GRC international group

# AIM Admission Document

## GRC: Governance, Risk Management & Compliance

### Cyber resilience

Data protection compliance, GDPR

Cyber security & ISO 27001

PCI DSS

Incident response

BCM & ISO 22301

Penetration testing & Cyber Essentials

### Governance and risk management

IT governance & COBIT®

Service management

Risk management

ISO 9001, ISO 14001, ISO 45001

ITIL® and ISO 20000

Project management, PRINCE2®

Consultancy and certification

Technical security

Training and qualifications

Software tools

Books and toolkits

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM, the market of that name operated by the London Stock Exchange, of the entire share capital, issued and to be issued pursuant to the Placing, of GRC International Group plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the FCA or any other competent authority.

**Application will be made for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Shares will commence on AIM on 5 March 2018. The existing ordinary shares are not traded on any other recognised investment exchange and no application has been made or is being made for the existing ordinary shares to be traded on any exchange other than AIM.**

**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 Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

**The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled "Risk Factors", which describes certain risks associated with an investment in GRC International Group plc.**

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GRC
international
group

# GRC International Group plc

*(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11036180)*

## Placing of 7,200,000 New Shares and 1,214,286 Sale Shares at 70 pence per Share
## and
## Admission to trading on AIM

***Nominated Adviser***

Grant Thornton

***Broker***

dowgate
CAPITAL STOCKBROKERS

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The Selling Shareholders are offering 1,214,286 Sale Shares in aggregate for sale under the Placing and the Company is offering to issue up to 7,200,000 New Shares pursuant to the Placing. All of the Shares, including the New Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

Grant Thornton, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Grant Thornton or advising any other person in connection with the Placing and Admission. Grant Thornton's responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire Placing Shares in reliance on any part of this document. Grant Thornton will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Grant Thornton or for providing advice in relation to the contents of this document or any other matter. Apart from the responsibilities and liabilities, if any, which may be imposed on Grant Thornton by the FSMA or the regulatory regime established under it, Grant Thornton does not accept any responsibility whatsoever for the contents of this document, without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Grant Thornton with respect to the contents of this document or the accuracy or completeness of any information or opinions in this document or any part of it for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

In accordance with the AIM Rules for Nominated Advisers, Grant Thornton has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with.

Dowgate, which is authorised by the Financial Conduct Authority, is acting exclusively for the Company as Broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Dowgate or advising any other person in connection with the Placing and Admission. Apart from the responsibilities and liabilities, if any, which may be imposed on Dowgate by the FSMA or the regulatory regime established under it, Dowgate does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Dowgate with respect to the accuracy or completeness of this document or any part of it for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

This document does not constitute an offer to sell, or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, securities to any person in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication, transmission or distribution in or into the United States, Canada, Australia, New Zealand, South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of any State of the United States or any province or territory of Canada, Australia, New Zealand, South Africa or Japan. Accordingly, the Shares may not be offered or sold directly or indirectly in or into the United States, Canada, Australia, New Zealand, South Africa or Japan, or to any resident of the United States, Canada, Australia, New Zealand, South Africa or Japan. No public offering of securities is being made in the United States. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Shares may have implications for overseas investors under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas investor to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed, and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU for one month from the date of this document. This document is also available on the Company's website, www.grci.group.

## IMPORTANT INFORMATION

### General

In deciding whether to invest in Shares in connection with the Placing, prospective investors should read this document in its entirety before making any decision to subscribe for or purchase Shares. Prospective investors should rely only on the information contained in this document and any supplementary admission document published by the Company prior to Admission. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Grant Thornton, Dowgate or any of their respective affiliates, officers, directors, partners, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, Grant Thornton, Dowgate or any of their respective affiliates, officers, directors, partners, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Prospective investors contemplating an investment in Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Company. No assurance is given, express or implied, that investors will receive back the amount of their investment in Shares. Investments in the Company carry risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Shares and any income from Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment and attention is drawn in particular to Part II of this document entitled "Risk Factors" which describes certain risks associated with an investment in GRC International Group plc.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, the Company and/or its subsidiaries. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation of the Placing by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, by the Company, the Directors, Grant Thornton, Dowgate or any of their respective representatives, that any recipient of this document should subscribe for or purchase any of the Shares. Prior to making any decision as to whether to subscribe for or purchase any Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA-authorised or other appropriate advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA-authorised or other appropriate advisers') examination of the Company.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result from such an investment.

Investors who subscribe for or purchase Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton, Dowgate or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Shares (other than as contained in this document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Dowgate.

None of the Company, the Directors, Grant Thornton, Dowgate or any of their respective representatives makes any representation to any subscriber or purchaser of Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Grant Thornton, Dowgate and any of their respective affiliates, acting as investors for their own accounts, may acquire Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Grant Thornton, Dowgate or any of their respective affiliates acting as investors for their own accounts. Neither Grant Thornton nor Dowgate intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Grant Thornton, Dowgate and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory or other services to the Company, for which they would have received customary fees. Grant Thornton, Dowgate and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

**Notice to prospective investors in the EEA**

In relation to each Member State of the EEA, no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive:

(1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Member State; or

(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Member State and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "**qualified investor**" within the meaning of the law of the Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "**to the public**" in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

**Notice to prospective investors in the United Kingdom**

This document is being distributed in the United Kingdom where it is directed only at (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the FPO; and (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

**Forward-looking statements**

Certain statements in this document are or may constitute forward-looking statements, including statements about current beliefs and expectations of the Directors. In particular, the words "expect", "anticipate", "estimate", "may", "should", "plan", "intend", "will", "seek", "aim", "project", "pipeline", "predict", "assume", "envisage", "would", "could", "target", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward-looking statements. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal, taxation or regulatory environment.

Such forward-looking statements are based on the Board's expectations of external conditions and events, current and future business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group's financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements.

Any forward-looking statement in this document speaks only as of the date it is made. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release or disseminate the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Board's expectations, any new information or in order to reflect events, conditions or circumstances after the date of this document, unless required to do so by law or any appropriate regulatory authority.

Any forward-looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

**Presentation of financial information**

The consolidated historical financial information of the Group for the three years ended 31 March 2017 set out in Part III of this document has been prepared in accordance with IFRS. The unaudited Interim Accounts for the six months ended 30 September 2017 have been prepared in accordance with IFRS.

Certain non-IFRS measures such as, billings, EBITDA and FTE have been included in the financial information contained in this document as the Directors believe that these present important alternative measures with which to assess the Group's performance. These measures should not be considered as an alternative to revenue and operating profit, which are IFRS measures, or to other measures of performance under IFRS. In addition, the Company's calculations of billings, EBITDA and FTE may be different from the calculation used by other companies and therefore comparability may be limited.

### Rounding

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

### Market, industry and economic data

Unless the source is otherwise identified, the market, industry, and economic and industry data and statistics in this document constitute the Directors' estimates, using underlying data from third parties. The Company has obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources as described in the footnotes to such information. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. Such third-party information has not been audited or independently verified.

This document includes market share, industry data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data and has obtained market data from the following reports:

- PwC – The Global State of Information Security® Survey
- Juniper Research Limited – Cybercrime & the Internet of Threats 2017 white paper
- Competitive analysis of the UK cyber security sector report for The Department of Business, Innovation and Skills published in 2013

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, neither Grant Thornton nor Dowgate Capital have authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Grant Thornton or Dowgate Capital for the accuracy or completeness of any market or industry data which is included in this document.

### No incorporation of website information

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

### Governing Law

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes in such law and practice.

## CONTENTS

## PLACING STATISTICS AND EXPECTED TIMETABLE

**Placing Statistics**

| | |
|---|---|
| Placing Price per Share | 70 pence |
| Number of Existing Shares | 50,262,940 |
| Number of Shares in the Placing: | |
| – To be issued by the Company (the New Shares) | 7,200,000 |
| – To be sold by the Selling Shareholders (the Sale Shares) | 1,214,286 |
| New Shares as a percentage of the Existing Shares | 14.3 per cent. |
| Number of Shares in issue following the Placing and Admission | 57,462,940 |
| Market capitalisation of the Company at the Placing Price following Admission(1) | £40,224,058 |
| Number of Shares in respect of which Options are outstanding on Admission | 2,348,920 |
| Gross proceeds of the Placing receivable by the Company | £5,040,000 |
| Estimated net proceeds of the Placing receivable by the Company(2) | £4,138,000 |
| TIDM | GRC |
| ISIN | GB00BG06MV41 |
| SEDOL | BG06MV4 |

*Notes:*

(1) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.

(2) After deduction of estimated commissions, fees and expenses payable by the Company of approximately £0.9 million.

**Expected Timetable**

| | |
|---|---|
| Publication of this document | 27 February 2018 |
| Admission and commencement of dealings in the Shares on AIM | 8.00 a.m. on 5 March 2018 |
| Placing Shares credited to CREST accounts (where applicable) | 8.00 a.m. on 5 March 2018 |
| Dispatch of definitive share certificates (where applicable) | by 16 March 2018 |

*All times are London, UK times. Each of the times and dates in the above timetable is indicative only and is subject to change without further notice.*

## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

| | |
|---|---|
| **Company** | GRC International Group plc |
| **Directors** | Andrew Brode, *Non-Executive Chairman*<br>Alan Calder, *Chief Executive Officer*<br>Christopher Hartshorne, *Finance Director*<br>Neil Acworth, *Chief Information Officer*<br>Stephen Watkins, *Executive Director*<br>Richard Piper, *Independent Non-Executive Director* |
| **Company secretary** | Christopher Hartshorne |
| **Registered office** | Unit 3, Clive Court<br>Bartholomew's Walk<br>Cambridgeshire Business Park<br>Ely CB7 4EA |
| **Website** | www.grci.group |
| **Nominated Adviser** | Grant Thornton UK LLP<br>30 Finsbury Square<br>London EC2P 2YU |
| **Broker** | Dowgate Capital Stockbrokers Limited<br>Talisman House<br>Jubilee Walk<br>Three Bridges<br>Crawley<br>West Sussex RH10 1LQ |
| **Legal advisers to the Company** | Penningtons Manches LLP<br>125 Wood Street<br>London EC2V 7AW |
| **Legal advisers to the Nominated Adviser and Broker** | Fieldfisher LLP<br>Riverbank House<br>2 Swan Lane<br>London EC4R 3TT |
| **Reporting Accountants and Auditors** | Grant Thornton UK LLP<br>101 Cambridge Science Park<br>Milton Road<br>Cambridge CB4 0FY |
| **Registrars** | Equiniti Limited<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex BN99 6DA |

## DEFINITIONS AND GLOSSARY

| | |
|---|---|
| **Admission** | the admission of the Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies |
| **AIM** | the AIM market of the London Stock Exchange |
| **AIM Rules for Companies** | the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of AIM |
| **AIM Rules for Nominated Advisers** | the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time |
| **Associate** | a) in relation to an individual, the individual's spouse, child or relative (including brothers, sisters, uncles, aunts, nephews, nieces, and former or reputed spouse) (together the family); b) the trustees (acting as such) of any trust of which the individual or any of the family is a beneficiary or discretionary object; and c) in relation to a company, any subsidiary or holding company of that company and each and any subsidiary of a holding company of that company |
| **Board** or **the Directors** | the board of Directors of the Company following Admission, whose names appear on page 9 of this document |
| **CAGR** | compounded annual growth rate |
| **Calder Family** | Alan Calder and Olga Travlos (his wife), Alexandra Calder and Natasha Calder (his daughters), Meg Ward (his sister), the ITG Pension Fund (Alan Calder's and Olga Travlos' personal pension fund) and the Mr Alan Calder Discretionary Settlement 2018 (a trust established by Alan Calder for the benefit of his daughters, the trustees of which are Alan Calder and Olga Travlos) |
| **Companies Act** | the Companies Act 2006 (as amended) |
| **Concert Party** | Alan Calder, The Alan Calder Discretionary Settlement 2018, the ITG Pension Fund, Olga Travlos, Natasha Calder, Alexandra Calder, Meg Ward, Stephen Watkins, Neil Acworth, Christopher Hartshorne and Andrew Brode |
| **Company** or **GRC International** | GRC International Group plc |
| **CREST** | the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited |
| **CREST Regulations** | the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended) |
| **Cyber Essentials** | a UK government-backed, industry supported scheme to help organisations protect themselves against common cyber attacks. The Cyber Essentials standard consists of basic security controls. Through the Cyber Essentials certification scheme it offers a mechanism for organisations to demonstrate to customers, investors, insurers and other such organisations that they have taken these precautions |

