* platform

The Group is developing a new platform, *eConveyancer 2*, to replace its existing *eConveyancer 1* and *BM Conveyancing* platforms as the Group's core online conveyancing platform once all user groups have been migrated to the new platform. Whilst the Group is aiming for the migration process to be substantially completed in February 2015, there is no assurance that the Group will achieve the migration of all user groups within the projected timeframe. Furthermore, unforeseen difficulties or complications in the migration process may require

significant additional expenditure by the Group to remedy these issues. Complications may also adversely affect the Group's ability to migrate user groups to the new platform in a timely manner. Any such delay in the migration process may negatively affect the user experience of the Group's customers, which may in turn impact on the Group's trading position and cause significant brand and reputational damage to the Group.

### **1.7 The Group's *eConveyancer* platforms depend on the proper operation of the Internet and the Group's hosting sites**

The Group's business model relies on the *eConveyancer* platform's online user interfaces. The Group is therefore reliant on the proper operation of the Internet and its hosting sites for the operation of the business.

The Group relies to a significant degree on the efficient and uninterrupted operation of its computer and communications systems and those of third parties, including the Internet. Customer access to the *eConveyancer* platform and the speed with which customers and suppliers navigate the platform may affect the retention of clients of the Group and the attractiveness of its services. Any failure of the Internet generally or any failure of current or new computer and communication systems or third party operating and database management systems could impair the processing and storage of data and the day-to-day management of the Group's business. While the Group does extensive disaster recovery and business continuity planning, no assurance can be given that, if a serious disaster affecting the business, its systems or operations occurred, such plans or prepared sites for disaster recovery would be sufficient to enable the Group to recommence trading without loss of business.

### **1.8 The Group may be forced to replace any operating system and database or other software/code licenced from a third party**

The Group's business relies on various third party off-the-shelf operating system and database software from Microsoft (Windows Server and SQL server) and smaller components for zipping, encrypting, virus scanning and uploading files. If the Group's access to or use of this software was restricted or terminated, or would radically change then the Group would have to incur expense in either porting its software, sourcing suitable replacement and/or alternative systems, and time in relation to staff re-training, which could have an adverse effect on the Group's business, operation and financial position.

### **1.9 New products may not be as successful as earlier products**

The Group's future growth will be dependent on its ability to update and modify the current *eConveyancer* platform and provide further services required by the customer. There can be no guarantee that new modifications and services will be successfully developed or, if developed, successfully sold to customers, and the Group has in the past launched products which have not succeeded. This could affect the growth of the Group's future revenues and profits.

### **1.10 Continued investment**

The Group needs to continue to invest significant resources in research and development in order to enhance the Group's existing products and services and introduce new high quality products and services. If the Group is unable to ensure that its customers have a high quality experience with the Group's products and services, then they may become dissatisfied and move to competitors' products and services. In addition, if the Group is unable to predict user preferences or industry changes, or if the Group is unable to modify its products and services on a timely basis, the Group may lose customers.

The Group's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its products and services to evolving industry standards and practices and to improve the performance and reliability of the Group's services. Failure to adapt to such changes would harm the Group's business.

In addition, the widespread adoption of other technological changes could require expenditure to modify or adapt the Group's software products. Moreover, the Group believes that its continued success depends on investing in new business strategies or initiatives that complement the Group's strategic direction and product road map. Such endeavours may involve significant risks and uncertainties, including distraction of management's attention away from other business operations and insufficient revenue generation to offset liabilities and expenses undertaken with such strategies and initiatives. No assurance can be given that such endeavours will not materially adversely affect the Group's business, operating results or financial condition.

### **1.11 Competition**

The Group operates in a competitive market and there can be no guarantee that the Group's current competitors or new entrants to the market will not bring superior technologies, products or services to the market or equivalent products at a lower price which may have an adverse effect on the Group's business. Such companies may also have greater financial and marketing resources than the Group. Even if the Group is able to compete successfully, it may be forced to make changes in one or more of its products or services in order to respond to changes in customers' needs which may impact negatively on the Group's financial performance.

### **1.12 Dependence on key executives and personnel**

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. The loss of the services of any of the Directors, members of senior management or other key employees or the loss of experience, skills or customer relationships of such personnel could have a material adverse effect upon the Group's business and results of operations. Finding and hiring any such replacements could be costly and could adversely impact its financial results.

### **1.13 Online security breaches**

The Group may face online security breaches including hacking and vandalism. The Group relies on encryption and authentication technology to provide the security necessary to effect the secure transmission of information such as personal data, as well as in the continual development of its technology platform, including algorithms, databases and processes, across multiple locations. The Group cannot guarantee absolute protection against unauthorised attempts to access its IT systems, including malicious third party applications that may interfere with or exploit security flaws in its products and services. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a customer's computer or in the Group's computer systems or attempt to change the internet experience of customers by interfering with the Group's ability to connect with them. If any compromise in the Group's security measures were to occur and the Group's efforts to combat this breach are unsuccessful, the Group's reputation may be harmed leading to an adverse effect on the Group's financial condition and future prospects.

### **1.14 Intellectual property protection**

The Group has no registered intellectual property rights in respect of the source code of its platforms. However, under English law, the Group would be protected by copyright over the source code of the platforms. UK copyright works are protected overseas by virtue of the UK being a signatory to four principal conventions (Berne convention ("Berne"), Universal Copyright Convention, Rome Convention (relating to performers' rights) and the WIPO Copyright Treaty ("WCT")). Berne sets guidelines for minimum protections which must be provided under the laws of contracting states. Nationals of one contracting state can enjoy the same level of protection in another contracting state. WCT sits alongside Berne and concerns computer programmes and grants authors rights to authorise distribution, rental and communication of works. The Group delivers its services mainly through SaaS, does not deliver software outside the UK, and only contracts with parties with whom it has detailed agreements regulating rights in respect of intellectual property rights and access. Reverse engineering and de-compilation may, however, still be possible by anyone granted or obtaining privileged access to the deployed code. The design of the user interface and some other "visible" intellectual property may be copied by any user of the system.

Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using the Group's platforms without authorisation. Policing unauthorised use of proprietary information is difficult and expensive. Due to the Group's size and limited cash resources, it may not be able to detect and prevent infringement of its intellectual property.

Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others which may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.

### **1.15 Claims by third parties**

While the Directors believe that the Company's products and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Company will not receive communications from third parties asserting that the Company's products and other intellectual property infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and the diversion of technical and management personnel, cause product delays or require the Company to develop non-infringing technology or enter into royalty or licensing agreements or re-brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all. In the event of a successful claim of product infringement against the Company and any failure or inability of the Company to develop non-infringing products or licence the infringed or similar products, the Company's business, operating results or financial condition could be materially adversely affected.

### **1.16 Employees' intellectual property**

Although intellectual property rights created by an employee during the course of employment automatically vest in the employer, disputes often arise about what is "in the course of employment" unless there are specific provisions dealing with this in the employment contract. Employees may argue that they created the intellectual property outside of office hours and/or using private resources or that the activities fell outside of the scope of their duties. There is a risk that some of the Group's employment contracts do not contain or are alleged not to contain sufficiently protective provisions in that they do not explicitly confirm that all intellectual property rights pass to the employer. If an employee leaves the Group there is a risk that an employee sets up in competition with the Group or solicits customers, distributors and/or key employees of the Group without incurring full, or any, liability for doing so. Disputes arising from these matters could materially adversely affect the financial position and prospects of the Group given the importance of intellectual property to the Group's business and competitive position, as ownership of intellectual property is disputed and/or time and other resources of management are diverted and costs and expenses are incurred in connection with these matters.

### **1.17 Consultants, contractors and intellectual property**

The Group has historically engaged and will continue to engage consultants and other independent contractors in its business. The contractual basis upon which such persons are engaged may contain or be alleged to contain deficiencies, particularly relating to ownership of and/or assignment to the relevant Group company of any intellectual property developed or created by such persons. Were the consultants to successfully claim that the intellectual property they have created does not belong to the Group company, the Group's ownership and use of intellectual property may be materially and adversely affected which in turn could have a material and adverse effect on the Group's financial condition and business prospects.

### **1.18 Expansion into new geographic markets**

The Group does not currently have a near term plan for aggressive geographic expansion, but its future growth may be impacted by its ability to generate business in geographical markets which it may, now or in the future, desire to enter. There is no guarantee that expansion into additional geographical markets will not cause disruption and potential harm to the Group's existing business.

### **1.19 Litigation**

Whilst the Group has taken, and intends to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group.

There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

In particular, the Group has given an unlimited indemnity in a contract with a distributor to the effect that the firms on the Group's panel are reputable and no firm or fee earner in any such firm have been subject, or are undergoing, any disciplinary proceedings from a regulatory body (including, without limitation, the Law Society). Whilst the Group has taken precautions to ensure this is the case, there is a risk that claims may be made against the Group arising out of non-compliance by the Group's panel firms or other matters outside of the Group's reasonable control.

## **2. General risks relating to an investment in the Ordinary Shares**

### **2.1 General**

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

### **2.2 Conditionality of the Placing**

The Placing is conditional upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, then the Placing will not be implemented.

### **2.3 No prior market for the Ordinary Shares**

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

### **2.4 EIS and VCT status**

The Company has received, based on information supplied, advance assurance from HMRC that a subscription in Placing Shares by individuals should qualify under the EIS and that subscription by VCTs in Ordinary Shares should be regarded as a subscription in eligible shares and form a qualifying holding under the relevant legislation.

The advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for VCT purposes will be conditional, inter alia, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making their investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a "qualifying holding". Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of this Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding the EIS or VCTs change then any relief or qualifying status previously obtained may be lost.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in their individual circumstances.

### **2.5 Share price volatility and liquidity**

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment. This may substantially affect the market price of the Ordinary Shares irrespective of the progress the

Group may make in terms of developing and expanding its services or its actual financial, trading or operational performance. These factors could include the performance of the Group, purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions contained in certain lock-in and orderly marketing arrangements), legislative changes and market, economic, political or regulatory conditions or price distortions resulting from limited liquidity in the Company's shares. The share price for publicly traded companies, particularly those at an early stage of development, such as the Company, can be highly volatile. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either exist, develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order even for a relatively small number of such Ordinary Shares.

## **2.6 Substantial sales of Ordinary Shares**

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the lock-in and orderly marketing arrangements, details of which are set out in paragraph 19 of Part I of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

## **2.7 There is no guarantee that the Company's Ordinary Shares will continue to be traded on AIM**

The Company cannot assure investors that the Company's Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

## **2.8 Investment in AIM traded securities**

The Ordinary Shares will be traded on AIM rather than admitted to the Official List of the UK Listing Authority. AIM is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than the rules for companies admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity (as stated above therefore), making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and they could lose their entire investment in the Company.

## **2.9 Issuance of additional Ordinary Shares**

Although the Group's business plan does not involve the issuance of Ordinary Shares other than in connection with the Placing, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders. This will particularly be the case if and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares structured as a pre-emptive offer.

## **2.10 Dividends**

There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Group is subject to the discretion of the Directors, and will depend upon, among other things, the Group's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

## **2.11 Application of the proceeds from the Placing may not increase the Company's profits or Ordinary Share price**

There is no guarantee that the use of net proceeds described in paragraph 18 of Part I of this document will result in the Group making profits. The funds from the Placing will enable the Group to repay certain debts and to invest in a number of development initiatives, but the Group's profitability is reliant upon increased growth in revenues whilst maintaining relatively low capital expenditures and fixed overhead costs.

## PART III

### SECTION A: ACCOUNTANT'S REPORT ON ULS TECHNOLOGY PLC



BDO LLP  
55 Baker Street  
London  
W1U 7EU

The Directors  
ULS Technology plc  
The Old Grammar School  
Church Road  
Thame  
Oxfordshire  
OX9 3AJ

23 July 2014

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

Dear Sirs

**ULS Technology plc (the “Company”) and its subsidiary undertakings (together, the “Group”)**

#### **Introduction**

We report on the financial information set out in Section B of Part III of this document. This financial information has been prepared for inclusion in the admission document dated 23 July 2014 of ULS Technology plc (the “Admission Document”) on the basis of the accounting policies set out in the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the 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 of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with 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 judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 March 2012, 2013 and 2014 and of its profits, cash flows and changes in equity for the years 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 for Companies 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 for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**SECTION B: CONSOLIDATED HISTORICAL FINANCIAL INFORMATION ON ULS  
TECHNOLOGY PLC FOR THE THREE YEARS ENDED 31 MARCH 2014**

**Consolidated Income Statement for the year ended 31 March**

	Notes	2012 £	2013 £	2014 £
<b>Revenue</b>		8,365,500	10,589,545	16,300,713
Cost of sales		<u>(5,748,259)</u>	<u>(7,286,192)</u>	<u>(11,046,613)</u>
<b>Gross profit</b>		2,617,241	3,303,353	5,254,100
Administrative expenses		<u>(1,226,622)</u>	<u>(1,701,874)</u>	<u>(2,757,674)</u>
<b>Operating profit</b>	2	1,390,619	1,601,479	2,496,426
Finance income	4	4,678	5,323	6,374
Finance costs	5	<u>(278,619)</u>	<u>(227,755)</u>	<u>(162,167)</u>
<b>Profit before taxation</b>		1,116,678	1,379,047	2,340,633
Taxation	6	<u>(284,851)</u>	<u>(358,795)</u>	<u>(181,878)</u>
<b>Profit for the financial year attributable to the Company's equity shareholders</b>		<u>831,827</u>	<u>1,020,252</u>	<u>2,158,755</u>
<b>Earnings per share from operations</b>				
Basic and diluted earnings per share (£)	7	1.9548	2.3976	5.0731

**Consolidated Statement of Comprehensive Income for the year ended 31 March**

	2012 £	2013 £	2014 £
Profit for the financial year	<u>831,827</u>	<u>1,020,252</u>	<u>2,158,755</u>
<b>Total comprehensive income for the financial year attributable to the Company's equity shareholders</b>	<u>831,827</u>	<u>1,020,252</u>	<u>2,158,755</u>

## Consolidated Balance Sheet as at 31 March

	Notes	2011 £	2012 £	2013 £	2014 £
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	9	3,297,024	3,297,024	3,297,024	3,297,024
Other intangible assets	10	262,666	354,385	965,244	1,442,563
Investments	11	445,000	—	—	—
Property, plant and equipment	12	25,677	79,674	184,141	733,431
Prepayments	14	103,930	73,342	55,571	41,571
		<u>4,134,297</u>	<u>3,804,425</u>	<u>4,501,980</u>	<u>5,514,589</u>
<b>Current assets</b>					
Inventory	13	18,960	25,176	58,691	44,547
Trade and other receivables	14	317,184	590,664	541,717	741,386
Cash and cash equivalents	15	686,209	1,531,626	981,251	2,017,333
		<u>1,022,353</u>	<u>2,147,466</u>	<u>1,581,659</u>	<u>2,803,266</u>
<b>Total Assets</b>		<u><u>5,156,650</u></u>	<u><u>5,951,891</u></u>	<u><u>6,083,639</u></u>	<u><u>8,317,855</u></u>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	16	325,533	325,533	325,533	325,533
Share premium		100,000	100,000	100,000	100,000
Retained earnings		(26,418)	805,409	1,825,661	3,984,416
<b>Total equity</b>		<u>399,115</u>	<u>1,230,942</u>	<u>2,251,194</u>	<u>4,409,949</u>
<b>Non-current liabilities</b>					
Borrowings	18	3,874,467	3,574,467	2,347,939	1,938,845
Deferred taxation	6	25,287	62,736	172,967	200,149
		<u>3,899,754</u>	<u>3,637,203</u>	<u>2,520,906</u>	<u>2,138,994</u>
<b>Current liabilities</b>					
Trade and other payables	17	708,875	833,991	1,242,974	1,581,710
Current tax payable	6	148,906	249,755	68,565	187,202
		<u>857,781</u>	<u>1,083,746</u>	<u>1,311,539</u>	<u>1,768,912</u>
<b>Total liabilities</b>		<u>4,757,535</u>	<u>4,720,949</u>	<u>3,832,445</u>	<u>3,907,906</u>
<b>Total equity and liabilities</b>		<u><u>5,156,650</u></u>	<u><u>5,951,891</u></u>	<u><u>6,083,639</u></u>	<u><u>8,317,855</u></u>

**Consolidated Statement of Changes in Equity for the year ended 31 March**

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 1 April 2011</b>	325,533	100,000	(26,418)	399,115
Profit for the year and total comprehensive income	—	—	831,827	831,827
<b>Balance at 31 March 2012</b>	325,533	100,000	805,409	1,230,942
Profit for the year and total comprehensive income	—	—	1,020,252	1,020,252
<b>Balance at 31 March 2013</b>	325,533	100,000	1,825,661	2,251,194
Profit for the year and total comprehensive income	—	—	2,158,755	2,158,755
<b>Balance at 31 March 2014</b>	<u>325,533</u>	<u>100,000</u>	<u>3,984,416</u>	<u>4,409,949</u>

## Consolidated Statement of Cash Flows for the year ended 31 March

	Notes	2012 £	2013 £	2014 £
<b>Cash flow from operating activities</b>				
Profit for the financial year before tax		1,116,678	1,379,047	2,340,633
Finance income		(4,678)	(5,323)	(6,374)
Finance costs		278,619	227,755	162,167
Gain on disposal of investment		(55,000)	—	—
Loss on disposal of intangible software assets		—	—	57,961
Loss on disposal of plant and equipment		777	—	869
Amortisation		58,987	79,285	103,046
Depreciation		19,341	40,734	128,029
Tax paid		(146,553)	(429,754)	(36,059)
		<u>1,268,171</u>	<u>1,291,744</u>	<u>2,750,272</u>
<b>Changes in working capital</b>				
(Increase) / decrease in inventories		(6,216)	(32,581)	14,144
(Increase) / decrease in trade and other receivables		(42,891)	74,622	(185,669)
Increase in trade and other payables		125,115	297,236	338,736
		<u>1,344,179</u>	<u>1,631,021</u>	<u>2,917,483</u>
<b>Cash flow from investing activities</b>				
Purchase of intangible software assets		(150,706)	(593,709)	(638,326)
Purchase of property, plant and equipment		(74,115)	(143,877)	(678,779)
Disposal of property, plant and equipment		—	—	591
Acquisition of business	27	—	(1)	—
Cash balances acquired in business combination	27	—	5,151	—
Interest received		4,678	5,323	6,374
		<u>(220,143)</u>	<u>(727,113)</u>	<u>(1,310,140)</u>
<b>Cash flow from financing activities</b>				
Interest paid		(278,619)	(227,755)	(162,167)
Repayment of loans		(895,744)	(1,226,528)	(409,094)
New loans		895,744	—	—
		<u>(278,619)</u>	<u>(1,454,283)</u>	<u>(571,261)</u>
<b>Net cash used in financing activities</b>				
		<u>(278,619)</u>	<u>(1,454,283)</u>	<u>(571,261)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>				
		845,417	(550,375)	1,036,082
Cash and cash equivalents at beginning of financial year		686,209	1,531,626	981,251
		<u>1,531,626</u>	<u>981,251</u>	<u>2,017,333</u>
<b>Cash and cash equivalents at end of financial year</b>				

## Principal Accounting Policies

### Basis of preparation

The financial information of ULS Technology plc (formerly Oval (2235) Limited) and its subsidiaries (together, “the Group”) has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union, IFRIC interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has adopted IFRS for the first time in this financial information. The Group’s transition date to IFRS is 1 April 2011.

The policies have changed from the previous published consolidated financial statements which were prepared under applicable United Kingdom Generally Accepted Accounting Practice (“UK GAAP”). The financial information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 30, together with the reconciliation of opening balances and comparative results in note 31.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2014.

The principal accounting policies set out below have been consistently applied to all periods presented.

### IFRS transition

IFRS 1 permits companies adopting IFRS for the first time to take certain optional exemptions from the full retrospective application of IFRS. The Group has taken the following exemptions available under IFRS 1:

- Not to apply IFRS 3(R) “Business combinations” to business combinations occurring prior to the Group’s date of transition to IFRS, being 1 April 2011.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in notes 30 and 31.

### International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of this financial information, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, this financial information, the following may have an impact going forward:

<u>New/Revised International Financial Reporting Standards</u>	<u>Effective Date: Annual periods beginning on or after:</u>	<u>EU adopted</u>	<u>Potential impact on Group</u>
IFRS 9 Financial Instruments: Classification and Measurement	Currently no effective date	No	Classification and measurement of financial instruments
IFRS 15 Revenue from Contracts with Customers	1 January 2017	No	Recognition of revenue

### Basis of consolidation

The financial information incorporates the results of ULS Technology plc (“the Company”) and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs of business combinations that have occurred after the date of transition are expensed as incurred.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Revenue recognition**

Revenue recognised represents the value of all services provided during the period, less returns, at selling price exclusive of Value Added Tax.

Sales are recognised at the point at which the Group has fulfilled its contractual obligation to the customer, which is considered to be on completion of legal services. Typically, for a conveyancing transaction, this will be on completion of the property transaction. If the transaction falls through prior to completion, the customer does not have to pay.

### **Finance income and costs**

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

### **Investments**

Investments held by the Group relate to a call option acquired by the Group in a pre-IFRS transition business combination. The fair value of the option was recognised based on an external valuation.

### **Other intangible assets**

An internally-generated intangible asset arising from development expenditure is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

Intangible software assets are stated at historical cost less amortisation less any recognised impairment losses. Cost represents purchase price together with any incidental costs of acquisition and capitalised development costs.

Amortisation is calculated so as to write off the cost of an asset, net of any residual value, over the estimated useful life of that asset as follows:

Computer Software	-	Straight line over 4-7 years
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### **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis as follows:

Leasehold Improvements	-	Over the life of the lease
Computer Equipment	-	25% on cost
Fixtures & Fittings	-	25% on cost

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

### **Impairment of non-financial assets including goodwill**

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

At each balance sheet date the Directors review the carrying amounts of the Group's tangible and intangible assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Work in progress is valued on the basis of direct costs attributable to jobs under completion at the reporting date.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **Financial instruments**

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

### **Financial assets**

The Group classifies its financial assets as 'loans and receivables'. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Balance Sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

### **Financial liabilities**

The Group's financial liabilities include trade and other payables and borrowings.

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### **Current taxation**

Current taxation for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

### **Deferred taxation**

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

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

### **Employment benefits**

Provision is made in the financial information for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

The Group's contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

### **Leasing**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### **Equity**

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.

### **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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.

The following are the significant judgements used in applying the accounting policies of the Group that have the most significant effect on the financial information:

#### *Capitalisation of development expenditure*

The Group applies judgement in determining whether internal research and development projects meet the qualifying criteria set out in IAS 38 for the capitalisation of development expenditure as internally generated intangible assets. The particular uncertainty and judgment centres around whether a project will be commercially successful, particularly in the pre-revenue phase.

## Notes to the Consolidated Financial Information

### 1. Segmental reporting

#### *Operating segments*

The Group has only one operating segment on which it reports to the Chief Operating Decision Maker, being the provision of web based services for brokers, solicitors, estate agents, lenders, network/associations and end-customers, which trades exclusively within the UK.

Revenues are received from solicitor firms, which are classified as the Group's customers. Revenues from customers who contributed more than 10% of revenues were as follows:

	2012 £	2013 £	2014 £
1	1,672,482	2,385,709	4,024,035
2	982,646	1,140,071	—
3	<u>1,248,930</u>	<u>1,246,292</u>	<u>—</u>

### 2. Operating profit

	2012 £	2013 £	2014 £
Operating profit is stated after charging/(crediting):			
Fees payable to the Company's auditors for the audit of the annual financial statements	9,000	3,500	4,100
Fees payable to the Company's auditors and its associates for other services to the Group:			
- Audit of the accounts of subsidiaries	—	8,000	12,200
- Tax compliance services	—	7,450	7,510
Profit on disposal of investment in option	(55,000)	—	—
Amortisation	58,987	79,285	103,046
Depreciation	19,341	40,734	128,029
Operating lease rentals payable:			
- Office and equipment	37,058	36,010	41,257

### 3. Directors and employees

The aggregate payroll costs of the employees, including both management and Executive Directors, were as follows:

	2012 £	2013 £	2014 £
<b>Staff costs</b>			
Wages and salaries	782,276	1,239,677	1,885,808
Social security costs	94,747	132,044	201,530
Pension costs	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>
	<u>879,423</u>	<u>1,374,121</u>	<u>2,089,738</u>

Average monthly number of persons employed by the Group during the year was as follows:

	2012 Number	2013 Number	2014 Number
<b>By activity:</b>			
Production staff	7	13	18
Distribution staff	5	7	11
Administrative staff	9	14	16
Management Staff	<u>4</u>	<u>5</u>	<u>5</u>
	<u>25</u>	<u>39</u>	<u>50</u>

	2012 £	2013 £	2014 £
<b>Remuneration of Directors</b>			
Emoluments for qualifying services	386,045	352,026	536,017
Social security costs	<u>41,879</u>	<u>37,034</u>	<u>60,852</u>
	<u>427,924</u>	<u>389,060</u>	<u>596,869</u>
	2012 £	2013 £	2014 £
<b>Highest paid Director</b>			
Remuneration	<u>135,417</u>	<u>130,000</u>	<u>185,382</u>

Key management personnel are identified as the Executive Directors.

No share options have been either issued to or exercised by any of the directors, nor any payments of pensions contributions made on behalf of directors in any of the periods presented.

#### 4. Finance income

	2012 £	2013 £	2014 £
Bank interest	<u>4,678</u>	<u>5,323</u>	<u>6,374</u>

#### 5. Finance costs

	2012 £	2013 £	2014 £
Loan interest payable	<u>278,619</u>	<u>227,755</u>	<u>162,167</u>

#### 6. Taxation

##### Analysis of charge in year

	2012 £	2013 £	2014 £
<b>Current tax</b>			
<b>United Kingdom</b>			
UK corporation tax on profits for the year	249,755	248,564	327,201
Adjustments to prior year taxation	(2,353)	—	(172,505)
<b>Deferred tax</b>			
<b>United Kingdom</b>			
Origination and reversal of temporary differences	<u>37,449</u>	<u>110,231</u>	<u>27,182</u>
<b>Corporation tax charge</b>	<u>284,851</u>	<u>358,795</u>	<u>181,878</u>

The differences are explained as follows:

	2012 £	2013 £	2014 £
<b>Profit before tax</b>	<u>1,116,678</u>	<u>1,379,047</u>	<u>2,340,633</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26%, 24% and 23%	290,336	330,971	538,346
Tax effects of:			
Expenses not deductible for tax purposes	(8,424)	36,570	34,679
Other permanent differences	11,457	—	—
Adjustment to tax charge in respect of previous periods	(2,353)	—	(172,505)
Changes in tax rates	(6,165)	(8,746)	(86,231)
Additional R&D tax relief	—	—	(132,411)
<b>Corporation tax charge</b>	<u>284,851</u>	<u>358,795</u>	<u>181,878</u>

## Deferred tax:

Analysis of deferred tax balances provided:

	2012 £	2013 £	2014 £
Deferred tax liabilities at applicable rate for the period of 24%, 22% and 20%:			
Opening balance at 1 April	25,287	62,736	172,967
- Fixed asset temporary differences	37,449	110,231	27,182
Deferred tax provision - closing balance at 31 March	<u>62,736</u>	<u>172,967</u>	<u>200,149</u>

## 7. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year.

The Group does not have any potentially dilutive shares in any of the periods presented, therefore the basic and diluted earnings per share are the same.

### Basic earnings per share

	2012 £	2013 £	2014 £
Total basic earnings per share	<u>1.9548</u>	<u>2.3976</u>	<u>5.0731</u>

The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share are as follows:

	2012 £	2013 £	2014 £
Earnings used in the calculation of total basic and diluted earnings per share	<u>831,827</u>	<u>1,020,252</u>	<u>2,158,755</u>

### Number of shares

Weighted average number of Ordinary Shares for the purposes of basic earnings per share

	2012	2013	2014
	<u>425,533</u>	<u>425,533</u>	<u>425,533</u>

## 8. Subsidiaries

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity	Class of shares	Place of incorporation and operation	% ownership held by the Group		
				2012	2013	2014
United Legal Services Limited	Development and hosting of internet based software applications for legal services businesses	Ordinary	England & Wales	100%	100%	100%
United Home Services Limited (formerly Ehps Limited)	Development and hosting of internet based software applications for property services businesses	Ordinary	England & Wales	—	100%	100%

## 9. Goodwill

### ULS Technology CGU

All of the carrying amount of goodwill is allocated to the cash generating unit (CGU) of the ULS Technology group of companies.

The recoverable amount of the ULS Technology CGU has been determined from value in use calculations based on cash flow projections from a formally approved 12 month forecast which has been extrapolated out over a 5 year period.

Other major assumptions are as follows:

<b>Impairment review date</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate	7.5	7.5	7.5	7.5
Growth assumptions used to extrapolate 1 year budget forecast:				
- 2 years	1.0	1.0	1.0	1.0
- 3 years	1.0	1.0	1.0	1.0
- 4 years	1.0	1.0	1.0	1.0
- 5 years	1.0	1.0	1.0	1.0

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year to year 5 are based on economic data for the wider economy, and represent a prudent expectation of growth.

The recoverable amount for the ULS Technology CGU exceeds its carrying amount by the following amounts in each year assessed:

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amount by which recoverable amount exceeds carrying amount	2,186	3,759	7,040	13,551

The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## 10. Intangible assets

	<b>Computer Software</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 2011	401,533
Additions	150,706
At 31 March 2012	552,239
Additions	593,709
Acquired within business combination (note 27)	96,435
At 31 March 2013	1,242,383
Additions	638,326
Disposals	(70,088)
At 31 March 2014	1,810,621
<b>Accumulated Amortisation</b>	
At 1 April 2011	138,867
Charge	58,987
At 31 March 2012	197,854
Charge	79,285
At 31 March 2013	277,139
Charge	103,046
Disposals	(12,127)
At 31 March 2014	368,058
<b>Net book value</b>	
At 1 April 2011	262,666
At 31 March 2012	354,385
At 31 March 2013	965,244
At 31 March 2014	1,442,563

## 11. Investment

	2011 £	2012 £	2013 £	2014 £
Cost	<u>445,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The investment represents an option to acquire a 50% interest in United Solicitors Limited, a related party. This option was sold during the 2012 financial year.

## 12. Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 April 2011	—	118,048	8,168	126,216
Additions	—	74,115	—	74,115
Disposals	<u>—</u>	<u>(3,719)</u>	<u>—</u>	<u>(3,719)</u>
At 31 March 2012	—	188,444	8,168	196,612
Additions	32,966	109,003	1,908	143,877
Acquired within business combination (note 27)	<u>—</u>	<u>1,112</u>	<u>212</u>	<u>1,324</u>
At 31 March 2013	32,966	298,559	10,288	341,813
Additions	495,683	118,620	64,476	678,779
Disposals	<u>—</u>	<u>(7,614)</u>	<u>(8,866)</u>	<u>(16,480)</u>
At 31 March 2014	<u>528,649</u>	<u>409,565</u>	<u>65,898</u>	<u>1,004,112</u>
<b>Accumulated Depreciation</b>				
At 1 April 2011	—	93,081	7,458	100,539
Charge	—	19,078	263	19,341
Disposals	<u>—</u>	<u>(2,942)</u>	<u>—</u>	<u>(2,942)</u>
At 31 March 2012	—	109,217	7,721	116,938
Charge	<u>—</u>	<u>40,000</u>	<u>734</u>	<u>40,734</u>
At 31 March 2013	—	149,217	8,455	157,672
Charge	57,214	62,800	8,015	128,029
Disposals	<u>—</u>	<u>(6,554)</u>	<u>(8,466)</u>	<u>(15,020)</u>
At 31 March 2014	<u>57,214</u>	<u>205,463</u>	<u>8,004</u>	<u>270,681</u>
<b>Net book value</b>				
At 1 April 2011	<u>—</u>	<u>24,967</u>	<u>710</u>	<u>25,677</u>
At 31 March 2012	<u>—</u>	<u>79,227</u>	<u>447</u>	<u>79,674</u>
At 31 March 2013	<u>32,966</u>	<u>149,342</u>	<u>1,833</u>	<u>184,141</u>
At 31 March 2014	<u>471,435</u>	<u>204,102</u>	<u>57,894</u>	<u>733,431</u>

## 13. Inventories

	2011 £	2012 £	2013 £	2014 £
Inventories	—	—	934	1,444
Work In Progress	<u>18,960</u>	<u>25,176</u>	<u>57,757</u>	<u>43,103</u>
	<u>18,960</u>	<u>25,176</u>	<u>58,691</u>	<u>44,547</u>

#### 14. Trade and other receivables

	2011 £	2012 £	2013 £	2014 £
<b>Current assets:</b>				
Trade receivables	181,556	239,088	171,475	400,505
Other receivables	6,086	242,360	229,384	237,098
Prepayments and accrued income	129,542	109,216	140,858	103,783
	<u>317,184</u>	<u>590,664</u>	<u>541,717</u>	<u>741,386</u>
<b>Non-current assets:</b>				
Prepayments	<u>103,930</u>	<u>73,342</u>	<u>55,571</u>	<u>41,571</u>

The Directors consider the carrying value of trade and other receivables is approximate to its fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. The Group suffers a very small incidence of credit losses. However, where management view that there is a significant risk of non-payment a specific provision for impairment is made, and recognised as a deduction from trade receivables.