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| **cyber security** | protection of internet-connected systems (including hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse, including harm caused intentionally by the operator of the system or accidentally as a result of failing to follow procedures or being manipulated into doing so |
| **data protection** | the protection of personal information processed by an organisation to secure its confidentiality, integrity and availability and to ensure that it is only processed by the organisation for legitimate and lawful purposes |
| **Dowgate** | Dowgate Capital Stockbrokers Limited, the broker to the Company |
| **EBITDA** | earnings before interest, tax, depreciation and amortisation |
| **EU** | the European Union |
| **Employee Share Scheme** | the Company's employee share scheme, under which share options may be awarded to selected directors and employees |
| **Enlarged Share Capital** | the issued share capital of the Company immediately following Admission, comprising the Existing Shares and the New Shares |
| **Euroclear** | Euroclear UK & Ireland Limited, the operator of CREST |
| **Executive Directors** | the Executive Directors of the Company as at the date of this document, namely Alan Calder, Christopher Hartshorne, Neil Acworth and Steve Watkins |
| **Existing Shares** | the 50,262,940 Shares in issue immediately prior to the issuance of the New Shares |
| **FCA** or **Financial Conduct Authority** | the Financial Conduct Authority of the United Kingdom |
| **FSMA** | the Financial Services and Markets Act 2000, as amended |
| **FTE Employee** | full time equivalent employees. The FTE employee calculation is made on the last day of each month as follows: each employee or contractor who is contracted to work five days per week is counted as one FTE and all employees or contractors who are not contracted to work five days per week are counted as 0.5 of an FTE irrespective of how many days that they have worked |
| **GDPR** | the General Data Protection Regulation (Regulation EU 2016/679) which applies across all EU member states from 25 May 2018 |
| **GRC** | governance, risk management and compliance |
| **Grant Thornton** | Grant Thornton UK LLP, nominated adviser to the Company |
| **Group** | the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act) |
| **Historical Financial Information** | the audited consolidated financial information of ITG and its subsidiaries for the three years ended 31 March 2017, as set out in Section B of Part III of this document together with the unaudited consolidated interim results, as set out in Section D of Part III |
| **HMRC** | Her Majesty's Revenue and Customs |

| | |
|---|---|
| **IFRS** | International Financial Reporting Standards as endorsed by the European Union |
| **ISO 27001** | ISO/IEC 27001:2013, an International Standard that specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving formalised information security management systems (ISMS) within the context of the organisation's overall business risks. It specifies requirements for the implementation of information security controls customised to the needs of individual organisations or parts thereof. This International Standard can be used by all organisations, regardless of type, size and nature. The associated accredited certification scheme enables the organisation to demonstrate to stakeholders that it has been independently assessed as conforming to the ISO 27001 requirements |
| **ITG** | IT Governance Limited |
| **London Stock Exchange** | London Stock Exchange plc |
| **Member State** | a member state of the EEA |
| **New Shares** | the 7,200,000 New Shares to be issued by the Company pursuant to the Placing |
| **Non-executive Directors** | the non-executive Directors of the Company immediately prior to Admission (including the Chairman), namely Andrew Brode and Richard Piper |
| **Options** | the share options described in Section 10 of Part V of this document |
| **PCI DSS** | the Payment Card Industry Data Security Standard, being a proprietary information security standard (owned by the Security Standards Council) that is mandatory for organisations that handle payment cards from major card schemes including Visa, Mastercard and American Express |
| **Placing** | the conditional placing of the Placing Shares and the Sale Shares at the Placing Price pursuant to the Placing Agreement |
| **Placing Agreement** | the conditional agreement entered into on or about the date of this document between the Company, Selling Shareholders, Grant Thornton, Dowgate and the Directors in relation to the Placing details of which are set out in paragraph 11.2 of Part V of this document |
| **Placing Price** | 70 pence per Placing Share |
| **Placing Shares** | the New Shares and the Sale Shares |
| **Prospectus Directive** | Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, and including any relevant implementing measures in a Member State) |
| **Prospectus Rules** | the prospectus rules made by the FCA under Part VI of the FSMA, as amended |
| **QCA** | the Quoted Companies Alliance |
| **QCA Code** | The Corporate Governance Code for Small and Mid-Size Quoted Companies published by the QCA |

| | |
|---|---|
| **ransom attacks** | a theft of data or the disabling of an organisation's IT systems by criminals who then demand payment to return the data or restore the IT system |
| **Relationship Agreement** | the conditional agreement entered into on or about the date of this document between the Company, Alan Calder, Grant Thornton and Dowgate relating to the independent management of the Company, details of which are set out in paragraph 11.5 of Part V of this document |
| **resellers** | organisations that sell the Group's services and/or products through their websites or other sales channels |
| **Sale Shares** | the 1,214,286 Shares to be sold by the Selling Shareholders pursuant to the Placing |
| **Selling Shareholders** | Alan Calder and Steve Watkins |
| **Shareholder** | a holder of Shares following Admission |
| **Shares** | ordinary shares in the capital of the Company |
| **Takeover Code** | the UK Takeover Code published by the Takeover Panel, as amended |
| **Takeover Panel** | the UK Panel on Takeovers and Mergers |
| **uncertificated** or **in uncertificated form** | Shares recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST |
| **Vigilant** | Vigilant Software Limited, a wholly owned subsidiary of the Group |
| **£** and **p** | United Kingdom pounds sterling and pence, respectively |
| **$** | United States dollars |

# PART I

# INFORMATION ON THE GROUP

## 1. Introduction

GRC International Group plc is the holding company for a group of companies providing a range of products and services to address the IT governance, risk management and compliance requirements of organisations, enabling them to meet the commercial requirements and regulatory standards that are now in force, or are coming into force, in these areas. The Group operates a one-stop shop that helps customers source, deploy and/or integrate an appropriate mix of solutions that focus on cyber security and cyber resilience, data protection, the PCI DSS, penetration testing, compliance with management systems standards such as ISO 27001 and ISO 22301, and achievement of Cyber Essentials certification.

The Group began trading as an online publisher of books and documentation toolkits for IT governance and information security in 2005. Since then it has expanded into providing training courses, consultancy services, online e-learning, software, security testing and certification services.

The Group does not sell IT hardware or mass market software relating to data protection or cyber security. It supplies services and products aimed at helping organisations identify their obligations; training employees in the proper procedures and practices; consulting and testing services relating to the procedures and practices; and certifying customers as conforming to Cyber Essentials and issuing statements of conformity to the PCI DSS.

The Group has grown strongly over the last two years with revenues for the year ended 31 March 2017 of £6.83 million (2016: £4.85 million) and profit before tax of £0.71 million (2016: £0.17 million). The unaudited results for the six months to 30 September 2017 show revenues of £5.80 million (2016: £2.67 million) and profit before tax of £0.61 million (2016: £0.06 million). At 31 December 2017 the Group had 211.5 FTE employees, compared to 55 FTE employees at 31 March 2015.

The Directors believe that the markets in which the Group operates are fragmented as they are not aware of any major national, regional or global companies offering the breadth of services and products that the Group provides. The Group's customer list is also highly fragmented with the largest customer representing 3.8 per cent. of Group billings (as explained in Section 5 of this Part I) in the six months ended 30 September 2017.

As legislation and regulation relating to data protection and cyber security becomes widespread, the standards required will become global. For example, the European GDPR applies from 25 May 2018 and its scope could include all organisations anywhere in the world providing services into the EU. The Group has seen a significant increase in training and consultancy revenue directly related to GDPR since its adoption in April 2016.

In the year ended 31 March 2017, 19 per cent. of the Group's revenues were from outside the UK. The Group intends to expand sales outside the UK and already has a subsidiary in Ireland (through which it now channels all its non-UK business in the rest of the EU) and has recently incorporated a subsidiary in the US and entered into an office lease in New York.

There is recent evidence of consolidation in the data protection and cyber security industry. The Group intends to be part of the consolidation process and, where it sees value, to pursue an acquisition strategy to accelerate its growth.

In the year ended 31 March 2017, 17.8 per cent. of the Group's billings were processed online. Marketing of the Group's services and products is concentrated online and, in particular, through the use of search engine optimisation.

The Group is seeking admission to AIM in order to raise new equity to accelerate its organic growth and allow it to fund potential acquisitions. The Directors also believe that Admission will help to raise the Group's profile with potential customers and help with the recruitment and retention of staff. The issue of New Shares by the Company as part of the Placing will raise £5.04 million before expenses of approximately £0.90 million. In addition, the Placing will raise approximately £0.85 million (before expenses) for the Selling Shareholders. Further details of the Placing are set out in paragraph 17 of this Part I.

## 2. History and background.

IT Governance Limited was incorporated on 16 April 2002. Alan Calder became the sole shareholder on 27 April 2002 and was also appointed as a director, together with Olga Travlos, on 27 April 2002. In March 2005, it launched an e-commerce website selling books related to IT governance written by Alan Calder and others online. In 2006, ITG was a co-founder of Vigilant Software Limited and subscribed for 50 per cent. of the equity on incorporation. Vigilant had developed a software program to help organisations assess risks to their information and to select appropriate controls in order to reduce those risks. The Group acquired control of 80 per cent. of Vigilant in 2009 and it became a wholly owned subsidiary in January 2012.

During 2005 and 2006, Alan Calder and Steve Watkins worked part time for ITG delivering training courses and consultancy assignments, with the first consultancy assignment in 2005 and the first training course in 2006. Alan Calder began working for ITG full time in January 2007 and Steve Watkins in April 2008.

The successful growth of the Consulting Division resulted in the Group starting a penetration testing service in 2010 to test the operation of companies' data protection and cyber security controls.

As a consequence of many of its products and services being purchased online, the Group has for many years serviced a diverse and international customer base. In the year ended 31 March 2017, 19 per cent. of Group revenues were to customers outside the UK. In September 2016, the Group incorporated a subsidiary in Ireland (IT Governance Europe Limited), which commenced trading in April 2017, and the Group has recently incorporated a subsidiary in the US and entered into a lease for an office in New York.

A number of the Group's products and services have been translated from English into German, French, Spanish and Italian.

ITG is the main trading company in the Group. In February 2018, following a Group re-organisation a newly incorporated company, GRC International Group plc, became the holding company for the Group. Further details of the reorganisation are set out in paragraph 3 of Part V of this document.

## 3. Trading activities

The Group provides a number of services and products that broadly fit into three divisions (i) Training; (ii) Consultancy; and (iii) Publishing and Software.

*Training Division*

The Group sells classroom-based training courses related to data protection, cyber security, ISO 27001 certification and related topics. The courses range from one to five days in length and are held at hired premises. Generally there are between eight and twenty delegates on each course, with an average of eleven delegates per course in the year ended 31 March 2017. Most delegates attending courses are doing so as part of their employment and at their employer's expense. The Group also provides courses at customers' premises for organisations that require training for a number of their employees. The courses are aimed at various different areas of IT governance and at different skill levels. For example, the ISO 27001 courses range from an introduction to ISO 27001 through to qualifying as a lead implementer or lead auditor.

Advertising and marketing of the training courses is predominantly online, and primarily through the use of search engine optimisation. Bookings and sales as a result of online enquires are generally through three channels: (i) online sale or booking with no human intervention; (ii) inbound telephone or online enquires that lead to a booking or sale; and (iii) where there is the possibility of a larger sale, active sales calls to the organisation making the enquiry. Whilst the majority of the Training Division's bookings and sales are direct to the end customer, a significant number of bookings and sales of training courses are made through resellers. For the six months ended 30 September 2017, 12 per cent. of billings were estimated to be made to resellers.

In the year ended 31 March 2017, the Group organised 258 training courses which were attended by 2,942 delegates and generated revenues of £2.483 million, representing 36.3 per cent. of Group revenues for that period.

Prior to 1 April 2017, courses were predominantly held in the UK although there were a number of overseas delegates on UK courses. Courses were also held via live webinars to domestic and international audiences. Since 1 April 2017, the Group has held a total of 18 overseas courses in Ireland (5), France (4), Belgium (2), the Netherlands (3), Sweden (3) and Denmark (1) and a further 12 live online courses in the US.

In addition to "in person" based training, the Group also provides online training, e-learning courses and examinations that are required to obtain certification. The revenues for e-learning are accounted for as software sales and are included within the results of the Publishing and Software division for financial reporting purposes.

Revenues for the Training Division (excluding e-learning) for the three years ended 31 March 2017 and for the six-month period ended 30 September 2017 were as follows:

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Training Division revenues | 1,541 | 1,577 | 2,483 | 3,014 |

*Consultancy Division*

The range of consultancy services and products supplied by the Group has grown over the years to meet the demands of customers. The consultancy services provided by the Group include (i) GRC consultancy; and (ii) technical services.

- GRC consultancy provides on-site and remote support, helping organisations to design and implement data protection and cyber security policies and procedures. This includes preparation for, and ongoing compliance with, GDPR and achievement and maintenance of ISO 27001 certification.
- Technical services provides a range of services and products including:
  - *penetration testing*, where the Group carries out an authorised simulated attack on a customer's IT systems to test the effectiveness of the systems and procedures and to identify any weaknesses;
  - *PCI DSS assessments*, in respect of the Payment Card Industry Data Security Standard which applies to all organisations worldwide that transmit, process or store payment card data. The PCI DSS requires such organisations to have their data protection and cyber security systems tested regularly; and
  - *Cyber Essentials certification and consultancy*, where the Group provides an accredited certification service through an online portal that helps organisations of all sizes become certified to the UK Government's Cyber Essentials scheme.

The Directors believe that the Group attracts most of its consultancy customers as a result of online searches carried out by the customer, through attendance on training courses, recommendation or as a result of a relationship that developed over a period of time.

Revenues for the Consultancy Division for the three years ended 31 March 2017 and for the six-month period ended 30 September 2017 were as follows:

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Consulting Division revenues | 1,659 | 2,010 | 2,898 | 1,887 |

*Publishing and Software Division*

The Group sells books, documentation templates and software via its websites, both those it publishes or writes itself and those supplied by third parties.

Most of the books sold by the Group relate to how organisations should manage their IT risk exposures or standards published by various bodies. The Group currently publishes 145 books and pocket guides. The Group commissions authors to write books on subjects, where on the basis of feedback from clients or knowledge of the markets in which the Group operates they believe there will be demand. The Group also sells titles published by third parties including IEC, the British Standards Institution, the Stationery Office, John Wiley, ISACA, Van Haren and Kogan Page.

The Group has analysed the Publishing billings for the six months to 30 September 2017 and estimated that over 50 per cent. of the titles published by the Group were sold online and over 35 per cent. of the titles published by third parties were sold online.

In addition, the Group creates and sells 37 sets of documentation templates that are used by customers to assist them to document their IT systems and procedures.

The Group also creates and sells software solutions through its subsidiary, Vigilant Software Limited. One of the Vigilant software tools, vsRisk, provides a program for identifying and recording management decisions relating to the information security risk levels within an organisation. The Group has also recently developed and launched two software offerings: a compliance management tool and a data flow mapping tool. Unaudited revenues for Vigilant for the three years ended 31 March 2017 were £30,353 (2015); £42,917 (2016) and £73,689 (2017). Vigilant unaudited revenues for the six months ended 30 September 2017 were £51,282.

Revenues for the Publishing and Software Division (where software revenues are predominantly derived from e-learning, and also include sales of Vigilant software) for the three years ended 31 March 2017 and for the six-month period ended 30 September 2017 were:

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Publishing revenues | 1,041 | 1,027 | 1,042 | 636 |
| Software revenues | 223 | 234 | 411 | 263 |
| Total | 1,264 | 1,261 | 1,453 | 899 |

## 4. Market overview and competition

Organisations have legal and regulatory obligations to have in place data protection and cyber security systems and procedures. These laws and regulations often have international reach outside of the countries in which they are enacted. For example:

– from 25 May 2018, GDPR will apply across all member states of the EU and will also extend the scope of the EU data protection law to all foreign organisations providing services into the EU. It harmonises the data protection regulations throughout the EU, thereby making it easier for non-European organisations to comply with these regulations. The introduction of GDPR will impose severe penalties of up to 4 per cent. of worldwide turnover for non-compliance;

– from 28 August 2017 all banks, insurance companies and other financial services institutions operating in New York State, have been required to comply with the Department of Financial Services cyber security regulation; and

– the EC is proposing to replace the current ePrivacy directive with a regulation, complete with GDPR-like fines, that will deal with overlaps between GDPR and privacy-related technologies like messaging applications, e-mail platforms, voice over internet protocol, and tracking technologies such as cookies.

In addition to law and regulation, the Directors believe that organisations will increasingly have to provide assurance to their customers, regulators and stakeholders that their data protection and cyber security systems are adequate for the current risk environment and will therefore at the same time require evidence of adequate security from all the entities in their supply chains. For example, the payment card brands, through their acquiring banks, require organisations (and their suppliers) that process card transactions to meet the PCI DSS, and the UK Government already requires that organisations supplying it should comply with its own standard, Cyber Essentials.

The PwC 2018 Global State of Information Security® Survey ("GSISS") contacted 9,500 executives in 122 countries and found that 44 per cent. did not have an overall information security strategy; 48 per cent. did not have an employee security awareness training program; and 54 per cent. did not have an incident response process. GSISS also found that many of the key processes for identifying cyber risks in business systems including penetration tests, threat assessments, active monitoring of information security, and intelligence and vulnerability assessments had been adopted by less than half of survey respondents.

During 2017, there were a number of publically reported and high profile instances of failures of data protection and cyber security including (i) the NHS in the UK where a number of NHS Trusts were subject to ransom attacks; (ii) Uber in the US, where customer data was stolen; and (iii) A.P. Moller-Maersk in Denmark, where there was a ransom attack that the company estimates will cost it $200 million to $300 million to rectify the damage.

The Group is not aware of the size of the global market for its products and services as generally available market estimates include hardware, software, outsourced services and consultancy in addition to amounts spent by businesses internally. However:

- The Department of Business, Innovation and Skills commissioned a report in 2013 entitled "Competitive analysis of the UK cyber security sector". This estimated that the cyber security market in the UK was worth approximately £2.8 billion in 2013 and overall would grow to £3.5 billion in 2017. The report also estimated that the fastest growing part of the cyber security market would be governance, which would grow from £421 million in 2013 to £612 million in 2017; and

- Juniper Research published a report in 2017 that estimated that the global cyber security market would be worth $135 billion in 2020. This forecast includes all dedicated cyber security hardware and software purchases, as well as services revenues of managed security service providers. It does not include the wages for in-house cyber security staff used by an organisation.

The Directors are not aware any large companies offering the same range of products and services that the Group provides in the UK or in the other markets in which the Group operates. The market for these products and services is global and some parts of the Group's product range are provided by a large number of businesses.

## 5. Business operations

The Group is based in Ely near Cambridge where it has its head office in the Cambridgeshire Business Park. In addition, the Group has an office in Drogheda, Ireland (which opened in April 2017) and has recently entered into leases for offices in Edinburgh (Scotland) and New York (US).

The Group records "billings", which represent either orders that are invoiced or that are paid for at the time of order. Unless the service or product is delivered at the time of order, billings are recorded in the Group's accounts as deferred income and are not recognised as sales in the Group's accounts until the product or service has been delivered. Courses and consultancy services are frequently booked and invoiced one to two months ahead of being delivered. Billings are viewed as a key performance indicator by management. The following table below shows the billings and revenues for the three years ended 31 March 2017 and the six months ended 30 September 2017 and the deferred income balance at the end of each period:

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Billings (unaudited) | 4,401 | 4,932 | 7,413 | 6,248 |
| Revenues | 4,464 | 4,849 | 6,833 | 5,800 |
| Deferred income | 426 | 437 | 803 | 1,221 |

During 2014, the Group added a KPI which measures the spilt of billings between cash billings and credit billings on a weekly basis. All internet billings through the Group's websites are cash billings and there are also a significant number of non-internet billings that are cash billings. The Group estimates that in the year ended 31 March 2016, cash billings were 22 per cent. of Group billings and in the six months ended 30 September 2017 cash billings were 36 per cent. of Group billings.

The Group uses FTE employee numbers as a management metric as a number of its employees work part time. The Group uses consultants for certain specialised services or products, where appropriate, and overseas contractors in its software division. A number of the Group's FTE employees work from home because certain divisions (mainly in the Training and Consulting Divisions) supply their services on a nationwide basis either at rented conference rooms or at the client's premises.

The Group's rapid growth since April 2016 is reflected in the number of FTE employees and contractors as shown in the following table.

| *Period end FTE* | *31 March 2015* | *31 March 2016* | *31 March 2017* | *30 September 2017* |
|---|---|---|---|---|
| – UK employees | 54.0 | 56.0 | 85.0 | 141.0 |
| – overseas employees | — | — | 2.0 | 11.0 |
| – overseas contractors | 1.0 | 4.0 | 6.0 | 7.0 |
| FTE employees | 55.0 | 60.0 | 93.0 | 159.0 |

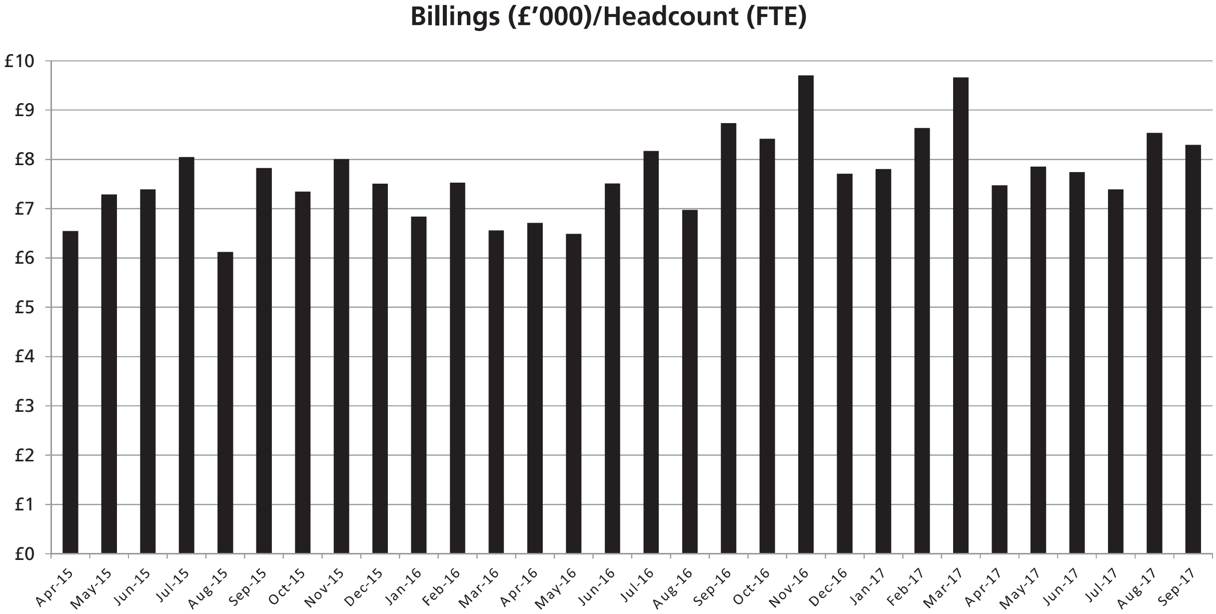
Staff costs are the Group's largest expense. The staff costs developing software for Vigilant, websites, and e-learning are capitalised and amortised over their useful life.

| | *31 March 2015 £'000* | *31 March 2016 £'000* | *31 March 2017 £'000* | *30 September 2017 £'000* |
|---|---|---|---|---|
| Staff costs expensed | 2,789 | 2,646 | 3,634 | 3,189 |
| Staff costs capitalised | 328 | 143 | 119 | 65 |

As at 31 December 2017, the Group had 211.5 FTE employees including 15 overseas employees and 12 overseas contractors. The Company's calculation of the split of FTE employees by activity as at 31 December 2017 is shown in the following table.

| *FTE at 31 December 2017* | *FTE Employees* | *FTE Contractors* | *FTE Total* |
|---|---|---|---|
| Consulting, Technical Services and Training | 80.0 | — | 80.0 |
| Publishing and Software | 6.0 | — | 6.0 |
| Vigilant | 3.0 | 9.0 | 12.0 |
| Sales and Marketing | 60.0 | 3.0 | 63.0 |
| IT support | 21.0 | — | 21.0 |
| Finance and HR | 11.5 | — | 11.5 |
| Senior Management | 7.0 | — | 7.0 |
| Agency Temps | 11.0 | — | 11.0 |
| | 199.5 | 12.0 | 211.5 |

One of the Group's internal key performance indicators is "monthly billings divided by FTE employees". Management are incentivised to achieve a billings-per-FTE metric, which is currently set at £7,500 per month. The chart below shows the monthly billings per FTE for the period from April 2015 to September 2017.




## 6. Key strengths of the Group

The Group's products and services are designed to help its customers to protect the data they hold by enabling them to (i) understand what their legal, regulatory and commercial obligations are; (ii) identify the risks that exist in their data protection and cyber security systems and procedures; (iii) design and put in place systems and procedures to train their management and employees so that the customer can meet their obligations and address the risks identified; and (iv) obtain certification such as: ISO 27001; PCI DSS; or Cyber Essentials. As a leading provider of IT governance training and consultancy services in the UK, the Directors believe that GRC International is well-positioned for continued growth in a marketplace shaped by the following primary market drivers:

**One of the leading participants in the UK IT governance market** – The Group is not aware of any reliable market statistics for the size of GRC markets that it addresses in the UK or elsewhere. It believes that the markets are serviced by a very wide variety of suppliers. However, the Directors believe that the Group has one of the widest ranges of product and services in the UK and that the growth it has delivered over the last three and a half years both in terms of value and the diversity and quality of its customers indicates that the Group is one of the leading participants in the UK IT governance market.

**Proven, experienced market leading management team** – The Group benefits from a senior management team that has been active in IT governance since 2000 and who individually are recognised as some of the UK's leading authorities on IT governance, regulation, systems and certification. The senior management team expertise has enabled the Group to build a business that offers a range of services and products that suit organisations of all sizes both in the UK and overseas and is now well placed to meet the very rapidly growing demand for IT governance systems and procedures. Further details of the Board are set out in paragraph 10 of this Part I.

**Broad, diversified and expanding base of customers** – The Group's business extends to delivering a range of products and services to all types of organisations across the public and private sectors in the UK and overseas. Non-website billings in the six months ended 30 September 2017 of £4.6 million were made to 1,676 organisations with the top 25 organisations accounting for 20 per cent. of total billings. In the year ended 31 March 2017 19 per cent. of revenues were derived from organisations located outside of the UK.

**Depth and breadth of services** – The Group provides a wide array of "off the shelf" and bespoke solutions to its clients within the IT governance field across e-learning, publishing, training, certification, and consultancy. This allows the Group to provide multiple solutions to a wide client base according to an individual organisation's strategies and needs.

**Proven track record of profitable growth** – The Group has achieved strong organic growth in revenue and profits. Over the two year financial period ended 31 March 2017, it has delivered CAGR of 30.0 per cent., 23.7 per cent., 26.0 per cent. and 590 per cent. in billings, revenue, gross profit and EBITDA respectively. Notwithstanding its rapid growth, by carefully matching growth in bookings to growth in costs, the Group is at present cash positive and it is not reliant on external finance providers.

**Online position** – The Group believes it occupies a strong position in terms of search engine optimisation in relation to the services and products that it supplies. A substantial portion of its advertising and marketing spend (both internal and external) is internet related. In the year ended 31 March 2017, the Group had website billings of £1.315 million, representing 18 per cent. of total billings.

**Potential for sustained growth in the UK and overseas** – Building on the significant growth already achieved in recent years, the Directors consider that the Group has the potential to accelerate its growth to meet demand in a rapidly expanding market. The Directors believe that the established competitive advantages, as described above, position the Group to deliver profitable growth in the UK. In addition, the Group is investing in its overseas operations and at 31 December 2017 had 34 employees and contractors based outside the UK and non-UK sales accounted for 19 per cent. of the Group revenues in the year ended 31 March 2017.

**Exposure to a structural high growth market** – The Group believes that the market for its products and services will grow rapidly for the foreseeable future due to (i) legal and regulatory changes with increasing penalties for failing to comply are coming into force covering data protection, cyber security and other areas; (ii) organisations risking material financial, commercial and reputational damage where their systems have been found to be vulnerable; and (iii) organisations not wanting to transact with or depend on customers, suppliers or other organisations whose IT systems are not reliable and secure and/or are vulnerable to attack.

**Growth in the transmission and storage of online data** – Demand for the Group's products and services is directly correlated to a market that is experiencing rapid expansion of the amount of information which is transmitted and stored online, including (i) continuous growth in online applications for many commercial, financial and domestic purposes; (ii) very rapid expansion of the amount of data transmitted and stored online and the pressure on many organisations (including governments, commercial businesses and others) to protect the data; (iii) the proliferation of internet-enabled devices (mobile, domestic appliances and commercial machinery of all kinds); and (iv) the shift to internet-based payment systems and banking for many businesses, organisations and individuals. The requirement for electronic transmission and storage of sensitive information creates a need for secure hardware, software and governance systems and processes to ensure that where organisations transmit and hold data, individual employees and managers are able to protect the data.

## 7. Growth strategy

The Group's objective is to become a one-stop shop global supplier of governance, risk and compliance products and services, as the Directors believe that the legal, regulatory and commercial standards relating to these areas will become increasingly common across the globe. As a result, organisations will need to put in place procedures and practices that will enable them to demonstrate that they meet the necessary standards and to continuously test their compliance with those standards. The Directors believe that the Group's customers will want a supplier who is able to supply all of their IT governance needs creating opportunities for the Group to cross-sell its services to its existing customers. The Group has a strong track record of organic growth and intends to grow its business in the following ways:

*Expand existing services in existing markets* – The Group had approximately 4,000 credit billing customers in the three-year period ended 31 March 2017. The Directors consider that there is substantial scope to grow its customer base. In addition to winning new customers, the Group also aims to grow by extending the range of services delivered to existing customers.