	2011 £	2012 £	2013 £	2014 £
Impairment provision	<u>5,468</u>	<u>44,328</u>	<u>54,146</u>	<u>55,129</u>

The amount of trade receivables past due but not impaired at each balance sheet date is as follows:

	2011 £	2012 £	2013 £	2014 £
Trade receivables past due but not impaired at 31 March	<u>90,426</u>	<u>38,979</u>	<u>16,856</u>	<u>65,711</u>

#### 15. Cash and cash equivalents

	2011 £	2012 £	2013 £	2014 £
Cash at bank (GBP)	<u>686,209</u>	<u>1,531,626</u>	<u>981,251</u>	<u>2,017,333</u>

At March 2011, 2012, 2013 and 2014 all significant cash and cash equivalents were deposited with major clearing banks in the UK with at least an 'A' rating.

#### 16. Share capital

##### Allotted, issued, and fully paid:

	2011		2012	
	No	£	No	£
182,986 Ordinary Class A1 shares of £0.50 each	182,986	91,493	182,986	91,493
17,014 Ordinary Class A2 shares of £0.50 each	17,014	8,507	17,014	8,507
204,256 Ordinary Class B shares of £1 each	204,256	204,256	204,256	204,256
21,277 Ordinary Class C shares of £1 each	<u>21,277</u>	<u>21,277</u>	<u>21,277</u>	<u>21,277</u>
	<u>425,533</u>	<u>325,533</u>	<u>425,533</u>	<u>325,533</u>
	2013		2014	
	No	£	No	£
182,986 Ordinary Class A1 shares of £0.50 each	182,986	91,493	182,986	91,493
17,014 Ordinary Class A2 shares of £0.50 each	17,014	8,507	17,014	8,507
204,256 Ordinary Class B shares of £1 each	204,256	204,256	204,256	204,256
21,277 Ordinary Class C shares of £1 each	<u>21,277</u>	<u>21,277</u>	<u>21,277</u>	<u>21,277</u>
	<u>425,533</u>	<u>325,533</u>	<u>425,533</u>	<u>325,533</u>

As regards income and capital distributions, all categories of shares rank pari passu as if the same constituted one class of share.

## Allotments during the year

No shares have been issued during any of the financial years presented.

## 17. Trade and other payables

	2011 £	2012 £	2013 £	2014 £
Trade payables	494,811	547,209	754,354	980,755
PAYE and social security	19,634	32,608	45,792	56,272
VAT	110,966	228,750	257,197	364,121
Other creditors	12,449	1,201	70,423	18,236
Accruals and deferred income	<u>71,015</u>	<u>24,223</u>	<u>115,208</u>	<u>162,326</u>
	<u>708,875</u>	<u>833,991</u>	<u>1,242,974</u>	<u>1,581,710</u>

## 18. Borrowings

	2011 £	2012 £	2013 £	2014 £
<b>Secured - at amortised cost</b>				
- A Loan notes (2016)	2,678,723	3,574,467	2,347,939	1,938,845
- B Loan notes (2016)	<u>1,195,744</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,874,467</u>	<u>3,574,467</u>	<u>2,347,939</u>	<u>1,938,845</u>
Non-current	<u>3,874,467</u>	<u>3,574,467</u>	<u>2,347,939</u>	<u>1,938,845</u>

### Summary of borrowing arrangements:

- A Loan notes of £2,678,723 were initially issued on 17 January 2011 with a 5 year term, carrying a fixed rate of interest payable quarterly at 7.5% per annum. The loan notes are secured by way of a fixed and floating charge over the assets of the Company and its subsidiary. Further loan notes were issued in August 2011 for £895,744. These loan notes have been partially repaid.
- B Loan notes of £1,195,744 were initially issued on 17 January 2011 with a 5 year term, carrying a fixed rate of interest payable quarterly at 7.5% per annum. The loan notes are secured by way of a fixed and floating charge over the assets of the Company and its subsidiary. These loan notes were repaid early during the 2012 financial year.
- Loans are secured by way of fixed and floating charges over all assets of the Group.
- Amounts shown represent the loan principals; accrued interest is recognised within accruals – any amounts due at the reporting date are paid within a few days.
- Loan notes held by related parties are disclosed in note 26.

## 19. Financial instruments

### Classification of financial instruments

There are no financial instruments measured at fair value in the balance sheet.

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

### Financial assets

	2011 £	Loans and other receivables		2014 £
		2012 £	2013 £	
Trade receivables (note 14)	181,556	239,088	171,475	400,505
Other receivables (note 14)	6,086	242,360	229,384	237,098
Cash and cash equivalents (note 15)	<u>686,209</u>	<u>1,531,626</u>	<u>981,251</u>	<u>2,017,333</u>
	<u>873,851</u>	<u>2,013,074</u>	<u>1,382,110</u>	<u>2,654,936</u>

All of the above financial assets' carrying values are approximate to their fair values, as at 31 March 2011, 2012, 2013 and 2014.

## Financial liabilities

	2011	Measured at amortised cost		2014
	£	2012	2013	£
		£	£	
Trade payables (note 17)	494,811	547,209	754,354	980,755
Other payables (note 17)	12,449	1,201	70,423	18,236
Accruals (note 17)	71,015	24,223	115,208	162,326
Loans (note 18)	3,874,467	3,574,467	2,347,939	1,938,845
	<u>4,452,742</u>	<u>4,147,100</u>	<u>3,287,924</u>	<u>3,100,162</u>

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at 31 March 2011, 2012, 2013 and 2014.

All loan instruments are at a fixed interest rate of 7.5% per annum, which is a fairly standard market rate during all reporting period presented for a company with relatively low risk profile.

## 20. Financial instrument risk exposure and management

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 14, 15, 17, 18, 19, and 22.

### Liquidity risk

Liquidity risk is dealt with in note 21 of this financial information.

### Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure spread over a number of third parties.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents, as described in note 19.

### Interest rate risk

The Group has secured debt as disclosed in note 18. The interest on this debt is fixed and therefore interest rate risk is limited.

The balances disclosed above represent the principal debt. Interest is paid quarterly, and all interest due has either been paid at each reporting date, or is paid within a few days of that date – in the latter case, interest accrued is included within accruals.

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial. The Group does not have any variable interest bearing borrowings.

## 21. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 March 2011, 2012, 2013 and 2014, on the basis of their earliest possible contractual maturity.

	Total £	Within 2 months £	Within 2 – 6 months £	6 – 12 months £	1 – 2 years £	Greater than 2 years £
<b>At 31 March 2011</b>						
Trade payables	494,811	494,811	—	—	—	—
Other payables	12,449	—	12,449	—	—	—
Accruals	71,015	—	71,015	—	—	—
Loans	5,269,275	—	145,691	144,894	290,585	4,688,105
	<u>5,847,550</u>	<u>494,811</u>	<u>229,155</u>	<u>144,894</u>	<u>290,585</u>	<u>4,688,105</u>
<b>At 31 March 2012</b>						
Trade payables	547,209	547,209	—	—	—	—
Other payables	1,201	—	1,201	—	—	—
Accruals	24,223	—	24,223	—	—	—
Loans	4,592,456	—	134,410	133,675	268,085	4,056,286
	<u>5,165,089</u>	<u>547,209</u>	<u>159,834</u>	<u>133,675</u>	<u>268,085</u>	<u>4,056,286</u>
<b>At 31 March 2013</b>						
Trade payables	754,354	754,354	—	—	—	—
Other payables	70,423	—	70,423	—	—	—
Accruals	115,208	—	115,208	—	—	—
Loans	2,840,524	—	88,289	87,806	176,095	2,488,334
	<u>3,780,509</u>	<u>754,354</u>	<u>273,920</u>	<u>87,806</u>	<u>176,095</u>	<u>2,488,334</u>
<b>At 31 March 2014</b>						
Trade payables	980,755	980,755	—	—	—	—
Other payables	18,236	—	18,236	—	—	—
Accruals	162,326	—	162,326	—	—	—
Loans	2,200,190	—	72,906	72,507	2,054,777	—
	<u>3,361,507</u>	<u>980,755</u>	<u>253,468</u>	<u>72,507</u>	<u>2,054,777</u>	<u>—</u>

The amounts payable for loans, as presented above, include the quarterly interest payments due in accordance with the terms described in note 18 in addition to the repayment of principal at maturity.

## 22. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the Balance Sheet and further disclosed in notes 19 and 16.

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Group is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

## 23. Operating lease arrangements

The Group does not have an option to purchase any of the operating leased assets at the expiry of the lease periods.

<b>Payments recognised as an expense</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Minimum lease payments	37,058	36,010	41,257
<b>Non-cancellable operating lease commitments</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Not later than 1 year	1,612	4,968	4,988
Less than 1 year and not later than 5 years	2,821	7,083	4,557
	4,433	12,051	9,545

## 24. Financial commitments

There are no other financial commitments.

## 25. Retirement benefit plans

The Group operates a defined contribution pension scheme for its employees. The pension cost charge represents contributions payable by the Group and amounted to: 2012: £2,400, 2013: £2,400, 2014: £2,400.

There were no pension contribution balances payable as at any of the reporting dates presented.

## 26. Related party transactions

Key management personnel are identified as the Executive Directors, and their remuneration is disclosed in note 3.

### Related party loan note transactions are as follows:

Shareholders:

Lloyds Development Capital (LDC)

Directors:

P Opperman (PO)

N Hoath (NH)

A Weston (AW)

	Principal				TOTAL £
	A Loan notes		B Loan notes		
	LDC £	PO £	NH £	AW £	
<b>At 31 March 2011</b>	2,600,000	78,723	1,076,170	119,574	3,874,467
Loans repaid	—	—	(1,076,170)	(119,574)	(1,195,744)
New loan notes issued	895,744	—	—	—	895,744
<b>At 31 March 2012</b>	3,495,744	78,723	—	—	3,574,467
Loans repaid	(1,200,000)	(26,528)	—	—	(1,226,528)
<b>At 31 March 2013</b>	2,295,744	52,195	—	—	2,347,939
Loans repaid	(400,000)	(9,094)	—	—	(409,094)
<b>At 31 March 2014</b>	(1,895,744)	(43,101)	—	—	(1,938,845)
	Interest				TOTAL £
	A Loan notes		B Loan notes		
	LDC £	PO £	NH £	AW £	
<b>At 31 March 2011</b>	—	1,165	15,700	1,744	18,609
<b>At 31 March 2012</b>					
Interest paid	235,664	7,081	49,003	5,479	297,227
<b>At 31 March 2013</b>					
Interest paid	180,190	4,144	—	—	184,334
Interest accrued	42,456	965	—	—	43,421
<b>At 31 March 2014</b>					
Interest paid	201,018	4,570	—	—	205,588

All loan notes are secured and terms are described in note 18. Accrued interest is included within accruals and paid within a few days of the year-end date.

### Other related party transactions are as follows:

The director N Hoath is a director of United Surveyors Limited (USL) and is a proprietor with a controlling interest in Hoath Independent Financial Planning.

The group had the following transactions with these companies:

Name of related party	Transaction details	2012 £	2013 £	2014 £
United Surveyors Ltd	Expenses charged to the related party	45,153	63,678	54,488
	Expenses recharged from the related party	85,322	68,777	50,521
	Purchase of computer software platform	40,000	—	
	Balance due from / (to) the related party at the reporting date	(1,490)	(1,346)	2,620
Hoath Independent Financial Planning	Expenses charged to the related party	26,061	32,210	24,834
	Expenses recharged from the related party	26,050	37,116	2,370
	Balance due from the related party at the reporting date	3,726	1,545	24,008

The Group has a licence to occupy office premises with United Surveyors Limited for £35,000 per annum which is included in the above amounts recharged from the related party. From January 2014 this will increase to £50,000 per annum.

During the 2012 financial year, the Company sold an option held in United Surveyors Limited to N Hoath for a total of £500,000. £300,000 of this amount was settled by way of an equivalent reduction in the value of the B loans held.

N Hoath owed the following amounts at 2012: £200,000, 2013: £200,000, 2014: £200,000, which is shown within other debtors due within one year.

### 27. Business combinations

During the year ended 31 March 2013 the Company acquired 100% of the issued ordinary share capital of United Home Services Limited, a company incorporated in England and Wales:

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Consideration transferred
<b>2013</b>				
United Home Services Limited (formerly Ehips Limited)	The development and hosting of internet based software applications for property services businesses.	1 April 2012	100%	£1

The primary purpose of the acquisition of United Home Services Limited was the acquisition by the Group of the Move4Us Online estate agency proposition, particularly the software platform.

### Consideration transferred

Cash	£ 1
Total	<u>1</u>

**Assets acquired and liabilities recognised at the date of acquisition:**

	£
<b>Current assets</b>	
Cash and cash equivalents	5,151
Trade and other receivables	7,904
Inventories	934
<b>Non-current assets</b>	
Plant and equipment	1,324
Intangible software assets	96,435
<b>Current Liabilities</b>	
Trade and other payables	(111,747)
	<u>1</u>

**Net Cash inflow on acquisition of subsidiaries**

	2013 £
Consideration paid in cash	(1)
Less: cash and cash equivalent balances acquired	5,151
	<u>5,150</u>

The acquiree has been included in the consolidated financial information for the first time in 2013, with revenue of £25,901 and a loss of £14,967 included.

**28. Ultimate controlling party**

The directors do not consider there to be an ultimate controlling party.

**29. Events after the balance sheet date**

On 11 July 2014, the Group drew down £4,000,000 of bank facilities and repaid the outstanding loan notes of £1,857,026 (31 March 2014: £1,938,845).

On 22 July 2014, the Company declared an interim dividend of £3,250,000.

On 22 July 2014, the Company sub-divided its share capital into 53,191,625 Ordinary Shares of 0.4p each and 225,533 deferred shares of 50p each. Subsequent to the sub-division of shares, all of the deferred shares were bought back by the Company for £1 and immediately cancelled.

**30. Transition to IFRS**

ULS Technology plc reported under UK GAAP in its previously published consolidated financial statements for the year ended 31 March 2014.

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

The main changes are in respect to the primary statements. The Profit and Loss Account has been replaced with an Income Statement, and the Statement of Recognised Gains and Losses has been replaced with a Statement of Comprehensive Income which presents the result for the year as the total comprehensive income for the year instead of the profit for the year.

The Balance Sheet has changed format: instead of presenting net assets and shareholders' funds, the information is now presented as total assets and total equity and liabilities.

A Statement of Changes in Equity is presented as a primary statement and provides information on the movements in equity during the financial year. Previously this information was presented as part of the movement in reserves and reconciliations of movement in shareholders' funds notes.

The Group's Statement of Cash Flows is presented in accordance with IAS 7. The statements present substantially the same information as that required under UK GAAP, with no notable exceptions, other than that cash flows are categorised differently.

A number of GAAP differences arise as a result of change in accounting policies on the conversion to IFRS:

1. Goodwill is not amortised under IFRS so the goodwill amortisation has been reversed;

2. Following the application of IFRS 3 to the business combination that occurred during the financial year ending 31 March 2013, acquired intangible assets classified as goodwill under UK GAAP have been identified as separable software intangible assets, so these have been reclassified accordingly and amortised over 4 years in accordance with the group's accounting policy.

### 31. Reconciliation of equity and profit under UK GAAP to IFRS

#### a) Reconciliation of equity at 1 April 2011

	Notes	UK GAAP £	UK GAAP adjustments £	Restated UK GAAP £	Effect of transition to IFRS £	IFRS £
<b>Assets</b>						
<b>Non-current assets</b>						
Goodwill	(i)	3,742,024	(445,000)	3,297,024	—	3,297,024
Investments	(i)	—	445,000	445,000	—	445,000
Intangible assets	(ii)	—	262,666	262,666	—	262,666
Property, plant and equipment	(ii)	288,343	(262,666)	25,677	—	25,677
Prepayments		103,930	—	103,930	—	103,930
		<u>4,134,297</u>	<u>—</u>	<u>4,134,297</u>	<u>—</u>	<u>4,134,297</u>
<b>Current assets</b>						
Inventory		18,960	—	18,960	—	18,960
Trade and other receivables		317,184	—	317,184	—	317,184
Cash and cash equivalents		686,209	—	686,209	—	686,209
		<u>1,022,353</u>	<u>—</u>	<u>1,022,353</u>	<u>—</u>	<u>1,022,353</u>
<b>Total Assets</b>		<u>5,156,650</u>	<u>—</u>	<u>5,156,650</u>	<u>—</u>	<u>5,156,650</u>
<b>Equity and liabilities</b>						
<b>Capital and reserves attributable to the Company's equity shareholders</b>						
Share capital		325,533	—	325,533	—	325,533
Share premium		100,000	—	100,000	—	100,000
Retained earnings		(26,418)	—	(26,418)	—	(26,418)
<b>Total equity</b>		<u>399,115</u>	<u>—</u>	<u>399,115</u>	<u>—</u>	<u>399,115</u>
<b>Non-current liabilities</b>						
Borrowings		3,874,467	—	3,874,467	—	3,874,467
Deferred taxation		25,287	—	25,287	—	25,287
		<u>3,899,754</u>	<u>—</u>	<u>3,899,754</u>	<u>—</u>	<u>3,899,754</u>
<b>Current liabilities</b>						
Trade and other payables	(i)	708,875	—	708,875	—	708,875
Current tax payable		148,906	—	148,906	—	148,906
		<u>857,781</u>	<u>—</u>	<u>857,781</u>	<u>—</u>	<u>857,781</u>
<b>Total liabilities</b>		<u>4,757,535</u>	<u>—</u>	<u>4,757,535</u>	<u>—</u>	<u>4,757,535</u>
<b>Total equity and liabilities</b>		<u>5,156,650</u>	<u>—</u>	<u>5,156,650</u>	<u>—</u>	<u>5,156,650</u>

Notes to UK GAAP restatements:

- (i) Reclassification of investment in option to acquire United Solicitors Limited, a related party – this reclassification had been made in the subsequent UK GAAP financial statements prior to the sale of the option in 2012, but had not previously been restated in the 2011 balance sheet
- (ii) Reclassification of intangible software assets in line with the reclassification under UK GAAP carried out in the 2013 financial statements.

**b) Reconciliation of equity at 31 March 2012**

	Notes	UK GAAP £	UK GAAP adjustments £	Restated UK GAAP £	Effect of transition to IFRS £	IFRS £
<b>Assets</b>						
<b>Non-current assets</b>						
Goodwill	(ii)	2,960,979	—	2,960,979	336,045	3,297,024
Intangible assets	(i)	—	354,385	354,385	—	354,385
Property, plant and equipment	(i)	434,059	(354,385)	79,674	—	79,674
Prepayments		73,342	—	73,342	—	73,342
		<u>3,468,380</u>	<u>—</u>	<u>3,468,380</u>	<u>336,045</u>	<u>3,804,425</u>
<b>Current assets</b>						
Inventory		25,176	—	25,176	—	25,176
Trade and other receivables		590,664	—	590,664	—	590,664
Cash and cash equivalents		1,531,626	—	1,531,626	—	1,531,626
		<u>2,147,466</u>	<u>—</u>	<u>2,147,466</u>	<u>—</u>	<u>2,147,466</u>
<b>Total Assets</b>		<u>5,615,846</u>	<u>—</u>	<u>5,615,846</u>	<u>336,045</u>	<u>5,951,891</u>
<b>Equity and liabilities</b>						
<b>Capital and reserves attributable to the Company's equity shareholders</b>						
Share capital		325,533	—	325,533	—	325,533
Share premium		100,000	—	100,000	—	100,000
Retained earnings	(ii)	469,364	—	469,364	336,045	805,409
<b>Total equity</b>		<u>894,897</u>	<u>—</u>	<u>894,897</u>	<u>336,045</u>	<u>1,230,942</u>
<b>Non-current liabilities</b>						
Borrowings		3,574,467	—	3,574,467	—	3,574,467
Deferred taxation		62,736	—	62,736	—	62,736
		<u>3,637,203</u>	<u>—</u>	<u>3,637,203</u>	<u>—</u>	<u>3,637,203</u>
<b>Current liabilities</b>						
Trade and other payables		833,991	—	833,991	—	833,991
Current tax payable		249,755	—	249,755	—	249,755
		<u>1,083,746</u>	<u>—</u>	<u>1,083,746</u>	<u>—</u>	<u>1,083,746</u>
<b>Total liabilities</b>		<u>4,720,949</u>	<u>—</u>	<u>4,720,949</u>	<u>—</u>	<u>4,720,949</u>
<b>Total equity and liabilities</b>		<u>5,615,846</u>	<u>—</u>	<u>5,615,846</u>	<u>336,045</u>	<u>5,951,891</u>

Notes to UK GAAP restatements:

- (i) Reclassification of intangible software assets in line with the reclassification under UK GAAP carried out in the 2013 financial statements.

Notes to IFRS adjustments:

- (ii) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.

c) Reconciliation of equity at 31 March 2013

Notes:	UK GAAP	Effect of transition to IFRS			IFRS
	£	1 £	2 £	3 £	£
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	2,711,725	681,734	(96,435)	—	3,297,024
Intangible assets	892,918	—	96,435	(24,109)	965,244
Property, plant and equipment	184,141	—	—	—	184,141
Prepayments	55,571	—	—	—	55,571
	<u>3,844,355</u>	<u>681,734</u>	<u>—</u>	<u>(24,109)</u>	<u>4,501,980</u>
<b>Current assets</b>					
Inventory	58,691	—	—	—	58,691
Trade and other receivables	541,717	—	—	—	541,717
Cash and cash equivalents	981,251	—	—	—	981,251
	<u>1,581,659</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,581,659</u>
<b>Total Assets</b>	<u>5,426,014</u>	<u>681,734</u>	<u>—</u>	<u>(24,109)</u>	<u>6,083,639</u>
<b>Equity and liabilities</b>					
<b>Capital and reserves attributable to the Company's equity shareholders</b>					
Share capital	325,533	—	—	—	325,533
Share premium	100,000	—	—	—	100,000
Retained earnings	1,168,036	681,734	—	(24,109)	1,825,661
<b>Total equity</b>	<u>1,593,569</u>	<u>681,734</u>	<u>—</u>	<u>(24,109)</u>	<u>2,251,194</u>
<b>Non-current liabilities</b>					
Borrowings	2,347,939	—	—	—	2,347,939
Deferred taxation	172,967	—	—	—	172,967
	<u>2,520,906</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,520,906</u>
<b>Current liabilities</b>					
Trade and other payables	1,242,974	—	—	—	1,242,974
Current tax payable	68,565	—	—	—	68,565
	<u>1,311,539</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,311,539</u>
<b>Total liabilities</b>	<u>3,832,445</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,832,445</u>
<b>Total equity and liabilities</b>	<u>5,426,014</u>	<u>681,734</u>	<u>—</u>	<u>(24,109)</u>	<u>6,083,639</u>

Notes to IFRS adjustments:

- 1) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.
- 2) Application of IFRS 3 to business combination in the reporting period, resulting in reclassification of goodwill to intangible software assets
- 3) Amortisation of intangible software assets recognised in the business combination

d) Reconciliation of equity at 31 March 2014

Notes:	UK GAAP	Effect of transition to IFRS			IFRS
	£	1 £	2 £	3 £	£
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	2,366,037	1,027,422	(96,435)	—	3,297,024
Intangible assets	1,394,346	—	96,435	(48,218)	1,442,563
Property, plant and equipment	733,431	—	—	—	733,431
Prepayments	41,571	—	—	—	41,571
	<u>4,535,385</u>	<u>1,027,422</u>	<u>—</u>	<u>(48,218)</u>	<u>5,514,589</u>
<b>Current assets</b>					
Inventory	44,547	—	—	—	44,547
Trade and other receivables	741,386	—	—	—	741,386
Cash and cash equivalents	2,017,333	—	—	—	2,017,333
	<u>2,803,266</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,803,266</u>
<b>Total Assets</b>	<u>7,338,651</u>	<u>1,027,422</u>	<u>—</u>	<u>(48,218)</u>	<u>8,317,855</u>
<b>Equity and liabilities</b>					
<b>Capital and reserves attributable to the Company's equity shareholders</b>					
Share capital	325,533	—	—	—	325,533
Share premium	100,000	—	—	—	100,000
Retained earnings	3,005,212	1,027,422	—	(48,218)	3,984,416
<b>Total equity</b>	<u>3,430,745</u>	<u>1,027,422</u>	<u>—</u>	<u>(48,218)</u>	<u>4,409,949</u>
<b>Non-current liabilities</b>					
Borrowings	1,938,845	—	—	—	1,938,845
Deferred taxation	200,149	—	—	—	200,149
	<u>2,138,994</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,138,994</u>
<b>Current liabilities</b>					
Trade and other payables	1,581,710	—	—	—	1,581,710
Current tax payable	187,202	—	—	—	187,202
	<u>1,768,912</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,768,912</u>
<b>Total liabilities</b>	<u>3,907,906</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,907,906</u>
<b>Total equity and liabilities</b>	<u>7,338,651</u>	<u>1,027,422</u>	<u>—</u>	<u>(48,218)</u>	<u>8,317,855</u>

Notes to IFRS adjustments:

- 1) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.
- 2) Application of IFRS 3 to business combination in the reporting period, resulting in reclassification of goodwill to intangible software assets
- 3) Amortisation of intangible software assets recognised in the business combination

e) Reconciliation of profit for the year ended 31 March 2012

	Notes	UK GAAP £	Effect of transition to IFRS £	IFRS £
<b>Revenue</b>		8,365,500	—	8,365,500
Cost of sales		(5,748,259)	—	(5,748,259)
<b>Gross profit</b>		2,617,241	—	2,617,241
Administrative expenses		(1,226,622)	—	(1,226,622)
Goodwill amortisation	(i)	(336,045)	336,045	—
<b>Operating profit</b>		1,054,574	336,045	1,390,619
Finance income		4,678	—	4,678
Finance costs		(278,619)	—	(278,619)
<b>Profit before taxation</b>		780,633	336,045	1,116,678
Taxation		(284,851)	—	(284,851)
<b>Profit for the financial year attributable to the Company's equity shareholders</b>		<u>495,782</u>	<u>336,045</u>	<u>831,827</u>

Notes to IFRS adjustments:

- (i) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.

f) Reconciliation of total comprehensive income for the year ended 31 March 2012

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Profit for the financial year	495,782	336,045	831,827
Total comprehensive income for the financial year attributable to the Company's equity shareholders	495,782	336,045	831,827

g) Reconciliation of profit for the year ended 31 March 2013

	Notes	UK GAAP £	Effect of transition to IFRS £	IFRS £
<b>Revenue</b>		10,589,545	—	10,589,545
Cost of sales		(7,286,192)	—	(7,286,192)
<b>Gross profit</b>		3,303,353	—	3,303,353
Administrative expenses	(ii)	(1,677,765)	(24,109)	(1,701,874)
Goodwill amortisation	(i)	(345,689)	345,689	—
<b>Operating profit</b>		1,279,899	321,580	1,601,479
Finance income		5,323	—	5,323
Finance costs		(227,755)	—	(227,755)
<b>Profit before taxation</b>		1,057,467	321,580	1,379,047
Taxation		(358,795)	—	(358,795)
<b>Profit for the financial year attributable to the Company's equity shareholders</b>		<u>698,672</u>	<u>321,580</u>	<u>1,020,252</u>

Notes to IFRS adjustments:

- (i) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.  
(ii) Amortisation of intangible software assets recognised in the business combination during the financial year

#### h) Reconciliation of total comprehensive income for the year ended 31 March 2013

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Profit for the financial year	698,672	321,580	1,020,252
<b>Total comprehensive income for the financial year attributable to the Company's equity shareholders</b>	<u>698,672</u>	<u>321,580</u>	<u>1,020,252</u>

#### i) Reconciliation of profit for the year ended 31 March 2014

	Notes	UK GAAP £	Effect of transition to IFRS £	IFRS £
<b>Revenue</b>		16,300,713	—	16,300,713
Cost of sales		(11,046,613)	—	(11,046,613)
<b>Gross profit</b>		5,254,100	—	5,254,100
Administrative expenses	(ii)	(2,733,565)	(24,109)	(2,757,674)
Goodwill amortisation	(i)	(345,688)	345,688	—
<b>Operating profit</b>		2,174,847	321,579	2,496,426
Finance income		6,374	—	6,374
Finance costs		(162,167)	—	(162,167)
<b>Profit before taxation</b>		2,019,054	321,579	2,340,633
Taxation		(181,878)	—	(181,878)
<b>Profit for the financial year attributable to the Company's equity shareholders</b>		<u>1,837,176</u>	<u>321,579</u>	<u>2,158,755</u>

Notes to IFRS adjustments:

- (i) Reversal of goodwill amortisation subsequent to the date of transition to IFRS.
- (ii) Amortisation of intangible software assets recognised in the business combination during the financial year

#### j) Reconciliation of total comprehensive income for the year ended 31 March 2014

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Profit for the financial year	1,837,176	321,579	2,158,755
<b>Total comprehensive income for the financial year attributable to the Company's equity shareholders</b>	<u>1,837,176</u>	<u>321,579</u>	<u>2,158,755</u>

## SECTION C: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group (the “**pro forma financial information**”) has been prepared to illustrate the effect on the consolidated net assets of the Group as if the drawdown of bank finance, repayment of loan notes, payment of dividends and placing of share capital had taken place on 31 March 2014.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Group as at 31 March 2014, set out in the financial information on the Group for the year ended 31 March 2014 set out in Section B of Part III of this document and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

	The Group as at 31 March 2014 (note 1) £	Adjustments			Pro forma net assets of the Group £
		Bank finance and dividend payment (note 2)	Net placing proceeds (note 3) £	Proposed use of placing proceeds (note 4) £	
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	1,442,564	—	—	—	1,442,564
Goodwill	3,297,024	—	—	—	3,297,024
Property, plant and equipment	733,431	—	—	—	733,431
Prepayments	41,571	—	—	—	41,571
	<b>5,514,589</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,514,589</b>
<b>Current assets</b>					
Inventories	44,547	—	—	—	44,547
Trade and other receivables	741,386	(230,000)	—	—	511,386
Cash and cash equivalents	2,017,333	(958,845)	3,744,500	(1,850,000)	2,952,988
	<b>2,803,266</b>	<b>(1,188,845)</b>	<b>3,744,500</b>	<b>(1,850,000)</b>	<b>3,508,921</b>
<b>Total assets</b>	<b>8,317,855</b>	<b>(1,188,845)</b>	<b>3,744,500</b>	<b>(1,850,000)</b>	<b>9,023,510</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	1,938,845	1,061,155	—	(1,566,000)	1,434,000
Deferred tax liabilities	200,149	—	—	—	200,149
	<b>2,138,994</b>	<b>1,061,155</b>	<b>—</b>	<b>(1,566,000)</b>	<b>1,634,149</b>
<b>Current liabilities</b>					
Loans and borrowings	—	1,000,000	—	(284,000)	716,000
Trade and other payables	1,581,710	—	—	—	1,581,710
Current tax payable	187,202	—	—	—	187,202
	<b>1,768,912</b>	<b>1,000,000</b>	<b>—</b>	<b>(284,000)</b>	<b>2,484,912</b>
<b>Total liabilities</b>	<b>3,907,906</b>	<b>2,061,155</b>	<b>—</b>	<b>(1,850,000)</b>	<b>4,119,061</b>
<b>Net assets</b>	<b>4,409,949</b>	<b>(3,250,000)</b>	<b>3,744,500</b>	<b>—</b>	<b>4,904,449</b>

Notes:

- The net assets of the Group at 31 March 2014 have been extracted without material adjustment from the financial information on the Group for the year ended 31 March 2014 set out in Section B of Part III of this document.

Adjustments:

- The drawdown of £4,000,000 bank finance on 11 July 2014 has been included, together with the consequential repayment of £1,938,845 of loan notes and £3,250,000 dividend declared on 22 July 2014 as summarised below.

	£
Inception of bank loan	4,000,000
Repayment of loan notes	<u>(1,938,845)</u>
Increase in loans and borrowings	<u>2,061,155</u>

	£
Inception of bank loan	4,000,000
Repayment of loan notes	<u>(1,938,845)</u>
Payment of net dividends (£3,250,000 less shareholder loan repayment of £230,000)	<u>(3,020,000)</u>
Decrease in cash and cash equivalents	<u>(958,845)</u>

- The placing is estimated to raise net proceeds for the Company of £3,744,500 (£4,614,500 gross proceeds less estimated expenses of £870,000).
- The use of placing proceeds is estimated to reduce existing borrowings by £1,850,000, resulting in £2,150,000 of bank debt remaining.
- No account has been taken of the financial performance of the Group since 31 March 2014, nor of any other event save as disclosed above.

## PART IV

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company (whose registered office appears on page 5 of this document) and the Directors (whose names and functions appear on page 5 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, each of which has taken 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.