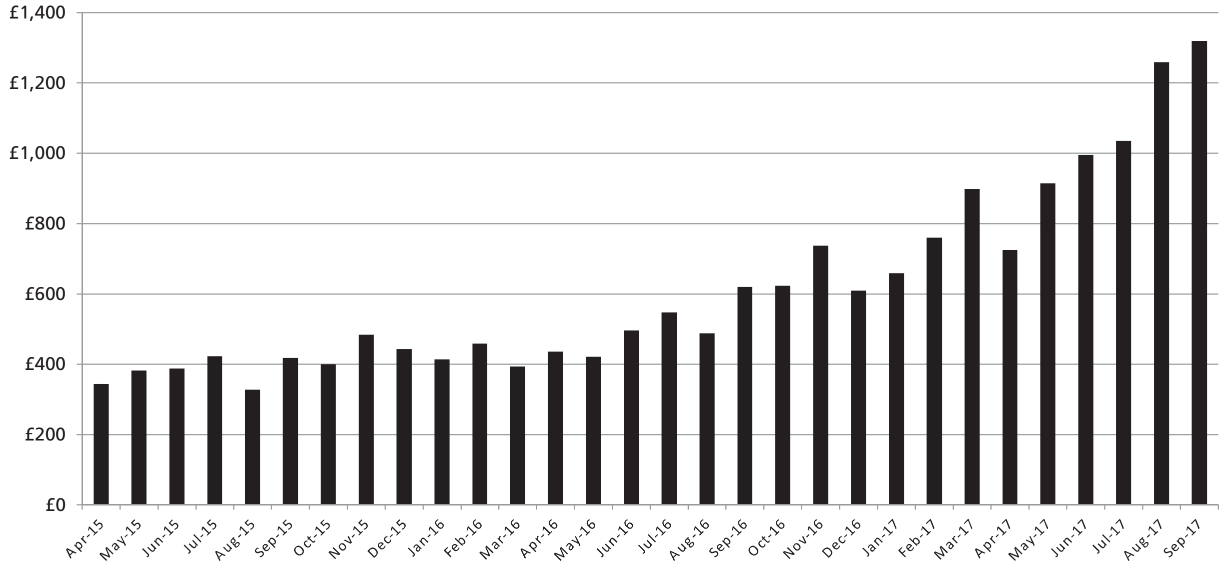
*Expand existing services into new jurisdictions* – The Group currently serves customers from its offices in Ely and Drogheda and will be able to service clients from offices in Edinburgh and New York. The Group will seek to extend its international reach to cover new jurisdictions and is considering new offices in Asia and the Middle East. The Group has, in the period 1 April 2017 to 31 December 2017, recruited sales and marketing employees in its EU head office covering France, Germany, Italy, Spain, Belgium and Holland, and sales and marketing contractors in the US, Dubai and Singapore. The Group has an ambition that non-UK revenues will ultimately exceed UK revenues.

*Adding new services to deliver to existing and new clients* – The Group will continue to evaluate market demand for new services, products and propositions to deliver to both existing and new customers in both existing and new jurisdictions. The Group has a successful track record in introducing new products and services. It began as an online seller of books on IT governance in 2005 and over time has now expanded into training, consultancy, technology services and software. The Group is considering expanding its offering from primarily data protection and cyber security training and consultancy into other GRC areas where organisations need to train their staff so that the organisation can meet related compliance obligations such as anti-money laundering and anti-bribery. The Group believes that these requirements are or will become international and organisations will need to meet and be able to demonstrate that they meet a common standard, and that their processes for so doing will need to be integrated into seamless internal processes.

*Make selective acquisitions* – In addition to organic growth, the Group will consider small-scale acquisitions of businesses that own complementary technology and intellectual property, offer access to new markets or territories or extend the Group's existing capabilities and the range of products and services offered to its customers.

The Group considers that it has a proven track record of sustained growth, which is best illustrated by the growth in billings over the period April 2015 to September 2017.

**Billing Revenue Trends – £'000**




## 8. Customers and marketing

### Customers

The Group has a very diversified customer base that includes organisations of all sizes, including commercial businesses (such as Airbus, Allianz, Vodafone, Northrop Grumman and Lockhead Martin); UK National and Local Government Departments, national organisations (such as the NHS and universities) and professional services firms (such as Slaughter & May, Freshfields Bruckhaus Deringer, Allen & Overy and Grant Thornton).

The Group has a policy of seeking to avoid becoming dependent on any individual or group of customers. In the six months ended 30 September 2017, the largest customer by billings represented 3.8 per cent. of Group billings; the 10 biggest customers represented 13.5 per cent.; and the 25 biggest represented 20 per cent. Resellers are estimated to have accounted for 12 per cent. of Group revenues for the six months ended 30 September 2017.

The Group has significant levels of sales outside the UK and is expanding its operations overseas to increase its opportunities to market to customers outside the UK.

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| UK revenue (£'000) | 3,366 | 3,912 | 5,525 | 4,750 |
| Non UK revenue (£'000) | 1,098 | 937 | 1,308 | 1,050 |
| | 4,464 | 4,849 | 6,833 | 5,800 |

**Marketing**

The Group concentrates nearly all of its advertising and marketing expenditure online, both on pay per click and through search engine optimisation. Advertising and marketing spend in the three years to 31 March 2017 remained relatively static at £0.262 million in 2015; £0.151 million in 2016 and £0.244 million in 2017. In the six months to 30 September 2017, advertising and marketing spend increased to £0.253 million as the growth in the number of online searches resulted in more pay per click visits.

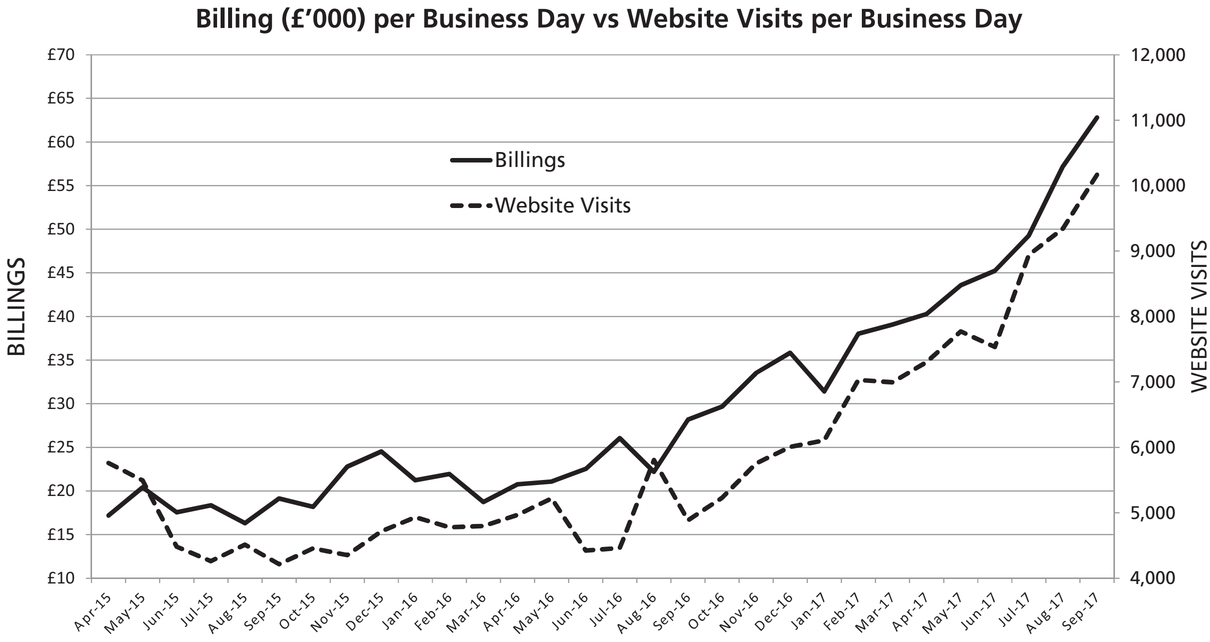
The Group operates seven e-commerce websites where customers can book and pay for services and products. The Group operates a number of other websites and portals related to e-learning, training and certification. The Group's e-commerce websites generate significant levels of billings.

Aggregate billings for the three years ended 31 March 2017 totalled £16.7 million. Within that total, non-website billings account for £14.090 million and website billings account for £2.66 million as set out in the table below. Although the Group does not analyse website customers, it has identified 3,903 customer accounts within the non-website customers, of which 238 made purchases in all three years, 489 made purchases in two out of the three years and 3,176 made purchases in only one of the years.

The split of billings between non-website customers and website customers for the three-and-a-half years to 30 September 2017 is shown in the table below.

| | *Year ended 31 March 2015 £'000* | *Year ended 31 March 2016 £'000* | *Year ended 31 March 2017 £'000* | *Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Website billings (unaudited) | 636 | 705 | 1,315 | 1,488 |
| Non-website billings (unaudited) | 3,765 | 4,227 | 6,098 | 4,760 |
| | 4,401 | 4,932 | 7,413 | 6,248 |

The Directors believe there is a strong correlation between visits to its websites and billings, based on the table below, which shows billings per business day against website visits per business day.




## 9. Corporate governance

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

Upon Admission, the Board will comprise six Directors, four of whom will be Executive Directors and two Non-Executive Directors, reflecting a blend of different experiences and backgrounds as described in section 10 of this Part I. The QCA Code states that a company should have at least two independent non-executive directors. At Admission the Company will only have one independent non-executive director, being Richard Piper. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. The Company will appraise the structure of the Board on an ongoing basis.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference.

The Company will review its compliance with the recommendations of the QCA Code and, following Admission, report in its annual report and accounts and on its website where it complies and explain where it does not comply.

*Audit Committee*

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure 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 external 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 not less than three times in each financial year and will have unrestricted access to the Group's external auditors. The members of the Audit Committee shall include two Non-Executive Directors. The Audit Committee will comprise Ric Piper (as chairman) and Andrew Brode.

*Remuneration Committee*

The Remuneration Committee will review the performance of the Executive Directors, chairman of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service. 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 employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The members of the Remuneration Committee shall include two Non-Executive Directors. The Remuneration Committee will comprise Ric Piper (as chairman) and Andrew Brode.

*Nomination Committee*

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least twice each year. The Nomination Committee will comprise Andrew Brode (as chairman), Ric Piper and Alan Calder.

## 10. Directors and Senior Management

### *Directors*

The Board is comprised of four Executive Directors and two Non-Executive Directors.

**Andrew Stephen Brode, *Non-Executive Chairman (age 77)***

In 2012 Andrew acquired an initial shareholding in ITG and joined the board as a non-executive director in November 2012. In 2014 Andrew subscribed for further shares in ITG that increased his shareholding to 22 per cent. of the issued share capital of the Company prior to Admission. He was appointed non-executive chairman of the Company in February 2018. Andrew is a chartered accountant and was chief executive of Wolters Kluwer (UK) plc between 1978 and 1990. In 1990 he led the management buyout of Eclipse Group Limited, which was sold to Reed Elsevier plc in 2000. In 1995, he led the management buy-in of RWS Holdings plc, a company whose shares are traded on AIM, which is now Europe's largest technical translation group. Andrew is chairman of RWS Holdings plc, Learning Technologies Group plc and a non-executive director of a number of private equity backed media companies.

**Alan Philip Calder, *Chief Executive Officer (age 61)***

Alan founded IT Governance Limited in 2002, became a director in April 2002 and began working full time for the company in 2007. Prior to this Alan had a number of roles including CEO of Business Link London City Partners from 1995 to 1998 (a government agency focused on helping growing businesses to develop), CEO of Focus Central London from 1998 to 2001 (a training and enterprise council), CEO of Wide Learning from 2001 to 2003 (a supplier of e-learning) and the Outsourced Training Company (2005). Alan was also chairman of CEME (a public-private sector skills partnership) from 2006 to 2011. Alan graduated from the University of Witwatersrand in 1978 and then moved to the UK. Alan has written a number of books about IT management including the definitive compliance guide "*IT Governance: An International Guide to Data Security and ISO27001/ISO27002*" (co-written with Steve Watkins), which is in its sixth edition and is the basis for the UK Open University's postgraduate course on information security and "*IT Governance – Guidelines for Directors*".

**Christopher (Chris) John Hartshorne FCCA, *Finance Director (age 35)***

Chris joined the Group in April 2017 as Finance Director. Chris qualified as a Chartered Certified Accountant with Deloitte in 2007 and subsequently worked for PwC. In 2015, Chris joined MM (UK) Limited as financial controller before leaving to take up his position with the Group.

**Stephen (Steve) George Watkins, *Executive Director (age 47)***

Steve joined the Group in April 2008 as a director having previously worked for HM Crown Prosecution Service Inspectorate (2001 to 2006), Focus Central London (1999 to 2001), Business Link London City

Partners (1997 to 1999) and OCE from 1994 to 1997. Steve has at various times worked as a consultant to a number of organisations. Steve is Chairman of the UK ISO/IEC 27001 User Group; an information security management system (& IT service management system) Technical Assessor for UKAS, a role in which he assesses certification bodies offering ISO 27001 (& ISO 20000-1) accredited certification and Forensic Science Laboratories to the InfoSecurity aspects of the FSR Code; Chair Elect of IST/33, the UK committee that mirrors SC27 and is responsible for UK contributions to ISO 27001, ISO 27002 and related information and cyber security standards; and is a member of other standards committees responsible for privacy and IT Service. Steve has written a number of books relating to data protection and cyber security, including "ISO 27001, a pocket guide". Steve is responsible for managing a number of key customers and for technical matters for the Group.

**Neil Roger Acworth,** ***Chief Information Officer (age 43)***

Neil joined ITG in 2012 as Chief Technology Officer and Chief Information Officer having previously worked at Featurespace where he was chief technology officer (2011 to 2012), Cambridge Assessment (2009 to 2011), Sequel Business Solutions Limited (2006 to 2008 and 1999 to 2004) and Close Brothers Treasury Services (2005 to 2006). Neil was appointed as a director of ITG in April 2017 and is responsible for the Group's information technology systems including its websites and Vigilant, the Group's software development subsidiary.