#### 2. The Company and the Group

- 2.1 The Company was incorporated in England and Wales on 10 December 2010 under the 2006 Act as a private company limited by shares with the name Oval (2235) Limited and registered number 07466574. On 19 June 2014, the Company changed its name to ULS Technology Limited. On 7 July 2014, the Company was re-registered as a public limited company under the 2006 Act with the name ULS Technology plc. The principal activity of the Company is that of a holding company for its trading subsidiaries.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares. The principal legislation under which the Company operates is the 2006 Act. The primary legislation under which the Existing Ordinary Shares were created is the 2006 Act.
- 2.3 The Company is domiciled in the United Kingdom. The registered office and principal place of business of the Company is at The Old Grammar School, Church Road, Thame, Oxfordshire OX9 3AJ and the telephone number of the registered office is +44 (0)1844 262392.
- 2.4 The Company has the following subsidiaries:

Name	Country of incorporation	Percentage of issued share capital held directly by the Company
United Legal Services Limited	England and Wales	100
United Home Services Limited	England and Wales	100

#### 3. Share capital

- 3.1 The issued share capital of the Company as at incorporation on 10 December 2010 was one ordinary share of £1, which was issued to Oval Nominees Limited.
- 3.2 On 19 January 2011, the Company entered into an agreement for the purchase of 100 ordinary shares of £1 each in the capital of United Legal Services Limited from Nigel Hoath and Andrew Weston. In connection with this acquisition, it was resolved that the directors be generally and unconditionally authorised, in accordance with section 551 of the 2006 Act, to allot, or grant rights to subscribe for or to convert securities into, relevant securities of the Company up to a maximum nominal amount of £325,533, and that the one issued ordinary share of £1 be reclassified as one B ordinary share of £1. On the same date, the Company issued shares in the proportions set out below:

	Number and class of issued shares
Lloyds Development Capital (Holdings) Limited	150,964 A1 ordinary shares of £0.50 each
LDC Parallel (Nominees) Limited <sup>(1)</sup>	32,022 A1 ordinary shares of £0.50 each
Lloyds Development Capital (Holdings) Limited	14,036 A2 ordinary shares of £0.50 each
LDC Parallel (Nominees) Limited <sup>(1)</sup>	2,978 A2 ordinary shares of £0.50 each
Nigel Hoath	183,830 B ordinary shares of £1 each
Andrew Weston	20,426 B ordinary shares of £1 each
Peter Opperman	21,277 C ordinary shares of £1 each

<sup>(1)</sup> LDC Parallel (Nominees) Limited is a private limited company incorporated in England and Wales and is a subsidiary of Lloyds Development Capital (Holdings) Limited.

- 3.3 On 7 July 2014, the Company re-registered from a private limited company to a public limited company.
- 3.4 On 22 July 2014, the Company passed resolutions to subdivide its share capital, such that:
- (a) each A1 share of £0.50 each and A2 share of £0.50 each in the Company's share capital was subdivided and redesignated into 125 ordinary shares of 0.4 pence each; and
  - (b) each B share of £1 each and each C share of £1 each in the Company's share capital was subdivided and redesignated into 125 ordinary shares of 0.4 pence each and one deferred share of £0.50 each.
- On the same date, the Company passed a special resolution to adopt interim articles of association (including provisions relating to the deferred shares) with immediate effect.
- 3.5 On 22 July 2014, pursuant to a written resolution passed on 7 July 2014, the Company bought back all the deferred shares in its share capital for an aggregate price of £1. The deferred shares were cancelled immediately thereafter.
- 3.6 On 22 July 2014, the Company passed ordinary and special resolutions:
- (a) to adopt the Articles as the new articles of association of the Company to become effective upon Admission;
  - (b) conditional upon Admission, to authorise the directors, for the purposes of section 551 of the 2006 Act to allot relevant securities of the Company:
    - (i) up to an aggregate nominal amount of £46,145 in respect of the Placing;
    - (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal value of £86,303.83,
 such authorisation expiring on the date of the next annual general meeting of the Company;
  - (c) conditional on Admission and subject to the passing of the resolutions summarised in paragraphs 3.6(b)(i)-(ii) above ("s.551 Resolution"), to authorise the directors to allot equity securities pursuant to the s.551 Resolution as if section 561(1) of the 2006 Act did not apply to such allotment, provided that this power is limited to an allotment of equity securities:
    - (i) up to an aggregate nominal amount of £46,145 in respect of the Placing; and
    - (ii) other than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £86,303.83,
 such authorisation expiring on the date of the next annual general meeting of the Company.
- 3.7 The number of Existing Ordinary Shares is 53,191,625. The Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 11,536,250 Ordinary Shares at the Placing Price, conditionally upon Admission. Accordingly, immediately following Admission the issued share capital of the Company will increase to £258,911.50 divided into 64,727,875 Ordinary Shares.
- 3.8 The proposed issue of the New Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities contained in paragraph 3.6(b)(i) above.
- 3.9 The New Ordinary Shares will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions hereafter declared, paid or made on the share capital of the Company.
- 3.10 The holders of Existing Ordinary Shares will be diluted by the issue of the Placing Shares. The effect of the issue of the Placing Shares and the sale of the Sale Shares (assuming that the Placing is fully subscribed by parties who are not holders of Existing Ordinary Shares) will be that holders of Existing Ordinary Shares at the date of this document will own 53.27 per cent. of the Enlarged Share Capital following Admission.
- 3.11 The Company did not declare any dividends in the period covered by the consolidated historical financial information at Section B of Part III of this document. On 22 July 2014, the Company declared a dividend of £3,250,000 in total as an interim dividend.
- 3.12 Save as disclosed in this Part IV, as at the date of this document:
- (a) no shares in the capital of the Company or of any member of the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
  - (b) no shares in the capital of the Company have been issued, or is now proposed to be issued, otherwise than fully paid;
  - (c) there are no shares in the capital of the Company which do not represent capital;
  - (d) no person has any preferential subscription rights for any share capital of the Company;
  - (e) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any shares in the capital of the Company;

- (f) the Company does not hold any of its own Ordinary Shares as treasury shares and none of the Company's subsidiaries hold any Ordinary Shares;
- (g) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
- (h) there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

#### **4. Articles of association and other relevant laws and regulations**

##### **4.1 Objects**

Pursuant to section 31 of the 2006 Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

##### **4.2 Articles of association**

The Articles in the form which has been adopted by the Company conditional on Admission contain provisions to the following effect:

###### **4.2.1 Limited liability**

The liability of the members of the Company is limited to the amount, if any, unpaid on the shares in the Company held by them.

###### **4.2.2 Change of name**

The Company may change its name by resolution of the Board.

###### **4.2.3 Share rights**

Subject to the provisions of the 2006 Act, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the 2006 Act, and without prejudice to any rights attaching to any existing shares or class of shares, the Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the provisions of the 2006 Act, the shares of the Company are at the disposal of the Board.

###### **4.2.4 Voting rights**

Subject to the provisions of the 2006 Act and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by these Articles:

- (a) on a show of hands:
  - (i) every member who is present in person shall have one vote;
  - (ii) every proxy present who has been duly appointed by one or more members entitled to vote on the resolution shall have one vote, except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he shall have one vote for and one vote against the resolution; and
  - (iii) every corporate representative present who has been duly authorised by a corporation shall have the same voting rights as the corporation would be entitled to; and
- (b) on a poll every member who is present in person or by a duly appointed proxy or corporate representative shall have one vote for every share of which he is the holder or in respect of which his appointment of proxy or corporate representative has been made.

In the case of joint holders, the person whose name stands first in the register of members and who votes in person or by proxy is entitled to vote to the exclusion of all other joint holders.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of shares in the Company have been paid.

Where, in respect of any shares, any member or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 793 of the 2006 Act, then the Board may suspend the voting rights attaching to such shares as described in paragraph 4.2.8 below.

#### **4.2.5 Pre-emption on allotment of shares**

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

#### **4.2.6 Dividends**

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid up on the share. Dividends may be declared or paid in any currency. The Board may pay interim dividends if it appears to the Board that they are justified by the financial position of the Company. The Board may also pay at intervals determined by it any dividend at a fixed rate if the financial position of the Company, in the opinion of the Board, justifies the payment.

Where, in respect of any shares, any member or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 793 of the 2006 Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may retain dividends on such shares as described in paragraph 4.2.8 below.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

#### **4.2.7 Distribution of assets on a liquidation**

On return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after payment of its liabilities shall, subject to the rights of the holders of other classes of shares, be applied to the holders of Ordinary Shares equally pro rata to their holdings of Ordinary Shares.

#### **4.2.8 Requirement to disclose interests in shares**

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- (a) the member shall not be entitled in respect of the default shares or any other shares held by the member to attend and vote either personally or by proxy at any general meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting or poll; and

- (b) where the default shares represent at least 0.25 per cent. in nominal value of their class the Board may direct that:
- (i) any dividend or other money payable in respect of the shares shall be retained by the Company without any liability to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
  - (ii) the member shall not be entitled to transfer any of such shares unless required by the CREST Regulations or by way of an approved transfer, which is a transfer (1) by way of sale of the whole beneficial interest to an unconnected third party, or (2) which results from a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded, or (3) pursuant to an acceptance of a takeover offer.

The above restrictions shall continue until either the default is remedied or the shares are the subject of an approved transfer. Any dividends withheld shall be paid to the member as soon as practicable after the above restrictions lapse.

#### 4.2.9 **Transfer of shares**

All transfers of shares which are in certificated form may be effected by an instrument of transfer in any usual form or any other form which the Board may approve, and shall be signed by or on behalf of the transferor and, unless the share is a fully paid share, the transferee. The transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of it.

All transfers of shares which are in uncertificated form shall be effected in accordance with the CREST Regulations.

The Board may, in its absolute discretion and without giving any reason, decline to register the transfer of a certificated share which is not fully paid, provided that, in the case of a class of shares which have been admitted to official listing by the UK Listing Authority, the refusal does not prevent dealings from taking place on an open and proper basis. The Board may also decline to register the transfer of a certificated share unless the instrument of transfer (i) is lodged, duly stamped (if stampable), at the place where the register of members of the Company is kept accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees.

The Board may decline to register a transfer of an uncertificated share in the circumstances set out in the CREST Regulations, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

If the Board declines to register a transfer, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company or the instructions of the Operator (as defined in the CREST Regulations) were received.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the CREST Regulations, the Board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such class to be transferred by means of a relevant system, and subject to the CREST Regulations may cancel such permission.

#### 4.2.10 **Variation of rights**

Subject to the provisions of the 2006 Act, if at any time the capital of the Company is divided into different classes of shares, rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

#### 4.2.11 **Lien and forfeiture**

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may

sell, in such manner as the Board determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share, or to the person entitled to it by transmission, demanding payment and stating that if the notice is not complied with the share may be sold.

Subject to the terms of issue, the Board may from time to time make calls upon the members in respect of any amounts unpaid on their shares. Each member shall, subject to receiving at least 14 clear days' notice, pay to the Company the amount called on his shares. In the event of non-payment, the Board may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

#### 4.2.12 **Untraced members**

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member, or any shares to which a person is entitled by transmission, who has remained untraced for 12 years immediately prior to the date of the publication of an advertisement of an intention by the Company to make such a disposal.

#### 4.2.13 **General meetings**

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the 2006 Act. The Board may convene general meetings whenever and at such times and places as it shall determine.

An annual general meeting shall be convened by not less than 21 clear days' notice. Subject to the provisions of the 2006 Act, all other general meetings may be convened by not less than 14 clear days' notice.

The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. Subject to the provisions of the 2006 Act, the Articles and to any applicable restrictions, the notice shall be sent to every member and every director and to the auditors. The accidental omission to send a notice, or to send any notification where required by the 2006 Act or the Articles in relation to the publication of a notice of meeting on a website, or to send a form of proxy where required by the 2006 Act or the Articles, to any person entitled to receive the same shall not invalidate the proceedings at that meeting.

A general meeting may be held at more than one place. Its proceedings are valid if the chairman of the meeting is satisfied that electronic or other facilities are available to enable each person present at each place to participate in the business of the meeting. The meeting is deemed to take place at the place at which the chairman of the meeting is present (the principal place). The Board may, for the purpose of facilitating the organisation and administration of such general meeting, make arrangements, whether involving the issue of tickets (on a basis intended to afford to all members and proxies and others entitled to attend the meeting an equal opportunity of being admitted to the principal place) or the imposition of some random means of selection or otherwise as the Board considers appropriate.

The Board and, at any general meeting, the chairman may make any arrangement and impose any requirement or restriction appropriate to ensure the safety and security of those attending the meeting, including a requirement for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. They may also refuse entry to or to eject from the meeting a person who refuses to comply with these arrangements.

No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, two persons (present in person or by proxy) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting to another time and place (or indefinitely). Whenever a meeting is adjourned for more than three months or indefinitely, at least seven clear days' notice must be given, and the notice must specify the place, day and time of the adjourned meeting and the general nature of the business to be transacted.

A director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.

A resolution put to a vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the 2006 Act, a poll may be demanded by the chairman, at least five members having the right to vote on the resolution, or a member or members representing not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution, or a member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right.

#### 4.2.14 **Directors**

##### *Appointment of directors*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be less than two. Directors may be appointed by the Company by ordinary resolution of shareholders or by the Board.

At each annual general meeting any director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members. A director who retires from office at an annual general meeting, if not re-appointed or deemed under the Articles to be re-appointed at the meeting, shall vacate office at its conclusion.

No person other than a director retiring under the Articles shall be appointed a director at any general meeting unless (i) he is recommended by the Board; or (ii) not less than seven nor more than 42 days before the date appointed for the meeting, notice by a member qualified to vote at the meeting (not being the person to be proposed) has been received by the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, together with notice executed by that person of his willingness to be appointed.

##### *Removal of directors*

The Company may, by ordinary resolution, remove a director before the expiry of his period of office and may by ordinary resolution appoint another person who is willing to act to be a director in his place.

##### *Remuneration of directors*

The emoluments of any director holding executive office for his services as such shall be determined by the Board, and may be of any description, including admission to, or continuance of, membership of any scheme (including any share acquisition scheme) or fund instituted or established or financed or contributed to by the Company for the provision of pensions, life assurance or other benefits for employees or their dependants, or the payment of a pension or other benefits to him or his dependants on or after retirement or death, apart from membership of any such scheme or fund.

The ordinary remuneration for the services of the directors who do not hold executive office (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate:

- (a) £100,000 per annum, if the Company has no more than two directors who do not hold executive office; or
- (b) £140,000 per annum, if the Company has three or more directors who do not hold executive office, or such higher amount as the Company may from time to time by ordinary resolution determine.

Subject thereto, each such director shall be paid a fee for their services (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. Any director who does not hold executive office and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a director may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine.

The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

#### *Powers of the Board*

Subject to the provisions of the 2006 Act and the Articles and to any directions given by the Company in general meeting by special resolution, 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 of the Company or not and including without limitation the power to dispose of all or any part of the undertaking of the Company. No alteration of the Articles and no such special resolution shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that resolution had not been passed.

The Board may exercise the voting power conferred by the shares in any body corporate held or owned by the Company in such manner in all respects as it thinks fit (including without limitation the exercise of that power in favour of any resolution appointing its members or any of them as directors of such body corporate, or voting or providing for the payment of remuneration to the directors of such body corporate).

#### *Borrowing powers*

The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures, debenture stock and other securities and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. Notwithstanding this, the directors are required to restrict the borrowings of the Company and its subsidiary undertakings to a borrowing limit of an amount equal to two times the aggregate of the Company's paid up share capital and reserves (adjusted as may be necessary in respect of any variation in the paid up share capital or reserves of the Company since the date of its latest audited balance sheet).

#### *Directors' interests*

The Board may, subject to the procedural requirements set out in the Articles, authorise any matter which would otherwise involve a director breaching his duty under the 2006 Act to avoid conflicts of interest. Where the Board gives such authority, or where any of the situations described in subparagraphs (i) to (iv) below applies in relation to a director, the Board may impose upon the relevant director such terms as it may determine and it may revoke or vary such authority at any time.

Provided that he has disclosed to the Board the nature and extent of his interest, a director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director;
- (c) may be 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 in which the Company is interested or with which he has such a relationship at the request or direction of the Company; and
- (d) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any office or employment or for any transaction or arrangement or from any interest in any such body corporate.

#### *Restrictions on voting*

A director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract or other matter in which he has an interest, but this prohibition shall not apply to any resolution where that interest arises only from one or more of the following matters:

- (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person 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, indemnity or security 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 under a guarantee or indemnity or by the giving of security;

- (c) the giving to him of any other indemnity where all other directors are being offered indemnities on substantially the same terms;
- (d) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
- (e) any contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (f) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (g) any contract concerning any other company (not being a company in which the director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (h) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (i) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not provide to any director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
- (j) any contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any directors of the Company or for persons who include directors of the Company.

A director is entitled to vote on the terms of appointment (including without limitation fixing or varying the terms of appointment) of any director other than his own.

#### *Indemnity of officers and insurance*

Subject to the provisions of the 2006 Act but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director, secretary or other officer (excluding an auditor) of the Company or of an associated company shall be indemnified by the Company against any liability incurred by him in the actual or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office, and any director of a company that is a trustee of an occupational pension scheme for employees of the Company or of an associated company may be indemnified by the Company against liability incurred in connection with the Company's activities as trustee of the scheme.

Also, subject to the provisions of the 2006 Act, the Board may purchase and maintain for the benefit of any person who holds or has held a relevant office insurance against any liability incurred by him in respect of any act or omission in the discharge of his duties or in the exercise of his powers or otherwise in relation to his holding of a relevant office, and for this purpose relevant office means that of director, secretary or other officer (excluding an auditor) or employee of the Company or an associated company or any predecessor in business of the Company or an associated company or a trustee of any pension fund or retirement, death or disability scheme for the benefit of any employee of the Company or an associated company.

### **4.3 Other relevant laws and regulations**

#### **4.3.1 Disclosure of interests in shares**

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds.

Pursuant to Part 22 of the 2006 Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time

during the three years immediately preceding the date on which the notice is issued, interested in the Company's shares, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

#### 4.3.2 Takeovers

The City Code applies to the Company. The Takeover Panel has statutory powers to enforce the City Code in respect of companies whose shares are admitted to trading on AIM.

Under Rule 9 of the City Code a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company is normally required to make a cash offer for all the outstanding shares of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 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.

Further, pursuant to sections 979 to 982 of the 2006 Act, where the offeror has by way of a takeover offer as defined in section 974 of the 2006 Act acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may give a compulsory acquisition notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire, and which he wishes to acquire, to acquire those shares on the same terms as the general offer.

Pursuant to sections 983 to 985 of the 2006 Act, where an offeror makes a takeover offer as defined by section 974 of the 2006 Act and, by virtue of acceptances of the offer and any other acquisitions holds or has agreed to acquire not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares 90 per cent. of the shares in that class) and which carry not less than 90 per cent. of the voting rights in the target, then a minority shareholder who has not accepted the offer may require the offeror to acquire his shares in the target on the same terms as the general offer.

## 5. Significant shareholders

5.1 As at the date of this document and immediately following the Placing (assuming that the Placing is fully subscribed) and Admission the following persons will be interested, directly or indirectly, jointly or severally, in three per cent. or more of the Company's issued share capital or exercise or could exercise control over the Company:

	As at the date of this document		Immediately following Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Nigel Hoath	24,255,375	45.60	17,628,414	27.23
Lloyds Development Capital (Holdings) Limited	20,625,000	38.77	10,653,399	16.46
Schroder Investment Management	Nil	Nil	7,500,000	11.59
Herald Investment Management Ltd	Nil	Nil	5,000,000	7.72
Unicorn Asset Management Limited	Nil	Nil	3,750,000	5.79
Peter Opperman	2,659,625	5.00	2,659,625	4.11
Octopus Investments Limited	Nil	Nil	2,625,000	4.06
City Financial Investment Company Limited	Nil	Nil	2,562,500	3.96
Artemis Investment Management LLP	Nil	Nil	2,500,000	3.86
LDC Parallel (Nominees) Limited <sup>(1)</sup>	4,375,000	8.22	2,259,812	3.49

<sup>(1)</sup> LDC Parallel (Nominees) Limited is a private limited company incorporated in England and Wales and is a subsidiary of Lloyds Development Capital (Holdings) Limited.

- 5.2 None of the Shareholders listed at paragraph 5.1 above has voting rights different from the other holders of Ordinary Shares.
- 5.3 Save as disclosed in this paragraph 5, the Company is not aware of any person or persons who, directly or indirectly, have at the date of this document or will immediately following Admission have an interest in the Company which represents three per cent. or more of the Company's issued share capital or voting rights, or any person or persons who, at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 5.4 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

## 6. Selling Shareholders

- 6.1 Subject to Admission occurring, the Shareholders set out at paragraph 6.2 below (the "**Selling Shareholders**") are selling 18,713,750 Ordinary Shares in aggregate pursuant to the Placing.
- 6.2 The following table sets out the interests of each Selling Shareholder and their Connected Persons as at the date of this document and as they are expected to be immediately following completion of the Placing (assuming that the Placing is fully subscribed) and Admission:

	As at the date of this document Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Immediately following Admission Number of Ordinary Shares	Percentage of Enlarged Share Capital
Nigel Hoath	24,255,375	45.60	17,628,414	27.23
Lloyds Development Capital (Holdings) Limited	20,625,000	38.77	10,653,399	16.46
LDC Parallel (Nominees) Limited <sup>(1)</sup>	4,375,000	8.22	2,259,812	3.49

- <sup>(1)</sup> LDC Parallel (Nominees) Limited is a private limited company incorporated in England and Wales and is a subsidiary of Lloyds Development Capital (Holdings) Limited.

- 6.3 The business address of Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited is One Vine Street, London W1J 0AH. The business address of Nigel Hoath is The Old Grammar School, Church Road, Thame, Oxfordshire, OX9 3AJ.

## 7. Share options

### 7.1 Introduction

The Share Option Plan is intended to provide appropriate incentives to selected employees and executive directors to achieve the long-term objectives of the Company. The Share Option Plan will be administered by the Board's remuneration committee (or another authorised committee of non-executive directors) (the "**Committee**").

### 7.2 Type of award

Under the Share Option Plan, the Committee may grant options to acquire Ordinary Shares.

Options may be granted either on a basis which qualifies for favourable tax treatment under the Enterprise Management Incentives legislation or, to the extent that individuals or the Company do not qualify for the grant of options under that legislation, on a non tax-favoured basis.

No consideration is payable by participants for the grant of options.

### 7.3 Eligibility

Options may be granted to employees and executive directors as the Committee decides.

### 7.4 Timing of grants

Options may be granted (i) on or within 42 days after the date on which the Share Option Plan is adopted, or (ii) within 42 days after the announcement of results by the Company, or (iii) at other times in exceptional circumstances which the Committee considers justify the granting of options.

No options may be granted under the Share Option Plan more than 10 years after its adoption.

#### **7.5 Exercise price**

The Committee determines the price payable per Ordinary Share on the exercise of options at the date options are granted. Where the option is to subscribe for shares, the price cannot be less than the nominal value of a share.

The option grants which will become effective on Admission (the “**Admission Options**”) will have an exercise price per Ordinary Share which is equal to the Placing Price. The Company envisages that future option grants will have an exercise price per Ordinary Share of not less than the market value of Ordinary Shares at the date of grant.

#### **7.6 Vesting conditions**

The vesting of options may (but need not) be made conditional on the Company, the option holder or part of the Company’s business meeting performance targets set at the time options are granted. The vesting of options may also be made conditional on the occurrence of other specified events or the option holder remaining employed by the Group until a certain date.

The Committee may vary performance conditions where it considers them to have become unfair or impractical. The new conditions must produce a fairer measure of performance which is no more difficult to satisfy than the original conditions.

The Admission Options will vest in three equal tranches on the third, fourth and fifth anniversary of the date of Admission. No other performance conditions will apply.

#### **7.7 Share capital limit**

Options may not be granted at any time where this would result in the total number of Ordinary Shares issued or remaining capable of issue pursuant to options granted under the Share Option Plan (or any other options or awards made under any other employee share scheme established by the Company) within the previous ten years exceeding ten per cent of the issued ordinary share capital of the Company at that time.

Shares transferred, or remaining capable of transfer, out of treasury will be treated as issued or remaining capable of issue.

The Admission Options and options which have lapsed or been surrendered will be disregarded in applying this limit. The limit also does not apply to the extent that Ordinary Shares used to satisfy options are purchased on the market.

#### **7.8 Individual award limits**

Subject to statutory limits on the value of share options which may be granted under Enterprise Management Incentives legislation, there is no limit on the value of options which may be granted to an individual.

#### **7.9 Early exercise – employment events**

As a general rule, an option will lapse if a participant ceases to be employed or hold office within the Group before the option vests. However, if a participant is a “good leaver”, he can exercise his options in respect of (i) option shares that have already vested and (ii) for unvested shares, on a basis determined by the Committee taking into account progress towards satisfying any performance conditions: the Committee may decide that such progress should entitle an option holder to exercise all, none or a pro rata amount of option shares.

A good leaver will be a participant ceasing to be employed or hold office within the Group on any of the following events:

- (a) death;
- (b) incapacity due to ill-health or injury which the Committee decides is sufficiently serious to prevent the option holder from carrying out his normal duties and will continue to prevent him from carrying out those duties. The Committee may decide that an option holder does not qualify as a good leaver where ill-health arises as a result of alcohol or drug abuse;

- (c) redundancy;
- (d) dismissal, other than for gross misconduct;
- (e) the transfer of the business in which the option holder is employed; and
- (f) retirement as agreed by the Company.

Options must be exercised within six months of the event (12 months in the case of death) following which the options will lapse.

#### **7.10 Early exercise – corporate events**

Option holders can exercise their options where certain corporate events occur. Options may be exercised to the same extent as good leavers described in the previous paragraph i.e. in respect of (i) option shares that have already vested and, (ii) for unvested shares, on a basis determined by the Committee taking into account progress towards satisfying any performance conditions.

The corporate events are:

- (a) a change of control of the Company;
- (b) the sale of 51 per cent. or more of the value of the Company's business;
- (c) a court sanctioned compromise or arrangement under Parts 26 and 27 of the 2006 Act for the purposes of a reconstruction or amalgamation of the Company; and
- (d) a voluntary winding up of the Company.

Options must be exercised within a specified period following the event (generally 90 days) following which the options will lapse.

In certain limited circumstances, the Committee may decide that options may not be exercised but instead will be rolled over into new options.

#### **7.11 Variation of share capital**

In the event of a variation of the Company's share capital affecting the value of options, the Committee may adjust the number of Ordinary Shares subject to an option or their exercise price so as to put participants in the same position as if the event had not occurred.

#### **7.12 Rights of participants over shares**

Options are not transferable, except to a participant's legal personal representatives on the participant's death.

Options confer no shareholder rights on participants until Ordinary Shares have been issued or transferred following exercise.

Ordinary Shares allotted to participants on exercise will rank equally with the Ordinary Shares then in issue, except for rights arising in respect of a record date prior to their allotment.

#### **7.13 Pension rights**

The benefit of Ordinary Shares acquired under the Share Option Plan is not pensionable.

#### **7.14 Employer's National Insurance Contributions**

Participants in the Share Option Plan will be required to meet the cost of any employer's national insurance contributions payable on the exercise of options.

#### **7.15 Amendments**

The Committee may amend the Share Option Plan at any time. Amendments that make the terms on which options may be granted materially more advantageous to participants or increase capital limits require the prior approval of shareholders.

## 7.16 Admission grants

On Admission, options over 1,307,487 Ordinary Shares will be granted to the executive directors and employees. This is equal to approximately 2.46 per cent. of the Existing Ordinary Shares and 2.02 per cent. of the Enlarged Share Capital. Details of the options to be granted to executive directors and senior members of staff are set out below.

Name	No. of Ordinary Shares
Judith Dickinson	194,183
John Williams	258,911
Alan Young	258,911

The Admission Options will vest in three equal tranches on the third, fourth and fifth anniversary of the date of Admission. No other performance conditions apply.

The exercise price for each Ordinary Share under option will be the Placing Price.

## 8. Directors' and other interests

8.1 As at the date of this document and immediately following Admission, the interests (within the meaning of sections 820 to 855 of the 2006 Act) of the Directors (including Connected Persons) in the issued share capital of the Company (all of which are beneficial unless otherwise stated) currently and as they are expected to be immediately following the Placing (assuming that the Placing is fully subscribed) and Admission are as follows:

	As at the date of this document		Immediately following Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Nigel Hoath	24,255,375	45.60	17,628,414	27.23
Peter Opperman	2,659,625	5.00	2,659,625	4.11
Andrew Weston	1,276,625	2.40	1,276,625	1.97
John Williams	Nil	Nil	Nil	Nil
Geoff Wicks	Nil	Nil	Nil	Nil

8.2 On Admission, the Company will grant to (among other employees) John Williams awards under the Share Option Plan, as described in paragraph 7.16 of this Part IV. Such award will comprise the grant of 258,911 Admission Options, vesting in three equal tranches on the third, fourth and fifth anniversary of the date of Admission, at an exercise cost per Share equal to the Placing Price. Please refer to paragraph 7 of this Part IV for further details on the Share Option Plan and the Admission Options.

8.3 Save as disclosed in paragraphs 8.1 and 8.2 above, none of the Directors or any of their Connected Persons has any interest in the share capital or loan capital of the Company or any other member of the Group or will at Admission have any such interest.

8.4 The Directors, in addition to their directorships of the Group, are or have been directors or partners of the following companies or partnerships within the five years prior to the publication of this document:

	<b>Current directorships / partnerships</b>	<b>Former directorships / partnerships</b>
Nigel Hoath	United Group Limited United Mortgages Limited United Surveyors Limited	Click2Convey Limited United Domestic Energy Assessors Limited
Andrew Weston	None	United Domestic Energy Assessors Limited
Peter Opperman	Carta Investments LLP Nether Doyley Limited Aardvark Mcleod Limited	Carta Acquisitions Limited GVA Grimley Holdings Limited GVA Grimley Limited IKE Holdco Limited Leasedrive Group Limited Porterbrook Leasing Company Limited Macdonald Hotels Limited Mobile Doctors Group Limited Mobile Doctors Holdings Limited Mobile Doctors Solutions Limited STM Packaging Group Limited United Medical Holdings Limited
John Williams	None	Box-it Data Management Limited Box-it Document Solutions Limited Box-it Image Management Limited Box-it Outsourcing Limited Stortext (SH) Limited Stortext Group Limited Stortext Microfilm Limited
Geoff Wicks	None	Ascio GmbH Ascio Technologies GmbH Ascio Technologies Inc Domain Trustees GmbH Domain Trustees UK Limited Easily Limited Editfile Limited Envisional Technology Limited Eurl Group NBT France Group NBT A/S Group NBT Limited Group NBT Trustee Company Limited Indom SAS Netbenefit (UK) Limited Netbenefit Limited Netnames Brand Protection Holdings Limited Netnames Brand Protection Limited Netnames Deutschland Limited Netnames GmbH Netnames Group Limited Netnames Holdings Limited Netnames Inc Netnames International Limited Netnames Limited Netnames Operations Limited Speednames AB Speednames A/S Speednames AS Speednames GmbH (Germany) Speednames GmbH (Switzerland) Speednames Technology Holding Aps

- 8.5 Save as disclosed in paragraph 8.6 below, no Director has:
- (a) any unspent convictions relating to indictable offences;
  - (b) been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director;
  - (c) been a director of any company which, while he or she was a director or within 12 months after he or she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors;
  - (d) been a partner of any partnership which, while he or she was a partner or within 12 months after he or she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset;
  - (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
  - (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 8.6 Peter Opperman was appointed as a director of Mobile Doctors Holdings Limited on 29 May 2008. On 20 November 2008 Mobile Doctors Holdings limited applied to be voluntarily struck off the register and was dissolved on 5 May 2009. Peter Opperman became a director of IKE Holdco Limited, a non trading company on its incorporation on 11 September 2008. On 9 December 2008 IKE Holdco applied to be voluntarily struck off the register and was dissolved on 5 May 2009. Peter Opperman became a director of Replica Nation Limited on its incorporation on 14 February 2000. On 2 July 2001, Replica Nation Limited entered into voluntary creditors' liquidation and the company was dissolved on 10 November 2004. The secured creditors were paid in full. There was a shortfall to preferential creditors in the amount of £46,764.16 and to unsecured creditors in the amount of circa. £300,000.
- 8.7 Save as disclosed in this document, no Director has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group taken as a whole during the current or immediately preceding financial year or which was effected by the Group during an earlier financial year and remains in any respect outstanding or unperformed.
- 8.8 Save as disclosed in this document, none of the Directors nor members of their family holds a related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares (including a contract for differences or a fixed odds bet).
- 8.9 There are no outstanding loans or guarantees provided by the Group to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Group.
- 8.10 Save as disclosed in this document, there are no actual or potential conflicts of interest between the duties of the Directors to the Company and their respective private interests or other duties.

## **9. Directors' service agreements and letters of appointment**

- 9.1 The Company has entered into the following agreements with the Directors (all of which are conditional on Admission):

### **9.1.1 Executive Directors**

**Nigel Hoath** (*Managing Director*) entered into a service agreement with the Company on 22 July 2014. The appointment may be terminated by either party giving the other not less than six months' notice. The agreement contains provisions for termination without notice in a number of circumstances including his disqualification from acting as a director, gross misconduct or a serious or repeated breach or non-observance of any provisions of the agreement. The agreement provides for an annual salary of £130,000 and a discretionary bonus. There is no pension entitlement above that required by legislation.

**Andrew Weston** (*IT Director*) entered into a service agreement with the Company on 22 July 2014. The appointment may be terminated by either party giving the other not less than six months' notice. The agreement contains provisions for termination without notice in a number of circumstances including his

disqualification from acting as a director, gross misconduct or a serious or repeated breach or non-observance of any provisions of the agreement. The agreement provides for an annual salary of £100,000 and a discretionary bonus. There is no pension entitlement above that required by legislation.

**John Williams** (*Finance Director*) entered into a service agreement with the Company on 22 July 2014. The appointment may be terminated by either party giving the other not less than six months' notice. The agreement contains provisions for termination without notice in a number of circumstances including his disqualification from acting as a director, gross misconduct or a serious or repeated breach or non-observance of any provisions of the agreement. The agreement provides for an annual salary of £75,000 and a discretionary bonus capped at a maximum of 40 per cent. of annual salary. There is no pension entitlement above that required by legislation.