**Richard (Ric) John Piper ACA,** ***Independent Non-Executive Director (age 65)***

Ric read Economics at Cambridge University and qualified as a Chartered Accountant in 1977. He held senior finance roles in ICI, Citicorp, Logica and WS Atkins, where he was Group Finance Director from 1993 to 2002. He is currently chairman of Turbo Power Systems Limited and a non-executive of AIM-quoted Gattaca plc. In the last five years he has also been chairman of AIM-quoted Concepta plc and Lakehouse plc and a non-executive director of AIM-quoted Electron Technology plc and Turbo Power Systems, Inc, Precision Midstream plc, and Waterman Group plc. Ric is a partner at Restoration Partners and is a member of the Financial Reporting Review Panel.

## 11. Share dealing policy

The Company has adopted a share dealing policy, in conformity with the requirements of the AIM Rules and the Market Abuse Regulation, regulating trading and confidentiality of inside information for persons discharging managerial responsibility ("**PDMRs**") and persons closely associated with them which contains provisions appropriate for a company whose shares are admitted to trading on AIM. The Company intends to take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of its share dealing policy.

## 12. Employee share scheme

In order to align the interests of Shareholders and employees following Admission, the Company has adopted a new employee share option scheme as further detailed in paragraph 10 of Part V of this document.

Prior to Admission, Options over Shares were granted to three Directors of the Company (Chris Hartshorne, Steve Watkins and Neil Acworth), in the case of Steve Watkins and Neil Acworth, to replace options granted in the previous unapproved option scheme of ITG, and in the case of Chris Hartshorne, as agreed as part of his offer of employment.

Following Admission, further options, in addition to those referred to above, will be limited to a further 10 per cent. of the nominal value of the Shares in issue at 6:00 p.m. (London time) on the date which is three business days following Admission. Options granted following Admission will be subject to standard performance conditions, as determined and recommended by the Remuneration Committee in accordance with the plan rules.

## 13. Relationship Agreement

The Company has entered into a Relationship Agreement with Alan Calder, where he has given certain undertakings to the Company, Grant Thornton (as the Company's nominated adviser) and Dowgate to the effect that the Board can, amongst other things, operate on an independent basis. Further details of the Relationship Agreement are set out in paragraph 11.5 of Part V of this document.

## 14. Dividend policy

The primary purpose of the Placing is to provide growth capital with which to fund and accelerate the continuing expansion and development of the business. Accordingly, the Directors do not intend that the Company will declare a dividend in the near term, but instead channel the available cash resources of the Group into funding its expansion. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of distributable profits and the funds required to finance continuing future growth.

## 15. Selected historical financial information

The following financial information has been derived from the Historical Financial Information contained in Part III and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information set out below.

| | *Audited Year ended 31 March 2015 £'000* | *Audited Year ended 31 March 2016 £'000* | *Audited Year ended 31 March 2017 £'000* | *Unaudited Six-month period ended 30 September 2017 £'000* |
|---|---|---|---|---|
| Revenue | 4,464 | 4,849 | 6,833 | 5,800 |
| Gross Profit | 2,574 | 2,880 | 4,097 | 3,419 |
| EBITDA | 30 | 515 | 1,068 | 839 |
| Depreciation and amortisation | (224) | (283) | (326) | (218) |
| Impairment | (7) | (21) | — | — |
| Operating profit | (202) | 212 | 742 | 621 |
| Finance costs | (105) | (41) | (32) | (7) |
| Profit/(loss) before tax | (307) | 171 | 710 | 614 |

Following the adoption of the GDPR in April 2016 the Group benefitted from the sale of GDPR-related products and services which amounted to £0.930 million in the year ended 31 March 2017 and £2.872 million in the six months ended 30 September 2017.

## 16. Current Trading

Save as disclosed in this Part I, there has been no significant change in the financial or trading position of the Group since 30 September 2017, being the date to which the Historical Financial Information in Part III of this document has been prepared. Trading for the period from 1 October 2017 to the date of this document was consistent with the Board's expectations where the momentum in sales growth has continued.

In the three months ended 31 December 2017, the Group recorded total billings of £4.309 million, of which 36 per cent. related to cash billings and 64 per cent. to credit billings. In January 2018, total billings were £1.733 million, of which it estimates 42 per cent. related to cash billings and 58 per cent. to credit billings. Website visits in December 2017 more than doubled to 210,383 compared to 102,145 in December 2016 and in January 2018 there were 349,498 website visits compared to 128,285 in January 2017. Reflecting the growth in employee numbers, the Group entered into a lease in December 2017 on a 3,000 square foot building near to the existing offices in Ely.

## 17. Reasons for Admission, Use of Proceeds and the Placing

The Directors believe that Admission will position the Group for its next phase of development by further raising its profile, providing it with funding to accelerate organic growth where there are opportunities to do so and to enable it to pursue acquisitions that will expand its geographic reach or the range of products and services that it is able to offer. Admission will also enable the Group to incentivise employees and allow the Selling Shareholders to realise part of their investment in the Company.

On Admission the Company will have 57,462,940 Shares in issue and a market capitalisation of approximately £40.2 million (at the Placing Price). Dowgate has agreed, pursuant to the Placing Agreement and conditional, amongst other things, on Admission, to use its reasonable endeavors to place 7,200,000

New Shares and 1,214,286 Sale Shares with institutional and other investors. The Placing will raise in total £5.04 million gross for the Company and £0.85 million gross for the Selling Shareholders.

The Placing, which is not being underwritten, is conditional, amongst other things, upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission becoming effective not later than 5 March 2018, or such later date as Dowgate, Grant Thornton and the Company may agree, being not later than 5 April 2018. The Placing Shares will rank *pari passu* in all respects with the Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue. None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Further details of the Placing Agreement are set out in paragraph 11.2 of Part V of this document.

### 18. Lock-in and orderly market arrangements

Pursuant to the Lock-in Agreements, each of the Directors has agreed to lock-in restrictions, the details of which are summarised in paragraph 11.6 of Part V of this document.

### 19. Admission, Settlement and Dealings

Application will be made to the London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 5 March 2018.

The Shares will be in registered form. The Articles permit the Company to issue Shares in either certificated or 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 elect to receive and retain a share certificate. Share certificates, where applicable, will be sent to the registered Shareholder by the Registrar, at the Shareholder's own risk.

### 20. Taxation

Your attention is drawn to the taxation section contained in paragraph 16 of Part V of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

### 21. The Takeover Code and the Concert Party

The Company is a public company incorporated in England and Wales, and application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The Takeover Code applies, amongst others, to all companies who have their registered office in the UK, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the UK or a multilateral trading facility (such as AIM) or a stock exchange in the Channel Islands or Isle of Man. Accordingly, the Company is subject to the Takeover Code and therefore all Shareholders are entitled to the protections afforded by it. The Takeover Code operates principally to ensure that shareholders of the Company are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The Takeover Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers has now been placed on a statutory footing. Further information on the provisions of the Takeover Code is set out in paragraph 14 of Part V of this document.

The Takeover Code governs, amongst other things, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares in which that person is already interested or in which persons acting with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

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

Where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company, acquires any further shares carrying voting rights, they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares, though Rule 9 of the Takeover Code would remain applicable to individual members of a concert party who would not be able to increase their percentage interests in the voting rights of such company through or between Rule 9 thresholds without complying with the requirements of Rule 9 or the consent of the Takeover Panel.

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

The Company has agreed with the Panel that the members of the Concert Party are considered to be acting in concert for the purposes of the Takeover Code. Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, to obtain or consolidate control of that company.

The Concert Party on Admission, will together hold Shares representing an aggregate of 78.9 per cent. of the Enlarged Share Capital. Further details of the Concert Party holding are set out in paragraph 7.1 of Part V of this document. As the Concert Party will, between its members, hold Shares carrying more than 50 per cent. of the Company's voting share capital, for so long as they remain in concert, any further increase in that interest in Shares will not generally be subject to the provisions of Rule 9 of the Takeover Code. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent.

As noted in paragraph 13 of this Part I, the Company, Alan Calder, Grant Thornton and Dowgate have also entered into a Relationship Agreement, pursuant to which Alan Calder has given certain undertakings to the Company, Grant Thornton and Dowgate in relation to his conduct with regard to the Company and with respect to his shareholding in the Company. Further details of these arrangements are also set out in paragraph 11.5 of Part V of this document.

## 22. Further information

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular, your attention is drawn to the risk factors in Part II of this document and the additional information contained in Part V of this document.

# PART II

# RISK FACTORS

An investment in the Shares may be subject to a number of risks. Accordingly, prospective investors should consider carefully all of the information set out in this document and the risks attached to such an investment, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision in relation to the Shares.

The information below does not purport to be an exhaustive list of relevant risks, nor are the risks set out in any order of priority, since the Group's performance might be affected by other factors including, in particular, changes in market and/or economic conditions or in legal, regulatory or tax requirements. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of information in this document and their individual circumstances. An investment in the Shares should only be made by those with the necessary expertise to evaluate fully that investment.

This document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumption and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, amongst other things, the risk factors described in this Part II. The Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement. Factors that might cause a difference include, but are not limited to, those discussed in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in the document to reflect future events or developments.

It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

Prospective investors are advised to consult an independent adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. If any of the following risks relating to the Group were to materialise, the Group's business, financial condition and results of future operations could be materially and adversely affected. In such cases, the market price of the Shares could decline and an investor may lose part or all of his, her or its investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors.

## RISKS RELATING TO THE GROUP'S MARKETS

### *The Group faces competition in a rapidly evolving market*

Although the Directors believe that significant barriers to entry exist in the markets in which the Group operates, including for example the skill and expertise required to develop its software, consulting and training products and services, the Group may face an increasing amount of competition. There can be no assurance that the Company's current competitors or new entrants to the market will not bring superior technologies, products or services to the market, or equivalent products or services at a lower price which may have an adverse effect on the Company's business. Such companies may also have greater financial and marketing resources than the Company. Even if the Company 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 Company's financial performance.

The Group operates in an environment that could include large international consultancies and a number of smaller niche players. There are very low start-up costs for any new entrant into the market and the Group cannot prevent any person or organisation from replicating its business model. There is a risk that an existing competitor or a new entrant may over time be able to achieve similar success to the Group and actively win work from the Group's existing customers. In addition, larger competitors may, in the future, adopt more aggressive expansion strategies, which could include hiring additional experienced consultants and changing their business model and service offering to one that is directly comparable to that of the Group. This could in theory result in a material loss of customers from the Group to larger competitors and therefore a material adverse impact on the financial performance of the Group.

***Advertising and marketing***

The Group intends to continue investing in online advertising and marketing to grow the business. The success of the Group's business will require the continuation of existing online advertising and search optimisation and establishment of additional online advertising and search optimisation; it is also subject to the priorities and algorithms used and attributed by the principal search engines. There is no certainty that the Group's existing or new online advertising and search optimisation will be able to attract customers and retain customers.

***Legislation and Regulation***

The markets in which the Group operates are characterised by legal and regulatory changes, changes in customer and supplier requirements and preferences, and the emergence of new industry standards and practices that could make the Company's existing products and services no longer able to meet its customers' requirements. In order to compete successfully, the Group will need to continue to improve its products and services, and to develop and market new products and services that keep pace with changes in legislation, regulation and commercial practices. This may place excess strain on the Group's capital resources, which may adversely impact the revenues and profitability of the Group. The success of the Group depends on its ability to anticipate and respond to legal, regulatory and commercial practice changes and customer preferences in a timely and cost-effective manner. There can be no assurance that the Group will be able to effectively anticipate and respond to legal, regulatory or commercial practice changes and customer preferences in the future.

The Group's recent revenue growth has been largely related to the adoption of GDPR; there is no guarantee that strong demand for GDPR related training and consultancy will continue after GDPR has come into effect in May 2018.

***Intellectual property***

In order to maximise its competitive advantage, the Group needs to protect its intellectual property. Much of the Group's intellectual property is not of a nature that is capable of registration, so protection of intellectual property relies on maintaining the confidentiality of know-how, methodologies and processes which, in turn, are largely dependent on people. There is a risk that if the confidentiality of the Group's intellectual property were compromised or not adequately protected, this could lead to a loss of competitive advantage and have a material adverse impact on the financial performance of the Group.

***Economic conditions***

The Group could be affected by unforeseen events outside its control including economic and political events and trends, inflation and deflation or currency exchange fluctuation. Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's activities and sales, restricting the Group's ability to realise a profit. The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

***Force Majeure***

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, terrorist attacks, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

***Brexit risk***

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union. There are significant uncertainties in relation to the terms and time frame within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in the UK, including, amongst other things, the UK's regulatory and tax system, the conduct of cross-border business and export and import tariffs. There is also uncertainty in relation to how, when and to what extent these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. There is also a risk that the vote by the UK to leave could result in other member states re-considering their respective membership of the European Union. Although it is not possible to predict fully the effects of the UK's exit from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

**RISKS RELATING TO THE GROUP'S GROWTH STRATEGY**

***Failing to successfully implement its growth strategies***

As set out in Part I of this document, the Company intends to carry out certain growth and expansion strategies. The Group's growth and future success will be dependent to some extent on the successful completion of such growth and expansion strategies currently or proposed to be undertaken by the Group and the sufficiency of demand for the Group's products and services. The execution of the Group's growth and expansion strategies may also place strain on its managerial, operational and financial reserves and the failure to implement such a strategy may adversely affect the Group's reputation, business, prospects, results of operation and financial condition.

***Revenue growth is reliant on ability to cross sell and up sell new services to existing clients and to win new clients***

The Group's future revenue and profit growth will depend largely on generating demand for its products and services, which is driven in part by the Group's continued ability to develop relevant products and services that meet its customers' requirements. There can be no assurance that the Group will continue to be successful in selling new products and services to existing customers, or to sell products and services to new customers. There is a risk that the Group may exhaust the list of products and services that it is able to cross sell or up-sell to existing customers, either through natural attrition or due to the customer wishing to use another supplier. Given the Group has enjoyed repeat business and cross sales from customers, a reduction in the amount of work sold to existing customers could result in a material reduction in the Group's revenue and profitability.