#### 9.1.2 **Non-Executive Directors**

**Peter Opperman** (*Independent Non-Executive Chairman*) entered into a letter of appointment to act as non-executive chairman dated 22 July 2014. The appointment is for an initial term of three years commencing on the date of Admission, subject to the provisions of the Financial Reporting Council's UK Corporate Governance Code. It will end on the conclusion of the Company's annual general meeting occurring approximately three years from the date of Admission unless terminated earlier on either party giving to the other three months' notice. It is anticipated that he will spend a minimum of 20 days per year on his appointed duties. The letter provides for a fee of £25,000 (comprising £10,000 for his role as Chairman and £15,000 for his remaining duties). There is no entitlement to a bonus.

**Geoff Wicks** (*Independent Non-Executive Director*) entered into a letter of appointment to act as a non-executive director dated 22 July 2014. The appointment is for an initial term of three years commencing on the date of Admission, subject to the provisions of the Financial Reporting Council's UK Corporate Governance Code. It will end on the conclusion of the Company's annual general meeting occurring approximately three years from the date of Admission unless terminated earlier on either party giving to the other three months' notice. It is anticipated that he will spend a minimum of 20 days per year on his appointed duties. The letter provides for a fee of £35,000. There is no entitlement to a bonus.

9.2 Save as disclosed in paragraph 9.1 above, as from Admission, there will be no service agreements in existence between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment.

#### 9.3 **Exit bonuses**

John Williams, Judith Dickinson and one other employee of the Group are each entitled to an exit bonus in the amount of £125,000, payable upon Admission. In addition, the Company has agreed to pay John Williams an additional bonus in the amount of £38,000 on Admission.

### 10. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business), together with the related party transactions set out in paragraph 11, have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document or which are expected to be entered into shortly after Admission and which are, or may be, material or contain a provision under which any member of the Group has an obligation or entitlement which is material in the context of the Group as at the date of this document.

#### **Placing agreement**

10.1 The Placing Agreement contains, inter alia, the following terms:

- (a) the Company and each of the Selling Shareholders appoints Numis as its or his agent and Numis agrees to use its reasonable endeavours to procure subscribers for the New Ordinary Shares and purchasers for the Sale Shares at the Placing Price;
- (b) the obligations of Numis are conditional, inter alia, upon: (i) the New Ordinary Shares being admitted as participating securities within CREST upon or immediately following Admission; and (ii) Admission occurring not later than 8.00 a.m. on 28 July 2014 or such later time and/or date, being no later than 8.00 a.m. on 15 August 2014, as the Company may agree with Numis;
- (c) subject to Admission:
  - (i) the Company shall pay to Numis: (A) a corporate finance fee of £225,000; and (B) a commission at the rate of 3 per cent. of the product of the Placing Price and the number of New Ordinary Shares;

- (ii) each Selling Shareholder shall pay to Numis a commission at the rate of 3 per cent. of the product of the Placing Price and the number of that Selling Shareholder's Sale Shares;
- (d) subject to certain restrictions, the Company shall pay all the costs and expenses (including any applicable VAT) of and incidental to the Placing including the fees and costs of legal advisers incurred by Numis and printing, filing and distribution charges;
- (e) the Company, the Directors and the Selling Shareholders have each given warranties in favour of Numis. The liability of the Directors and the Selling Shareholders is limited in terms of the amount of the liability save in certain circumstances;
- (f) in addition, the Company has given Numis, its affiliates and their respective directors, officers, employees and agents an indemnity relating to certain losses and liabilities which may be incurred by such persons in the performance by Numis of its obligations and services rendered pursuant to the Placing and Admission;
- (g) Numis has the right to terminate the Placing Agreement prior to Admission in certain circumstances, including:
  - (i) in the event of certain *force majeure* events or other events involving certain material adverse changes relating to the Group; and
  - (ii) in the event of a material breach by the Company, any of the Selling Shareholders or any of the Directors of their obligations or warranties in the Placing Agreement.

The Selling Shareholders have agreed to pay any stamp duty and/or stamp duty reserve tax arising on the sale of their respective Sale Shares.

#### **Lock-in deed**

- 10.2 The Selling Shareholders other than Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited (the "Relevant Shareholders") have undertaken with Numis and the Company (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares until the first anniversary of Admission. The Relevant Shareholders have further undertaken to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares in the period of 12 months following the first anniversary of Admission.

Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited have undertaken with Numis and the Company (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares until the date which is six months following the date of Admission (the "Relevant Date"). Lloyds Development Capital (Holdings) Limited and LDC Parallel (Nominees) Limited have further undertaken to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares in the period of six months following the Relevant Date.

#### **Nomad and broker agreement**

- 10.3 On 23 July 2014, the Company, the Directors and Numis entered into an agreement pursuant to which Numis has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules. Numis shall provide, inter alia, such independent advice and guidance to the Directors of the Company and the Company as they may require from time to time as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules for Companies. The Company has agreed to pay Numis a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Numis in the course of carrying out its duties as nominated advisor and broker. The agreement is terminable on one month's notice given by either Numis or the Company. The agreement also contains provisions for early termination in certain circumstances and an indemnity given by the Company to Numis in relation to the provision by Numis of its services under the agreement.

### **Series A loan notes**

- 10.4 The Company issued £2,678,723 nominal amount of Secured A Loan Notes 2016 by an instrument dated 19 January 2011 (the “**Notes**”). The Notes were issued by the Company as follows: (i) £2,600,000 to Lloyds Development Capital (Holdings) Limited; and £78,723 to Nether Doyley Limited (a company controlled by Peter Opperman). Further Notes were issued in August 2011 in the amount of £895,744 to Lloyds Development Capital (Holdings) Limited. Interest is payable at 7.5 per cent. per annum on the last day of March, July, September and December. The Notes become immediately repayable in one instalment (together with all accrued interest) upon Admission. The Notes have been fully repaid using funds made available to the Group as part of the Group’s refinancing with Clydesdale Bank plc (described at paragraph 10.6 below). For further details, please refer to notes 18, 26 and 29 to the Consolidated Financial Information set out at Section B of Part III of this document.

### **Agreement for the provision of conveyancing panel services**

- 10.5 United Legal Services Limited entered into an agreement for the provision of conveyancing and other panel management services with Lloyds Bank plc on 25 June 2014. The agreement is for an initial term of four years and is extendable at the option of Lloyds Bank plc for up to a further two years. The agreement appoints United Legal Services Limited as Lloyds Bank plc’s exclusive provider of certain conveyancing panel services connected with specific products. The other services are provided on a non-exclusive basis. The agreement may be terminated by Lloyds Bank plc immediately on notice in the event of an unremedied material breach, a series of minor and persistent breaches, a critical service level failure, or on an insolvency event. Lloyds Bank plc may also terminate immediately on notice where a direct competitor to the bank takes control, a change of control occurs which Lloyds Bank plc considers (acting reasonably) likely to damage their reputation, or a change of control occurs which Lloyds Bank plc considers (acting reasonably) will have a material adverse affect on the provision of the services by United Legal Services Limited.

### **Clydesdale facility agreement**

- 10.6 The Group entered into a new facility agreement with Clydesdale Bank plc (the Bank) on 11 July 2014 in relation to debt facilities of £4,500,000 in aggregate (the “**Facilities**”). The Facilities comprise two term loans totalling £4,000,000 (Facility A – £3,000,000 and Facility B – £1,000,000) and a revolving credit facility of £500,000. The purpose of the Facilities is to refinance the Notes and to allow payment of certain dividends to the Company’s shareholders. Facility B will be repaid in full and Facility A will be repaid in part using funds raised upon Admission. In connection with the Clydesdale Facility Agreement, the Company and each of its subsidiaries have granted a debenture over each of their assets and an undertaking in favour of the Bank to secure the obligations of the Company to the Bank under the Clydesdale Facility Agreement. The Company and each of its subsidiaries have also provided guarantees to support those obligations.

### **Investment Agreement**

- 10.7 The Company has entered into an investment agreement dated 19 January 2011 with its shareholders (the “**Investment Agreement**”). The Investment Agreement prevents the Group from dealing with certain operational matters without the approval of its investors (being the holders of the Notes described at paragraph 10.4 above) (the “**Investors**”) and also contains the usual operational undertakings from Nigel Hoath and Andrew Weston. The Investors are entitled to appoint an investor director to the Company’s board of directors. Lloyds Development Capital Limited is currently paid an annual monitoring fee of £32,666 under the terms of the Investment Agreement. On 22 July 2014, the Investment Agreement was terminated pursuant to a deed of termination (summary at paragraph 10.8 below).

### **Termination Deed**

- 10.8 The Company has entered into a deed of termination in respect of the Investment Agreement (summarised at paragraph 10.7 above) (the “**Termination Deed**”). Save for certain boilerplate clauses and its confidentiality provisions (the “**Continuing Provisions**”), the Investment Agreement will cease to have effect from the date of the Termination Deed. The Termination Deed includes an irrevocable release by each party of the other parties from the observance and performance of all and any past, present and future obligations under the Investment Agreement (save in relation to the Continuing Provisions) and an irrevocable waiver by each party of any past, present and future rights, claims, demands, actions or remedies which it has or may against the other parties to the Investment Agreement.

## **11. Related party transactions**

- 11.1 The Group's offices in Thame are rented from Nigel Hoath's pension fund on an arm's length basis. An assessment of alternative premises was carried out by the Board in 2012. Following this review, the Board chose to stay in the current premises, given the absence of alternative premises available at attractive rates.
- 11.2 Save as set out in: (i) note 26 to the Consolidated Historical Financial Information on ULS Technology plc in Section B of Part III of this document; and (ii) paragraph 11.1 of Part IV of this document, as far as the Directors are aware there have been and currently there are no agreements or arrangements between the Group and individuals or entities that may be deemed to be related parties during the financial periods ended 31 March 2012, 31 March 2013 and 31 March 2014 and the period 1 April to 22 July 2014 (being the latest practicable date prior to the publication of this document).

## **12. Taxation**

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and ordinarily resident and domiciled for tax purposes in the UK (except in so far as express reference is made to the treatments of non-UK residents) who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section; such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section. The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any Shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

### **12.1 Taxation of chargeable gains**

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant Shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor, in the case of individuals, ordinarily resident in the UK.

#### *Individuals*

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,000, for 2014/15) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent, where the individual's income and gains are less than the upper limit of the income tax basic rate band (currently £31,865, after the personal allowance of £10,000, subject to any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2014/15, £11,000 for personal representatives of deceased persons and trustees for disabled persons and £5,500 for other trustees) will be charged at a flat rate of 28 per cent (being the current rate at the date of this document).

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains and may also be available to offset against taxable income in the current year (depending upon, inter alia, the circumstances of the Company and the Shareholder).

#### *Companies*

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (21 per cent. for the financial year 1 April 2014 to 31 March 2015 and reducing to 20 per cent. from 1 April 2015). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

### **12.2 Taxation of dividends**

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

#### *Individuals*

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent, of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent, tax credit).

Individual Shareholders whose income is within the basic rate tax band (currently £31,865 after the personal allowance, subject to any gift aid payments made) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly where income exceeds £32,010, after the personal allowance) will be subject to dividend income tax at 32.5 per cent, subject to any gift aid payments made (the rate as at the date of this document). After allowing for the 10 per cent, notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent, on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000, after the personal allowance) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent, notional tax credit, an additional rate taxpayer suffers an effective rate of 30.55 per cent, on the net dividend received.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax at 37.5 per cent.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or any part of it).

#### *Companies*

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent, of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. United Kingdom resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

### **12.3 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The statements 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 broker dealers and market makers in the

ordinary course of their business and to certain categories of person who may be liable to stamp duty or SDRT at a higher rate; for example a person or a nominee or agent for a person whose business is or includes the provision of clearance services or issuing depositary receipts.

No stamp duty or SDRT will generally be levied on the issue of Ordinary Shares.

Following the Admission, no stamp duty or SDRT will be payable in respect of any transfer of Ordinary Shares as stamp duty and SDRT were abolished on the transfer of shares listed on a “recognised growth market” (which includes AIM) after 28 April 2014. This applies regardless of whether the transfer is pursuant to a conditional agreement for sale entered into prior to Admission if the condition was satisfied after Admission.

#### **12.4 Inheritance tax**

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (“**IHT**”) on the value of any Ordinary Shares held by them. IHT may also apply to individual Shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (“**BPR**”) may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company’s shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent, for IHT purposes.

#### **12.5 Venture Capital Schemes**

The Company has applied for and obtained provisional confirmation from HMRC that the Ordinary Shares will be eligible shares for the purposes of the VCT Scheme. The status of the Ordinary Shares as a qualifying holding for VCT Scheme purposes will be conditional, inter alia, upon the Company continuing to satisfy the relevant requirements.

It is the Directors’ intention that the Company will continue to meet the Venture Capital Scheme provisions so that it continues to be a qualifying company for these purposes. However, the Directors cannot give any warranty or undertaking that the Company will continue to meet the conditions, including in the event that the Directors believe that the interests of the Company are not best served by preserving the Venture Capital Scheme status, or as a result of changes in legislation.

#### **12.6 EIS**

The Company has applied for and obtained provisional assurance from HMRC that the Ordinary Shares will be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. The obtaining of such provisional assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period.

In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.

The following provides an outline of the EIS tax reliefs available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor in relation to their own particular set of personal circumstances.

In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.

EIS income tax relief is available to individuals only – the current relief is 30 per cent, of the amount subscribed for EIS shares to be set against the individual’s income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per

tax year. This relief can be 'carried back' one tax year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.

Very broadly, an individual is connected with the issuing company if (inter alia) he or his associates are employees or directors or have an interest in more than 30 per cent, of the Company's ordinary share capital.

Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year.

Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

**The above is a summary of certain aspects of current law and practice in the UK. Any person who is in any doubt as to his or her tax position and/or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.**

### **13. Working capital**

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the estimated proceeds of the Placing receivable by the Company, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

### **14. Litigation**

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings which may have, or have had during the twelve month period preceding the date of this document, a significant effect on the Group's financial position or profitability and the Directors are not aware of any such proceedings which are pending or threatened by or against any member of the Group.

### **15. Significant change**

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 March 2014, being the date to which the financial information included in Section B of Part III of this document was prepared.

### **16. General**

- 16.1 Save as disclosed in this document, there are no patents or licences, industrial, commercial or financial contracts or manufacturing processes which are material to the Group's business or profitability.
- 16.2 Save as disclosed in this document, the Directors are not aware of, in relation to any member of the Group:
- (a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document;
  - (b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for the current financial year; or
  - (c) any exceptional factors which have influenced the Company's activities.
- 16.3 Save as disclosed in this document, there have been no significant investments by the Company or any of its subsidiaries in the three years covered by the historical financial information up to the date of this document.
- 16.4 There are no investments in progress which are significant to the Group and there are no principal future investments in respect of which the Group has at the date of this document made firm commitments.

- 16.5 There are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 16.6 The total costs and expenses of, and incidental to, the Placing and Admission payable by the Company are estimated to amount to approximately £870,000 (excluding VAT). The net proceeds of the Placing receivable by the Company are expected to be approximately £3.7 million.
- 16.7 Other than contractual arrangements with employees and consultants and payments in the ordinary course of business, and save as disclosed in this document, no person (excluding those professional advisers disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within the twelve months preceding the date of this document;
  - (b) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission,
- any of the following: (i) fees totalling £10,000 or more; (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- There have been no public takeover bids made by third parties in respect of the Company's issued share capital which have occurred during the last financial year or the current financial year.
- 16.8 Where information in this document has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, so far as the Directors are aware and are able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 16.9 The financial information set out in Section B of Part III of this document does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. Statutory accounts have been delivered to the registrar of companies for the Company for the financial years ended 31 March 2012, 31 March 2013 and 31 March 2014. RSM Tenon Audit Limited (a member firm of the Institute of Chartered Accountants in England and Wales) was the auditor of the Company for the financial years ended 31 March 2012 and 31 March 2013 and Baker Tilly UK Audit LLP (a member firm of the Institute of Chartered Accountants in England and Wales) was the auditor of the Company for the financial year ended 31 March 2014. Auditors' reports in respect of each set of statutory accounts have been made under section 495 of the 2006 Act and each such report was an unqualified report and did not contain any statement under sections 498(2) or (3) of the 2006 Act.
- 16.10 The accounting reference date of the Group is 31 March.
- 16.11 The Placing Price of 40 pence per Ordinary Share represents a premium of 39.6 pence over the nominal value of 0.4 pence per Ordinary Share.
- 16.12 Numis is arranging for the Placing Shares to be placed with institutional and other investors. The arrangements for the payment for the Placing Shares to Numis and during the period prior to completion of the Placing relating to monies received by Numis from such investors are set out in the Appendix to this document.
- 16.13 Numis is registered in England and Wales as a private limited company under the Companies Act 1985 with registered number 02285918 and is a subsidiary of Numis Corporation Plc which is a member of the London Stock Exchange and is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Its registered office is at 10 Paternoster Square, London EC4M 7LT.
- 16.14 Numis has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to it in the form and context in which they appear.
- 16.15 BDO LLP, as the reporting accountant, has given and has not withdrawn its written consent to the inclusion of its report in section A of Part III of this document in the form and context in which it is included.

## **17. Availability of this document**

A copy of this document is available free of charge during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of Numis Securities Limited, at The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT, and shall remain available for at least one month after the date of Admission. A copy of this document is also available for download at the Company's website at [www.ulsigroup.com](http://www.ulsigroup.com).

Dated: 23 July 2014

## APPENDIX

### TERMS AND CONDITIONS OF APPLICATIONS UNDER THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY: (A) AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF FSMA (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE; AND (B) IN THE UNITED KINGDOM, AT QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE ORDER; OR (III) ARE PERSONS TO WHOM THEY MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

#### 1. INTRODUCTION

These terms and conditions apply to persons making an offer to acquire Placing Shares under the Placing. Each person to whom these terms and conditions apply, as described above, who confirms his agreement to Numis and the Company (whether orally or in writing) to acquire Placing Shares under the Placing (an “Investor”) hereby agrees with Numis and the Company to be bound by these terms and conditions as being the terms and conditions upon which Placing Shares will be sold (in the case of the Sale Shares) or issued (in the case of the New Ordinary Shares) under the Placing. An Investor shall, without limitation, become so bound if Numis confirms to such Investor: (i) the Placing Price; and (ii) its allocation of Placing Shares under the Placing.

Upon being notified of the Placing Price and its allocation of Placing Shares in the Placing, an Investor shall be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

The Selling Shareholders have undertaken that the Sale Shares will be sold fully paid and with full title guarantee. The Company has undertaken that the New Ordinary Shares will, when issued, be fully paid up, free from all encumbrances, and rank *pari passu* with all other Ordinary Shares. An Investor’s allocation (excluding a VCT Placee) may consist solely of Sale Shares or solely of New Ordinary Shares or a combination of both Sale Shares and New Ordinary Shares. A VCT Placee allocation will only consist of New Ordinary Shares to comply with the VCT Scheme.

The Company acknowledges that the law regarding the VCT Scheme states that no more than £5 million can be raised in total from VCTs, investments under the Enterprise Investment Scheme or the Corporate Venturing Scheme and investments that count as state aid in any 12 month period ending with the issue of the relevant holding and recognises that the consequence of a breach is a potential loss of VCT status. The Company confirms that the amount raised in the 12 month period up to and including the date of Admission in total from VCTs (including, for the avoidance of doubt, VCT Placees), investments under the Enterprise Investment Scheme or the Corporate Venturing Scheme and state aid sources (including, but not limited to, those sources of funding listed in Annex 3 of the AIC technical guidance on Investment Limits Condition dated July 2012) does not exceed £5 million. The Company undertakes to notify all VCT Placees should it subsequently become aware that it did receive any non-disclosed state aided risk capital investment or grant in the 12 month period up to and including the date of Admission.

#### 2. AGREEMENT TO ACQUIRE PLACING SHARES

Conditional on (i) Admission occurring and becoming effective by 8.00 am (London time) on 23 July 2014 (or such later time and/or date (being not later than 8.00 am (London time) on 15 August 2014) as the Company and Numis may agree) and on the Placing Agreement being otherwise unconditional in all respects and not

previously being terminated in accordance with its terms on or before Admission; and (ii) the confirmation mentioned under paragraph 1 above, an Investor agrees to become a member of the Company and agrees to acquire Placing Shares at the Placing Price. The number of Placing Shares acquired by such Investor under the Placing shall be in accordance with the arrangements described above.

### **3. PAYMENT FOR PLACING SHARES**

Each Investor undertakes to pay the Placing Price for the Placing Shares acquired by such Investor in such manner as shall be directed by Numis. In the event of any failure by an Investor to pay as so directed by Numis, the relevant Investor shall be deemed hereby to have appointed Numis or any nominee of Numis to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand Numis in respect of any liability for UK stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

### **4. REPRESENTATIONS AND WARRANTIES**

By receiving this document, each Investor and, to the extent applicable, any person confirming his agreement to acquire Placing Shares on behalf of an Investor or authorising Numis to notify an Investor's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to each of Numis, the Registrars and the Company that:

- 4.1 the Investor has read this document in its entirety and acknowledges that its participation in the Placing shall be made solely on the terms and subject to the conditions set out in this Appendix, the Placing Agreement and the Articles. Such Investor agrees that these terms and conditions and the contract note issued by Numis to such Investor represent the whole and only agreement between the Investor, Numis and the Company in relation to the Investor's participation in the Placing and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Investor agrees that none of the Company, Numis nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 4.2 if the Investor is a natural person, such Investor is not under the age of majority (18 years of age in the UK) on the date of such Investor's agreement to acquire Placing Shares under the Placing and will not be any such person on the date any such offer is accepted;
- 4.3 neither Numis nor any person affiliated with Numis or acting on its behalf is responsible for or shall have any liability for any information, representation or statement contained in this admission document or any supplementary admission document (as the case may be) or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an Investor to participate in the Placing based on any information, representation or statement contained in this admission document or otherwise;
- 4.4 the Investor has not relied on Numis or any person affiliated with Numis in connection with any investigation of the accuracy of any information contained in this document or their investment decision;
- 4.5 in agreeing to acquire Placing Shares under the Placing, the Investor is relying on this admission document or any supplementary admission document (as the case may be) and not on any other information or representation concerning the Group, the Placing or the Placing Shares. Such Investor agrees that neither the Company nor Numis nor their respective officers, directors or employees will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 4.6 save in the event of fraud on its part (and to the extent permitted by the rules of the FCA), neither Numis nor any of its directors or employees shall be liable to an Investor for any matter arising out of the role of Numis as the Company's nominated adviser and broker or otherwise, and that where any such liability nevertheless arises as a matter of law each Investor will immediately waive any claim against Numis and any of its directors and employees which an Investor may have in respect thereof;
- 4.7 the Investor has complied with all applicable laws and such Investor will not infringe any applicable law as a result of such Investor's agreement to acquire Placing Shares under the Placing and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the Investor's agreement to acquire Placing Shares under the Placing and/or acceptance thereof or under the Articles;

- 4.8 all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order: (i) to enable the Investor lawfully to enter into, and exercise its rights and perform and comply with its obligations to acquire the Placing Shares under, the Placing; and (ii) to ensure that those obligations are legally binding and enforceable, have been taken, fulfilled and done. The Investor's entry into, exercise of its rights and/or performance under, or compliance with its obligations under the Placing, does not and will not violate: (i) its constitutive documents; or (ii) any agreement to which the Investor is a party or which is binding on the Investor or its assets;
- 4.9 it understands that no action has been or will be taken in any jurisdiction by the Company or Numis or any other person that would permit a public offering of the Placing Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required; and that, if the Investor is in a member state of the European Economic Area which has implemented the Prospectus Directive ("Relevant Member State"), it is: (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; (iii) otherwise permitted by law to be offered and sold Placing Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Rules or other applicable laws; or (iv) in the case of any Placing Shares acquired by an Investor as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Rules, either:
- 4.9.1 the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their placing or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Rules, or in circumstances in which the prior consent of Numis has been given to the placing or resale; or
- 4.9.2 where Placing Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the placing of those Placing Shares to it is not treated under the Prospectus Rules as having been made to such persons;
- 4.10 to the fullest extent permitted by law, the Investor acknowledges and agrees to the disclaimers contained in this document and acknowledges and agrees to comply with the selling restrictions set out in this document;
- 4.11 the Ordinary Shares have not been and will not be registered under the US Securities Act, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or where to do so may contravene local securities laws or regulations;
- 4.12 except as provided in paragraph 4.13 below, the Investor is not a person located in the United States and is eligible to participate in an "offshore transaction" as defined in and in accordance with Regulation S and the Placing Shares were not offered to such Investor by means of "directed selling efforts" as defined in Regulation S;
- 4.13 where the Investor is a US person as defined in Regulation S, it is an "accredited investor", as defined in Rule 501(a) under Regulation D, and is acquiring the Placing Shares either for: (i) its own account; (ii) for the account of one or more "accredited investors" for which it is acting as duly authorised agent; or (iii) a discretionary account or accounts as to which it has complete investment discretion and the authority to make, and does make, the statements contained herein;
- 4.14 it is acquiring the Placing Shares for investment purposes only and not with a view to any resale, distribution or other disposition of the Placing Shares in violation of the US Securities Act or any other United States federal or applicable state securities laws;
- 4.15 the Placing Shares may not be offered, resold, pledged or otherwise transferred except (a)(i) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S; (ii) pursuant to an effective registration statement under the US Securities Act; or (iii) pursuant to an available exemption from the registration requirements of the US Securities Act; and (b) in accordance with all applicable securities laws of the states of the United States and any other jurisdictions. Each Investor agrees to, and each subsequent holder is required to, comply with, and notify any purchaser of the Placing Shares from it of, the resale restrictions referred to in this Appendix, if then applicable;
- 4.16 upon the issuance of the Placing Shares, and until such time as the same is no longer required under applicable requirements of the US Securities Act or applicable state securities laws, all certificates representing Placing Shares, if any, and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “ACT”) OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES, FOR THE BENEFIT OF THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY: (I) TO THE COMPANY; (II) OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE ACT, IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS; (III) WITHIN THE UNITED STATES PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, IN COMPLIANCE WITH ALL APPLICABLE STATE SECURITIES LAWS; OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, AND IN COMPLIANCE WITH ALL APPLICABLE STATE AND OTHER SECURITIES LAWS AND, IN ANY CASE, UPON THE SUBMISSION TO THE COMPANY OF SUCH EVIDENCE AS MAY BE SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY SUCH TRANSFER WILL NOT BE IN VIOLATION OF THE ACT AND APPLICABLE STATE AND OTHER SECURITIES LAWS AND, IN THE CASE OF SECURITIES BEING SOLD UNDER (III) OR (IV) ABOVE, UPON THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL OF RECOGNIZED STANDING, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER”;

provided that, if securities are being sold under (II) above, and provided that the Company is a “foreign issuer” within the meaning of Regulation S under the US Securities Act at the time of sale, any such legend may be removed by providing a declaration to the Company in such form as the Company may prescribe from time to time; and provided further, that, if any such securities are being sold under (III) or (IV) above, such transfer of securities will be recognised by the Company only upon the submission to the Company of such evidence as may be satisfactory to the Company to the effect that any such transfer will not be in violation of the US Securities Act and applicable state and other securities laws and, the legend may be removed upon delivery to the Company of an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to the Company, to the effect that such legend is no longer required under applicable requirements of the US Securities Act or state securities laws;

- 4.17 the Placing Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and the Investor undertakes to notify any transferee to whom it subsequently offers, reoffers, resells, pledges or otherwise transfers the Placing Shares of the foregoing restrictions on transfer;
- 4.18 the Company is not obliged to file any registration statement in respect of resales of the Placing Shares in the United States with the U.S. Securities and Exchange Commission or with any state securities administrator;
- 4.19 the Company, and any registrar or transfer agent or other agent of the Company, will not be required to accept the registration of transfer of any Placing Shares acquired by the Investor, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with;
- 4.20 the Investor has not been solicited by any form of “general solicitation” or “general advertising” (as those terms are used in Regulation D) including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or in connection with any seminar or meeting to which the Investor was invited by any such general solicitation or general advertising, and the Investor has not become aware of any advertisement in printed media of general and regular paid circulation or on radio, television or other form of telecommunication or any other form of advertisement (including electronic display or the Internet) or sales literature with respect to the acquisition of the Placing Shares;
- 4.21 the Investor invests in or purchases securities similar to the Placing Shares in the normal course of its business and it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares;
- 4.22 the Investor has conducted its own investigation with respect to the Company and the Placing Shares and has had access to such financial and other information concerning the Company and the Placing Shares as the Investor deemed necessary to evaluate the merits and risks of an investment in the Placing Shares, and the Investor has concluded that an investment in the Placing Shares is suitable for it or, where the Investor is not acting as principal, for any beneficial owner of the Placing Shares, based upon each such person’s investment objectives and financial requirements;

- 4.23 the Investor or, where the Investor is not acting as principal, any beneficial owner of the Placing Shares, is able to bear the economic risk of an investment in the Placing Shares for an indefinite period and the loss of its entire investment in the Placing Shares;
- 4.24 there may be adverse consequences to the Investor under United States and other tax laws resulting from an investment in the Placing Shares and the Investor has made such investigation and has consulted such tax and other advisors with respect thereto as it deems necessary or appropriate;
- 4.25 the Investor is not a resident of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and acknowledges that the Placing Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Placing Shares under the securities legislation of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and, subject to certain exceptions, the Placing Shares may not be offered or sold, directly or indirectly, in or into those jurisdictions;
- 4.26 the Investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by it or any other person on the acquisition by it of any Placing Shares or the agreement by it to acquire any Placing Shares;
- 4.27 in the case of a person who confirms to Numis on behalf of an Investor an agreement to acquire Placing Shares under the Placing and/or who authorises Numis to notify such Investor's name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the Investor;
- 4.28 the Investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 and any other applicable law concerning the prevention of money laundering and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Money Laundering Regulations 2007 and, in each case, agrees that pending satisfaction of such obligations, definitive certificates (or allocation under the CREST system) in respect of the Placing Shares comprising the Investor's allocation may be retained at Numis' discretion;
- 4.29 the Investor agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Numis and/or the Company may require proof of identity of the Investor and related parties and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the Investor to produce any information required for verification purposes, Numis and/or the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify Numis and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 4.30 the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
- 4.31 the Investor has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by the Investor in relation to the Placing in, from or otherwise involving the UK;
- 4.32 if the Investor is in the UK, the Investor is a person: (i) who has professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced) (the "Order"); or (ii) a high net worth entity falling within article 49(2)(a) to (d) of the Order, and in all cases is capable of being categorised as a Professional Client or Eligible Counterparty for the purposes of the FCA Conduct of Business Rules (all such persons together being referred to as "relevant persons");
- 4.33 if the Investor is in the European Economic Area ("EEA"), the person is a "Professional Client/Eligible Counterparty" within the meaning of Annex II/Article 24 (2) of MiFID and is not participating in the Placing on behalf of persons in the EEA other than Professional Clients or persons in the UK and other member states (where equivalent legislation exists) for whom the Investor has authority to make decisions on a wholly discretionary basis;
- 4.34 in the case of a person who confirms to Numis on behalf of an Investor an agreement to acquire Placing Shares under the Placing and who is acting on behalf of a third party, that the terms on which the Investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third party's behalf without reference to that third party;

- 4.35 Numis is not making any recommendation to the Investor or advising the Investor regarding the suitability or merits of participation in the Placing or any transaction the Investor may enter into in connection with the Placing or otherwise. The Investor is not Numis' client in connection with the Placing and Numis will not be responsible to any Investor for providing the protections afforded to Numis' clients or providing advice in relation to the Placing and Numis will not have any duties or responsibilities to any Investor similar or comparable to "best execution" and "suitability" imposed by the Conduct of Business Sourcebook contained in the Rules of the FCA;
- 4.36 the exercise by Numis of any rights or discretions under the Placing Agreement shall be within its absolute discretion and Numis need not have any reference to any Investor and shall have no liability to any Investor whatsoever in connection with any decision to exercise or not to exercise or to waive any such right and each Investor agrees that it shall have no rights against Numis or its directors or employees under the Placing Agreement;
- 4.37 it irrevocably appoints any director of Numis as its agent for the purposes of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares agreed to be taken up by it under the Placing and otherwise to do all acts, matters and things as may be necessary for, or incidental to, its acquisition of any Placing Shares in the event of its failure so to do; and
- 4.38 it will indemnify and hold the Company and Numis and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the provisions of this Appendix will survive after completion of the Placing.

The Company and Numis will rely upon the truth and accuracy of each of the foregoing representations, warranties and undertakings.

## **5. SUPPLY AND DISCLOSURE OF INFORMATION**

If any of Numis, the Registrars or the Company or any of their respective agents request any information about an Investor's agreement to acquire Placing Shares, such Investor must promptly disclose it to them.

## **6. MISCELLANEOUS**

The rights and remedies of Numis, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally to Numis:

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Numis.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which such Investor has agreed to acquire have been acquired by such Investor. The provisions of this Appendix may be waived, varied or modified as regards specific Investors or on a general basis by Numis.

The contract to acquire Placing Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Numis, the Company and the Registrars, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to acquire Placing Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such joint Investors' liability is joint and several.

Numis and the Company each expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations of Placing Shares under the Placing are determined.





# Numis