***Revenue growth is also reliant on attracting new personnel to expand existing services***

FTE headcount is a very important factor for revenue growth for the Group, with a demonstrable correlation between the number of FTE employees and revenues. Delays in hiring new staff could have a significant impact on the Group's performance. Any significant delay in new hirings, be it due to lack of individuals with the necessary expertise or experience, could also adversely affect the Group's financial performance. There is consistently a lead-time between hiring and an employee becoming competent and there is a risk that new employees may require substantial training in order to start becoming productive, and there can be no assurance that any new employee will make a successful contribution to the Group.

***Growth management***

The Directors believe that further rapid organic expansion will be required to capitalise on the market opportunities available to the Group. Such expansion is expected to place demands on management, support functions including HR, IT, sales and marketing functions and other resources of the Group. In order to manage the further expansion of the Group's business and the growth of its operations and personnel, the Group will be required to expand and enhance its infrastructure and technology and enhance its operational and financial systems as well as its procedures and controls from time to time in order to match that expansion. This could have a material cost to the Group. Historically, the Group has invested in its people, infrastructure, processes and policies to enable and support continued revenue growth but its future success will depend, in part, on its ability to continue to manage this anticipated expansion. There can be no assurance that the Group's current and planned staff, infrastructure, systems, procedures and controls will be adequate to support its expanding operations in the future. If the Group fails to manage its expansion effectively, its business, prospects and results of operations may be materially and adversely affected.

### *Geography*

The continued growth of the Group and expansion into new countries bring associated risks. The Group currently generates most of its business from the UK, although it has opened an office in Ireland and is in the process of opening an office in the US. The Group's head office and senior management are based in the UK and there is a risk that the Group's continued growth overseas may result in a reduction in the quality of control and oversight provided by senior management. Factors such as different time zones, language barriers, different regulatory regimes in each country and different working cultures may all reduce the efficacy of the oversight provided by senior management and of the effectiveness of the Group's strategy employed in each country. The financial performance of the Group's international operations may be dependent on distributions from, and payments to, the Group. The ability of the Group's international businesses to make and receive these payments to and from GRC International may become constrained by the taxation regime, including tax treaties and withholding tax, movement of free trade and labour, exchange rates, and the introduction of exchange controls or repatriation restrictions. This risk will become exacerbated as the UK begins to leave the European Union, and this could have a material adverse effect on the Group's financial performance and position, both internationally and in the UK.

Penetration of new markets can be slow, expensive and subject to delays, and ultimately may not be successful. Significant delays in winning new customers may result in working capital strain for the Group. The Group is likely to incur costs in these areas before anticipated benefits materialise. The return on investment in new markets may be lower or develop more slowly than expected. There can be no assurance that the Group will be able to maintain, or increase its sales and market share.

## RISKS RELATING TO THE GROUP'S OPERATIONS

### *Reputation is important in winning contracts with both new and existing customers*

The Group's reputation, in terms of the consulting and training products and services it provides and the way in which it conducts its business, is central to the Group winning sales with both new and existing customers. Failure to meet the expectations of these customers and other business partners may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition. The Group's future revenue growth and the business it wins depend on its ability to provide customers with high quality products and a high quality of service. If the Group is unable to provide customers with high quality products and a high quality of service, it could face customer dissatisfaction, leading to decreased demand for its products and services, a loss of revenue and damage to the Group's reputation.

### *The Group's software may not perform as expected and the Group could be at risk of defects which adversely affect its customers*

Through its subsidiary Vigilant, the Group develops and sells software. There can be no assurance that the Group's software will perform as intended. Costs spent on developing the software may therefore not be recouped and this may result in reduced profitability for the Group. As the Group's software is complex, it may contain defects or vulnerabilities which may not be detected until after its deployment to end customers. These could result in the Group's customers being vulnerable to, among other things, security attacks or adverse performance. The Group may not always be able to identify the cause of performance problems in its software. The Group's business would be harmed if any of the events described above caused its customers or potential customers to believe the Group's software is not reliable or secure. As a result, it may lose customers and/or become liable to its customers for damages and this may, amongst other things, damage the Group's reputation and financial condition. Defects in the software developed and sold by the Group could result in the loss of a customer, a reduction in business from any particular customer, negative publicity, reduced prospects and/or a distraction to its management team.

### *The Group's performance is dependent on maintaining competitive customer service levels*

Failure to provide and maintain competitive customer service levels and operational and back-office processes could result in customers moving to other providers, and this could have an adverse effect on the financial position of the Group.

***Ability to maintain quality of products and services***

The Group is reliant on being able to consistently deliver high-quality products and services to its customers. There are often risks outside of the control of the Group that may adversely affect the quality of products and services, including human error, underperformance and/or illness of personnel. In addition, whilst the Company is aware of a challenge to one of its supplier's abilities to deliver certifications, which it does not consider to be material in terms of its financial performance or operations, the ability of its suppliers and resellers to continue to supply and sell certifications, products and services could affect the Company's performance, results and/or ability to compete. There is an additional inherent risk that products and services the Company develops to reflect new and emerging legislative, regulatory and other requirements do not totally align with the precedents that subsequently emerge.

Any of the above could result in reputational damage, claims against the Company and/or an impact on its performance. Furthermore there can be no assurance that a customer will not terminate an order or contract prior to its expected completion, or that a client will not postpone or cancel a future orders for products and services, and such termination or delay may result in a material adverse effect on the Group, if it cannot find replacement customers for its products and services.

The extent of disruption to the existing technology security market that is predicted by the realisation of quantum computing is likely to be significant. Whilst the principles of cyber security will remain consistent it is challenging to predict the consequence of this on the Company's performance.

***Reliance on key systems***

The Group's dependency upon technology exposes it to significant risk in the event that such technology or the Group's systems experience any form of damage, interruption or failure. Any malfunctioning of the Group's technology and systems, or those of key third parties, even for a short period of time, could result in a lack of confidence in the Group's services, the termination of customer contracts and potential claims for damages, with a consequential material adverse effect on the Group's operations and results. The Group's systems are vulnerable to damage or interruption from events that include but are not limited to: natural disasters; power loss; telecommunication failures; computer hacking activities; and acts of war or terrorism. Any interruption in the availability of the Group's websites, core cloud-based software solutions, support sites or telephone systems would create a business interruption and a large volume of customer complaints.

The Group's products and services may contain defects and defects may be discovered from time to time in existing or new products and services. Such defects could damage the Group's reputation, ultimately leading to an increase in the Group's costs or reduction in its revenues.

***Reliance on key supplier***

The Group has a strategic relationship with Xanthos Limited as more fully described in paragraph 11.1 of Part V of this document. Xanthos Limited supplies the Group with digital marketing, web development, business process automation and web process integration services. The Group's continuing growth and success is dependent upon an ongoing relationship with Xanthos Limited. If Xanthos Limited were to withdraw from providing the Group with some or all of the services described above, this may have a material adverse impact on the business, results of operations and financial condition of the Group.

***Cyber security breach***

The potential embarrassment of a major cyber security breach or attack for the Group is significant. The Group manages this risk in a number of ways, that include external certification to international security standards, such as ISO 27001 and UK standards such as Cyber Essentials Plus. However, there can be no assurance that the Group will be immune to such a breach or attack.

***Currency and exchange rates***

The Group presents its financial statements in UK pounds sterling, but has or will have business units operating in the US and Europe (and may choose to expand elsewhere) that generate revenues and costs in other currencies. To the extent that the Group does not hedge against currency fluctuations, the income and cash flow generated by those international operations, and the value of any assets located outside of the UK, may fluctuate with exchange rates. This could result in a material adverse effect on the Group's financial performance and position.

***Cash collection and bad debts***

The Group's revenues derive principally from selling its products and services on a paid prior to delivery basis. The Group's financial position and access to working capital is critically dependent on collecting cash on a timely basis. There is a risk that clients will not pay invoices on a timely basis, due to administrative issues, financial restrictions or other reasons. The Company does not have any other significant liquid assets other than cash in hand, and so an inability to collect substantial debts on a timely basis may result in a material adverse effect on the Group's financial position.

***Funding and use of proceeds of the Placing***

The Group is currently cash generative and benefits from sufficient working capital for the near term. However, there is a risk that the Group may need to raise funding in the future for a number of reasons, including working capital, to fund an acquisition or expansion, general corporate purposes or to restructure its balance sheet. At present, the Directors do not believe there is any requirement to raise any further external finance for the Group other than to the extent acquisition opportunities arise.

***Business strategy***

The value of an investment in the Group is dependent, amongst other things, upon the Group achieving its strategy and the aims set out in this document. Although the Group has a clearly defined strategy, there can be no assurance that its objectives will be achieved or that the Group will achieve the level of success that the Directors expect. Furthermore, the Group may decide to change aspects of its strategy described in this document. The Group's ability to implement its business strategy successfully may be adversely impacted by factors that the Group cannot currently foresee, such as unanticipated costs and expenses or technological changes. Should it be unsuccessful in implementing its strategy or should it take longer than expected to implement, the future financial results of the Group could be negatively impacted.

***Tax risks***

The Group is subject to taxation and the application of such taxes and the tax status of the Company and its subsidiaries may change over time due to changes in tax legislation, which may adversely affect the Company's financial position and its ability to provide returns to Shareholders. The nature and amount of tax that each subsidiary of the Company are expected to pay are each dependent on a number of factors and assumptions, any one of which may change unexpectedly. Whilst no material changes are anticipated in such taxes, any unforeseen change in the future may have a material adverse effect on the Company's financial performance and position.

***Insurance risk***

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a materially adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

***Estimates in financial statements***

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires management to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances.

**RISKS RELATING TO THE GROUP'S MANAGEMENT AND STAFF**

***Dependence on key executives and personnel***

The Company's future performance is substantially dependent on the continued services and performance of its Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. Although certain key executives and personnel have entered, or will, subject to Admission, enter, into service agreements or letters of appointment with the Company, there can be no assurance that the Company will retain their services. The loss of the services of any of the key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Company. Keyman insurance has been put in place in respect of Alan Calder for £750,000.

### *Ability to recruit and retain skilled managers and personnel*

Attracting and retaining competent personnel, including individuals with significant experience and expertise, is a critical component of the future success of the Group's business as is the continued training and monitoring of such individuals. Competition for competent personnel is high and the Group may encounter difficulties in attracting or retaining such individuals. Continued growth may therefore cause a significant strain on existing managerial and technical resources. In the event that future departures of employees occurs, the Group's ability to execute its business strategy successfully, or continue to provide its products and services to its customers or win new customers could be adversely affected. The Group believes that it has the appropriate incentivisation structures to attract and retain competent employees necessary to ensure the efficient management and development of the Company. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Company. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

### *Use of contractors*

The Group uses independent contractors both in the UK and overseas where there is a commercial need, (for instance, in software development). The Group typically pays independent contractors, and the contractor is then responsible for paying any associated taxes but does not benefit from any employment rights. The employment status and worker status of the Group's contractors are based on a number of factors, including contractual arrangements and how those arrangements operate in practice. Depending upon the jurisdiction in which the contractor is based there is a risk that some of these contractors may be deemed to be workers, instead of self-employed contractors, and as such, they may gain additional employment rights including, but not limited to, paid annual leave, national minimum wage and sick pay. If these contractors are deemed to be employees, then in addition to the rights for workers, they may gain rights over unfair dismissal. Moreover, if contractors are deemed to be employees, then the tax treatment may differ to the tax treatment for independent contractors and workers, and the Group may be liable for tax for those employees. The Group's contractors include both individuals provided by supplier companies and independent contractors. If there is a change in that classification, due to a change in employment law and/or tax law, then there is a risk that some or all of these contractors may be classified as workers or employees. Such a change could result in material liabilities including tax liabilities, which may have a material adverse effect on the Group's financial performance and position.

## RISKS RELATING TO THE PLACING AND THE SHARES

### *General investment*

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. While various investment opportunities are available, potential investors should consider the risks that pertain to professional services companies in general.

A number of factors outside the Company's control could impact on its performance and the price of its Shares, including investor sentiment and local and international stock market conditions.

Shareholders should recognise that the price of shares may fall as well as rise and that the market price of the Shares may not reflect the underlying value of the Company.

### *AIM*

Application will be made for the Shares to be admitted to AIM, 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. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

### *Share price volatility and liquidity*

AIM is a trading platform designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the Official List of the London Stock Exchange or some other stock exchanges. Following Admission, there can be no assurance that an active or liquid trading market for the Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List of the London Stock Exchange. Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Group. There can be no assurance that the value of an investment in the Group will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market, (ii) large purchases or sales of Shares by other investors, (iii) financial and operational results of the Group, (iv) changes in research analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Group. Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 18 of Part I of this document and paragraph 11.6 of Part V of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Shares available for sale compared to the demand to buy Shares. There can be no assurance that the price of the Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

***Determination of Placing Price***

Placees will subscribe for the Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Shares to be issued. The Placing Price may not accurately reflect the trading value of the Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

***Control Risks***

As at the date of Admission, the members of the Concert Party are expected to control 78.9 per cent. of the Shares. This means that the members of the Concert Party will have the power to exercise significant influence over all matters requiring Shareholder approval, including the election and removal of the Directors, amendment to the Articles, approval of final dividends and share buybacks, compromises and schemes of arrangement under English law and mergers. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its Shareholders.

The Relationship Agreement entered into and as described at paragraph 13 of Part I of this document regulates aspects of the continuing relationship between the Company and the members of the Calder Family, with a view to ensuring that the Company is capable at all times of carrying on its business independently of the Calder Family and that future transactions between the Company and the various members of the Calder Family are on arm's length terms and on a normal commercial basis. The Relationship Agreement is described in more detail in paragraph 11.5 of Part V of this document.

***Dilution***

The Company may need to raise additional funds in the future to finance the expansion of the Group's operations and/or the Company may elect to issue Shares as consideration for acquisitions. If additional funds are raised through the issuance of new equity of the Company, Shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, and directors. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

***Dividends***

There can be no assurance that the Company will declare dividends or as to the level of any dividends. The approval of the declaration and amount of any dividends of the Company is subject to the discretion of the directors of the Company (and, in the case of any final dividend, the discretion of the Shareholders) at the relevant time and will depend upon, among other things, the Group's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

***The future performance of the Company cannot be guaranteed***

There is no certainty and no representation or warranty is given by any person that the Group will be able to achieve any returns referred to in this document. The financial operations of the Group may be adversely affected by general economic conditions, by conditions within the UK stock market generally or by the particular financial condition of other parties doing business with the Group.

If the Group's revenues decline, do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Shares may fall. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Shares may fall for reasons unrelated to the Group's business, results of operations or financial condition.

**The risks listed above do not necessarily comprise all those faced by the Group and are not intended to be presented in any order of priority. Prospective investors should therefore consider carefully whether an investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.**

## PART III

## HISTORICAL FINANCIAL INFORMATION

### Section A – Accountants' Report on the Historical Financial Information

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27 February 2018

Dear Sirs

**IT Governance Limited (the "Company") and its Subsidiary Undertakings (together the "Group") – Accountants' Report on Historical Financial Information**

We report on the Group's historical financial information set out in Section B of Part III, for the three years ended 31 March 2015, 2016 and 2017 (the "**Historical Financial Information**" or "**HFI**"). The Historical Financial Information has been prepared for inclusion in the Company's Admission Document dated 27 February 2018 on the basis of the accounting policies set out in notes to the Historical 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 Historical 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 Historical 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 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 Paragraph (a) of 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 the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical 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 Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Historical 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 2015, 2016 and 2017 and of its (losses)/profits, cash flows and recognised gains and losses and changes in equity for the years then ended in accordance with International Financial Reporting Standards 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

GRANT THORNTON UK LLP

## Section B – Historical Financial Information

### Consolidated Statement of Comprehensive Income

| | | *For the year ended* | | |
|---|---|---|---|---|
| | *Notes* | *31 March 2015* *£* | *31 March 2016* *£* | *31 March 2017* *£* |
| **Revenue** | 2 | 4,464,122 | 4,848,561 | 6,833,303 |
| Cost of sales | | (1,889,959) | (1,968,970) | (2,736,743) |
| **Gross profit** | | 2,574,163 | 2,879,591 | 4,096,560 |
| Administrative expenses | | (2,802,227) | (2,694,425) | (3,380,090) |
| Other operating income | 3 | 26,319 | 26,436 | 25,694 |
| **Operating (loss)/profit** | | (201,745) | 211,602 | 742,164 |
| Finance income | 6 | 8 | — | — |
| Finance costs | 7 | (105,399) | (40,291) | (32,000) |
| **(Loss)/profit before taxation** | | (307,136) | 171,311 | 710,164 |
| Taxation | 8 | 101,497 | (69,429) | (73,872) |
| **(Loss)/profit for the financial year** | | (205,639) | 101,882 | 636,292 |
| **(Loss)/profit for the financial year attributable to:** | | | | |
| The Company's equity shareholders | | (205,639) | 101,882 | 636,292 |
| Basic (loss)/earnings per share (pence) | 9 | (70.06) | 28.32 | 176.90 |
| Diluted (loss)/earnings per share (pence) | 9 | (70.06) | 27.28 | 170.43 |

**Consolidated Statement of Comprehensive Income**

| | For the year ended | | |
|---|---|---|---|
| | *31 March 2015* | *31 March 2016* | *31 March 2017* |
| | *£* | *£* | *£* |
| (Loss)/profit for the financial year | (205,639) | 101,882 | 636,292 |
| **Other comprehensive income – items that may subsequently be reclassified to profit/loss:** | | | |
| Foreign exchange losses on consolidation | — | — | (1,020) |
| **Other comprehensive losses for the financial year, net of tax** | — | — | (1,020) |
| **Total comprehensive (loss)/income for the financial year** | (205,639) | 101,882 | 635,272 |

**Consolidated Balance Sheet**

| | Notes | At 31 March 2014 £ | 31 March 2015 £ | 31 March 2016 £ | 31 March 2017 £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 11 | 778,939 | 946,186 | 912,991 | 1,043,170 |
| Property, plant and equipment | 12 | 122,792 | 127,540 | 112,384 | 132,654 |
| Deferred tax | 8 | 28,531 | 160,745 | 127,316 | 88,444 |
| | | 930,262 | 1,234,471 | 1,152,691 | 1,264,268 |
| **Current assets** | | | | | |
| Inventories | 13 | 32,928 | 38,579 | 34,575 | 38,626 |
| Trade and other receivables | 14 | 1,091,261 | 1,044,134 | 1,042,164 | 1,673,090 |
| Cash at bank | 15 | 90,717 | 10,250 | 11,490 | 413,552 |
| | | 1,214,906 | 1,092,963 | 1,088,229 | 2,125,268 |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | (1,486,500) | (1,306,040) | (1,194,162) | (1,828,611) |
| Finance lease payables | 21 | (1,803) | — | (4,463) | (10,170) |
| Borrowings | 17 | (262,090) | (197,157) | (171,857) | (80,031) |
| Current tax | 8 | (39,488) | (70,205) | (106,205) | (141,205) |
| | | (1,789,881) | (1,573,402) | (1,476,687) | (2,060,017) |
| **Net current (liabilities)/assets** | | (574,975) | (480,439) | (388,458) | 65,251 |
| **Non-current liabilities** | | | | | |
| Borrowings | 17 | (165,526) | (256,768) | (163,009) | (82,416) |
| Finance lease payables | 21 | — | — | (4,576) | (15,183) |
| | | (165,526) | (256,768) | (167,585) | (97,599) |
| **Net assets** | | 189,761 | 497,264 | 596,648 | 1,231,920 |
| **Equity** | | | | | |
| Share capital | 23 | 1,144 | 1,799 | 1,798 | 1,798 |
| Share premium | | 624,611 | 1,137,098 | 1,137,098 | 1,137,098 |
| Retained earnings | | (435,994) | (641,633) | (542,249) | 94,043 |
| Capital redemption reserve | | — | — | 1 | 1 |
| Translation reserve | | — | — | — | (1,020) |
| **Total equity** | | 189,761 | 497,264 | 596,648 | 1,231,920 |

## Consolidated Statement of Changes in Equity

### For the year ended 31 March 2015

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2014** | 1,144 | 624,611 | (435,994) | — | — | 189,761 |
| Loss for the year | — | — | (205,639) | — | — | (205,639) |
| **Total comprehensive income for the year** | — | — | (205,639) | — | — | (205,639) |
| Issue of shares | 655 | 512,487 | — | — | — | 513,142 |
| **Transactions with owners** | 655 | 512,487 | — | — | — | 513,142 |
| **At 31 March 2015** | 1,799 | 1,137,098 | (641,633) | — | — | 497,264 |

### For the year ended 31 March 2016

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2015** | 1,799 | 1,137,098 | (641,633) | — | — | 497,264 |
| Profit for the year | — | — | 101,882 | — | — | 101,882 |
| **Total comprehensive income for the year** | — | — | 101,882 | — | — | 101,882 |
| Purchase of own shares | (1) | — | (2,498) | — | 1 | (2,498) |
| **Transactions with owners** | (1) | — | (2,498) | — | 1 | (2,498) |
| **Balance at 31 March 2016** | 1,798 | 1,137,098 | (542,249) | — | 1 | 596,648 |

### For the year ended 31 March 2017

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2016** | 1,798 | 1,137,098 | (542,249) | — | 1 | 596,648 |
| Profit for the year | — | — | 636,292 | — | — | 636,292 |
| Other comprehensive income | — | — | — | (1,020) | — | (1,020) |
| **Total comprehensive income for the year** | — | — | 636,292 | (1,020) | — | 635,272 |
| **Balance at 31 March 2017** | 1,798 | 1,137,098 | 94,043 | (1,020) | 1 | 1,231,920 |

**Consolidated Statement of Cash Flows**

| | Notes | 31 March 2015 £ | 31 March 2016 £ | 31 March 2017 £ |
|---|---|---|---|---|
| | | *For the year ended* | | |
| **Cash flow from operating activities** | | | | |
| (Loss)/profit before tax | | (307,136) | 171,311 | 710,164 |
| Depreciation | | 32,852 | 39,586 | 51,819 |
| Amortisation | | 191,394 | 242,907 | 274,288 |
| Impairment of intangible assets | | 7,374 | 21,344 | — |
| Foreign exchange losses | | 5,051 | 13,607 | 7,114 |
| Finance Income | | (8) | — | — |
| Finance costs | | 105,399 | 40,291 | 32,000 |
| Adjusted profit from operations before changes in working capital | | 34,926 | 529,046 | 1,075,385 |
| Increase in inventories | | (5,651) | 4,004 | (4,051) |
| Decrease/(increase) in trade and other receivables | | 47,127 | 1,970 | (630,926) |
| (Decrease)/increase in trade and other payables | | (180,460) | (111,878) | 634,449 |
| **Cash flow from operations** | | (104,058) | 423,142 | 1,074,857 |
| Income tax paid | | — | — | — |
| **Net cash inflow from operating activities** | | (104,058) | 423,142 | 1,074,857 |
| **Cash flow from investing activities** | | | | |
| Purchase of intangible assets | | (366,015) | (231,056) | (404,467) |
| Purchase of plant and equipment | | (37,600) | (5,993) | (44,890) |
| Interest received | | 8 | — | — |
| **Net cash used in investing activities** | | (403,607) | (237,049) | (449,357) |
| **Net cash flow from financing activities** | | | | |
| Purchase of own shares | | — | (2,498) | — |
| Proceeds from issue of shares | | 513,142 | — | — |
| New loans | | 205,014 | — | — |
| Repayment of loans | | (89,561) | (104,503) | (93,979) |
| Interest paid | | (104,988) | (39,858) | (28,229) |
| Interest on finance leases | | (411) | (433) | (4,427) |
| Capital element of finance lease payments | | (1,803) | (9,396) | (10,885) |
| **Net cash inflow/(outflow) from financing activities** | | 521,393 | (156,688) | (137,520) |
| **Net increase in cash and cash equivalents** | | 13,728 | 29,405 | 487,980 |
| Cash and cash equivalents at beginning of financial year | | (90,767) | (82,089) | (66,294) |
| Effects of exchange rate changes | | (5,050) | (13,610) | (8,134) |
| **Cash and cash equivalents at end of financial year** | | (82,089) | (66,294) | 413,552 |
| **Comprising** | | | | |
| Cash at bank | 15 | 10,250 | 11,490 | 413,552 |
| Bank overdrafts | 17 | (92,339) | (77,784) | — |
| | | (82,089) | (66,294) | 413,552 |

## Notes to the Consolidated Historical Financial Information

### Nature of operations and general information

IT Governance Limited (IT Governance) is a limited company incorporated and domiciled in England and Wales. The registered company number is 04418178 and the registered office is Unit 3 Clive Court, Bartholomew's Walk, Cambridgeshire Business Park, Ely, Cambridgeshire, CB7 4EA.

The principal activities of IT Governance Limited and its subsidiary companies is as a one-stop shop for IT governance products and services including books, tools, learning and consultancy services.

### Principal Accounting Policies

### Basis of preparation

The Consolidated Historical Financial Information of IT Governance Limited and its subsidiaries (together, the "ITG") for the years presented, has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU and IFRIC interpretations.

All accounting policies disclosed below apply to the Group for the years presented, unless otherwise explicitly stated.

The Group has adopted IFRS for the first time in this historical financial information.

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 2017.

The Consolidated Historical Financial Information has been prepared under the historical cost convention.

The Consolidated Historical Financial Information is based on the annual statutory accounts which have been lodged with the Registrar of Companies. The statutory accounts were prepared on the following bases:

- For the years ended 31 March 2014 and 2015, the most recent previously published financial statements were prepared using the Financial Reporting Standard for Smaller Entities (FRSSE)
- For the years ended 31 March 2016 and 2017, the most recent previously published financial statements were prepared (with transition disclosures) using FRS 102 for smaller entities.

The statutory accounts for the years ended 2015, 2016 and 2017 were previously unaudited.

The Consolidated Historical Financial Information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Financial Information is presented in pounds sterling (£).

The Directors of IT Governance are responsible for the financial information and contents of the consolidated historical financial information.

### Going concern

During the year ended 31 March 2017 the Group made a profit of £636,292 (2016: profit of £101,882; 2015: loss of £205,639).

Whilst the Group had net assets of £1,231,920 (2016: £596,648, 2015: £497,264; 2014: £189,761) and at 31 March 2017 it had net current assets of £65,251, at prior reporting dates it had current liabilities.

The operations of the Group have historically been financed from funds which the Group raised from borrowings and issue of equity. The Group is now cash generative and creates sufficient funds through working capital to finance its business operations.

The Group's capital management policy is to raise sufficient funding to finance the Group's business operations.

During 2017, the Group funded its business operations from profits in the year. In prior periods where losses were reported, borrowings provided working capital for the Group.

The Directors believe that the Group will be able to raise as required, sufficient cash to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

**IFRS transition**

The former Group has elected to adopt certain IFRS 1 exemptions from the full retrospective application of IFRS.

The reconciliation between the previously reported UK GAAP numbers to those presented under IFRS are given in notes 28 and 29.

**Basis of consolidation**

The Consolidated Historical Financial Information presented incorporates the results of IT Governance Limited (the "Parent Company") and entities controlled by the Company (its subsidiaries) for all years presented.

A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns.

Income and expenses of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of control. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

**Revenue recognition**

Revenue comprises revenue recognised in respect of goods and services supplied during the period, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the context of physical products (such as books and printed literature) revenue is recognised at the point of dispatch. Revenue for digital products is recognised at the point where the product is made available to the customer.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;

- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Training course revenue is recognised in full on day one of course delivery. Invoices raised in advance of courses taking place are held on the balance sheet as deferred income.

Distance learning revenue is recognised at the date the online course is made available to the customer. Once the course is available to the customer the Company has fulfilled its contractual obligation to deliver. The date the user accesses and uses the course is not relevant.

Consultancy revenue is recognised in line with the work being delivered, based on the consultants estimate of the stage of completion. Invoices raised in advance of work being delivered are held on the balance sheet as deferred income.

**Finance income and costs**

Interest income and expense 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.

**Intangible assets**

**Initial recognition**

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

**Internally developed intangible assets**

Expenditure on research activities is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on internal development assets along with an appropriate portion of relevant overheads and borrowing costs.

Internal development assets include software, website costs, courseware, marketing tools, consultancy products and publishing products.

**Subsequent measurement**

The useful lives of all intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in total comprehensive income as administrative expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimate useful life of the asset as follows:

| | |
|---|---|
| Trademarks | 10 years |
| Software | 5 years |
| Website costs | 5 years |
| Marketing tools | 3 years |
| Courseware | 10 years |
| Publishing products | 4 years |
| Consultancy products | 10 years |

Any capitalised internally developed intangible asset that is not yet complete is not amortised but is subject to impairment testing.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

**Property, plant and equipment**

Property, plant and equipment are 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 as follows:

| | |
|---|---|
| Leasehold improvements | 10 years straight line basis |
| Computer equipment | 25-33% reducing balance basis |
| Office equipment | 25% reducing balance basis |

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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**

At each balance sheet date, the Directors review the carrying amounts of the Group's non-current assets, 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 Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal 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. 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.

Where an impairment loss on non-financial assets 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.

**Inventory**

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**Cash at bank**

Cash at bank 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 from inception.

**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" and 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.

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 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 the 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 to 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.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

Trade and other payables and borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method (the "EIR" method).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Loans and borrowings, including bank overdrafts, are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

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

### Foreign currency

The presentation currency for the Group's Consolidated Historical Financial Information is Sterling. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement, within "administrative expenses".

The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve.

The balance of the foreign currency translation reserve relating to a subsidiary that is disposed of, or partially disposed of, is recognised in the Income Statement at the time of disposal.

### 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 Consolidated Historical 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. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. 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, and are not discounted.

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

Contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The interest element of finance lease payments is charged to profit or loss as finance costs over the period of the lease. All other leases are classified as operating leases.

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

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "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.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Translation reserve" represents the exchange differences arising from the translation of the financial statements of subsidiaries into the Group's presentational currency.

**Share-based payments**

Equity-settled share-based payments to employees and Directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair value of the equity instruments are determined at the date of grant, taking into account market based vesting conditions. The fair value of goods and services received are measured by reference to the fair value of options.

The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award (the "vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

**Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Board of Executive Directors, at which level strategic decisions are made.

Details of the Group's reporting segments are provided in note 1.

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

At the date of authorisation of the Consolidated Historical Financial Information, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group and the Company.

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

| *New/Revised International Financial Reporting Standards* | | *Effective Date: Annual periods beginning on or after:* | *EU adopted* |
|---|---|---|---|
| IFRS 9 | Financial Instruments: Classification and Measurement | 1 January 2018 | Yes |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 | Yes |
| IFRS 16 | Leases | 1 January 2019 | Yes |

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not listed below are not expected to have a material impact on the Group's financial statements.

**IFRS 9 'Financial Instruments'**

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information.

At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables and investments in debt-type assets currently classified as AFS and HTM, unless classified as at fair value through profit or loss in accordance with the new criteria;
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income; and
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

**IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Group is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

**IFRS 16 'Leases'**

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assessing their current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

**Significant management judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements 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 reporting 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. Assumptions and accounting estimates are subject to regular review. Any revisions required to accounting estimates are recognised in the period in which the revisions are made including all future periods affected.

***Significant management judgements***

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

***Recognition of service contract revenues***

Determining when to recognise revenues from services requires an understanding of both the nature and timing of the services provided and the customers' pattern of consumption of those services, based on historical experience and knowledge of the market. There is judgement applied by management in measuring the stage of completion of the service being delivered at each balance sheet date, and consequently the value of revenue reported.

***Capitalisation of internally developed intangible assets***

Determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

***Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions. Judgement is also applied in the recognition of deferred tax assets in respect of losses, based on management's view of the availability of future profits to offset such losses.

***Estimation uncertainty***

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

***Impairment of non-financial assets***

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

***Useful lives of depreciable assets***

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain computer equipment, software and other internally developed tools.

## 1. Segmental reporting

### *Operating segments*

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker (CODM) is considered to be the Executive Board of Directors. The Board identifies its operating segments based on the Group's service lines, which represent the main product and services provided by the group. The Board reviews attributable revenue and expenses by service line accordingly and makes decisions about resources and assesses performance based on this information.

The Group's operating segments are therefore considered to be business streams in nature.

The Group's main operating segments, which are all in the UK, are:

- Consultancy
- Publishing and distribution
- Software
- Training

**2015**

| | *Consultancy* | *Publishing & distribution* | *Software* | *Training* | *Unallocated* | *Total* |
|---|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* | *£* |
| Revenue | 1,658,879 | 1,041,054 | 222,747 | 1,541,442 | — | 4,464,122 |
| Gross profit | 1,658,879 | 1,041,054 | 222,747 | 1,541,442 | (1,889,959) | 2,574,163 |
| Administrative expenses | — | — | — | — | (2,802,227) | (2,802,227) |
| Other operating income | — | — | — | — | 26,319 | 26,319 |
| | 1,658,879 | 1,041,054 | 222,747 | 1,541,442 | (4,665,867) | (201,745) |
| Investment income | — | — | — | — | 8 | 8 |
| Finance costs | — | — | — | — | (105,399) | (105,399) |
| Profit/(loss) before tax | 1,658,879 | 1,041,054 | 222,747 | 1,541,442 | (4,771,258) | (307,136) |
| Segment assets | — | — | — | — | 2,327,434 | 2,327,434 |
| Segment liabilities | — | — | — | — | (1,830,170) | (1,830,170) |
| Depreciation and amortisation | — | — | — | — | 224,246 | 224,246 |
| Non-current assets | — | — | — | — | 1,234,471 | 1,234,471 |

**2016**

| | Consultancy £ | Publishing & distribution £ | Software £ | Training £ | Unallocated £ | Total £ |
|---|---|---|---|---|---|---|
| Revenue | 2,010,170 | 1,027,378 | 234,098 | 1,576,915 | — | 4,848,561 |
| Gross profit | 2,010,170 | 1,027,378 | 234,098 | 1,576,915 | (1,968,970) | 2,879,591 |
| Administrative expenses | — | — | — | — | (2,694,425) | (2,694,425) |
| Other operating income | — | — | — | — | 26,436 | 26,436 |
| | 2,010,170 | 1,027,378 | 234,098 | 1,576,915 | (4,636,959) | 211,602 |
| Investment income | — | — | — | — | — | — |
| Finance costs | — | — | — | — | (40,291) | (40,291) |
| Profit before tax | 2,010,170 | 1,027,378 | 234,098 | 1,576,915 | (4,677,250) | 171,311 |
| Segment assets | — | — | — | — | 2,240,920 | 2,240,920 |
| Segment liabilities | — | — | — | — | (1,644,272) | (1,644,272) |
| Depreciation and amortisation | — | — | — | — | 282,493 | 282,493 |
| Non-current assets | — | — | — | — | 1,152,691 | 1,152,691 |

**2017**

| | Consultancy £ | Publishing & distribution £ | Software £ | Training £ | Unallocated £ | Total £ |
|---|---|---|---|---|---|---|
| Revenue | 2,897,684 | 1,041,843 | 410,696 | 2,483,080 | — | 6,833,303 |
| Gross profit | 2,897,684 | 1,041,843 | 410,696 | 2,483,080 | (2,736,743) | 4,096,560 |
| Administrative expenses | — | — | — | — | (3,380,090) | (3,380,090) |
| Other operating income | — | — | — | — | 25,694 | 25,694 |
| | 2,897,684 | 1,041,843 | 410,696 | 2,483,080 | (6,091,139) | 742,164 |
| Investment income | — | — | — | — | — | — |
| Finance costs | — | — | — | — | (32,000) | (32,000) |
| Profit before tax | 2,897,684 | 1,041,843 | 410,696 | 2,483,080 | (6,123,139) | 710,164 |
| Segment assets | — | — | — | — | 3,389,536 | 3,389,536 |
| Segment liabilities | — | — | — | — | (2,157,616) | (2,157,616) |
| Depreciation and amortisation | — | — | — | — | 326,107 | 326,107 |
| Non-current assets | — | — | — | — | 1,264,268 | 1,264,268 |

Segment revenues above are generated from external customers. There were no inter-segment sales during the periods presented. The accounting policies of the reportable segments have been consistently applied.

***Revenue by geographic destination***

Revenue across all operating segments is generated from the UK but includes overseas sales:

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| UK | 3,366,248 | 3,912,177 | 5,525,068 |
| Non-UK | 1,097,874 | 936,384 | 1,308,235 |
| | 4,464,122 | 4,848,561 | 6,833,303 |

***Information about major customers***

No customers contributed 10% or more to the Group's revenue in any period presented.

## 2. Revenue

Revenue is all derived from continuing operations. The analysis of revenue by category:

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Sale of goods | 1,010,701 | 984,461 | 1,034,520 |
| Provision of services | 3,453,421 | 3,864,100 | 5,798,783 |
| | 4,464,122 | 4,848,561 | 6,833,303 |

## 3. Other operating income

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Other income – rent recharge | 26,319 | 26,436 | 25,694 |

## 4. Operating Profit

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Operating profit is stated after charging: | | | |
| Depreciation of property, plant and equipment | 32,852 | 39,586 | 51,819 |
| Amortisation of intangible fixed assets | 191,394 | 242,907 | 274,288 |
| Impairment of intangible fixed assets | 7,374 | 21,344 | — |
| Auditors' remuneration: | | | |
| – audit service | — | — | — |
| – tax compliance services | — | — | — |
| Difference on foreign exchange | 5,051 | 13,607 | 7,114 |
| Operating lease costs | | | |
| – buildings | 95,084 | 94,879 | 95,688 |
| – Other | 33,446 | 27,391 | 12,306 |

## 5. Directors and employees

The aggregate payroll costs of the employees were as follows:

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| **Staff costs** | | | |
| Wages and salaries | 2,514,784 | 2,365,255 | 3,225,165 |
| Social security costs | 269,106 | 260,832 | 359,726 |
| Pension costs | 4,800 | 19,988 | 48,859 |
| | 2,788,690 | 2,646,075 | 3,633,750 |

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

| | 2015<br>*Number* | 2016<br>*Number* | 2017<br>*Number* |
|---|---|---|---|
| **By activity:** | | | |
| Administration | 14 | 14 | 20 |
| Sales and distribution | 50 | 42 | 54 |
| | 64 | 56 | 74 |

| | 2015<br>*£* | 2016<br>*£* | 2017<br>*£* |
|---|---|---|---|
| **Remuneration of Directors** | | | |
| Remuneration | 105,000 | 107,546 | 107,600 |
| Social security costs | 12,294 | 12,602 | 12,610 |
| Company pension contribution to defined contribution schemes | 4,800 | 12,588 | 30,172 |
| | 122,094 | 132,736 | 150,382 |

| | 2015<br>*£* | 2016<br>*£* | 2017<br>*£* |
|---|---|---|---|
| **Emoluments of highest paid Director** | | | |
| Remuneration | 95,000 | 96,546 | 96,600 |
| Company pension contribution to defined contribution schemes | — | 188 | 372 |
| | 95,000 | 96,734 | 96,972 |

Retirement benefits were accruing to 2 Directors under a money purchase pension scheme (2016: 2, 2015: 1).

Details of key management personnel and their remuneration is disclosed within note 25.

## 6. Finance Income

| | 2015<br>*£* | 2016<br>*£* | 2017<br>*£* |
|---|---|---|---|
| Interest on cash deposits | 8 | — | — |

## 7. Finance costs

| | 2015<br>*£* | 2016<br>*£* | 2017<br>*£* |
|---|---|---|---|
| Interest on overdrafts | 4,179 | 5,359 | 3,241 |
| Interest on loans | 80,712 | 30,516 | 24,332 |
| Interest on finance leases | 411 | 433 | 4,427 |
| Other interest costs | 20,097 | 3,983 | — |
| | 105,399 | 40,291 | 32,000 |

## 8. Taxation on ordinary activities

**Analysis of charge in the period**

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Current tax | 30,717 | 36,000 | 35,000 |
| Deferred tax | (132,214) | 33,429 | 38,872 |
| **Tax (credit)/charge** | (101,497) | 69,429 | 73,872 |

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| **(Loss)/profit on ordinary activities before taxation** | (307,136) | 171,311 | 710,164 |
| (Loss)/profit on ordinary activities by rate of tax (2015: 20%; 2016: 20%; 2017: 20%) | (61,427) | 34,262 | 142,033 |
| Permanent differences | 6,550 | 475 | 542 |
| R&D tax credits | — | (32,836) | — |
| Deferred tax not recognised | 25,111 | 42,141 | (2,662) |
| Adjustments to deferred tax in respect of prior periods | (71,731) | 25,387 | (66,041) |
| **Total tax** | (101,497) | 69,429 | 73,872 |

A claim for R&D tax relief of £179,615 in respect of 2015/16 was made in 2015/16. In addition, an R&D tax relief claim for £164,180 in respect of 2014/15 was submitted to HMRC in 2015/16. It is intended that an R&D tax relief claim in respect of 2016/17 will be made in due course.

At the balance sheet date, the Group had trading losses of £479,994 (2016: £1,111,096; 2015: £635,885), unrelieved foreign tax of £17,957 (2016: 12,960; 2015: £7,751) and non-trade loan relationship deficits of £2,826 (2016: £2,826; 2015: £2,826) to carry forward.

**Deferred tax:**

Analysis of recognised deferred tax balances:

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Opening balance | 28,531 | 160,745 | 127,316 |
| (Charge)/credit for the year: | | | |
| – Recognised in the income statement | 101,497 | (69,429) | (73,872) |
| – Recoverable tax paid on director's loan | 30,717 | 36,000 | 35,000 |
| Deferred tax asset – closing balance at 31 March | 160,745 | 127,316 | 88,444 |
| The deferred taxation balance is made up as follows: | | | |
| – Accelerated capital allowances | (38,536) | (30,800) | (135,591) |
| – Tax losses carried forwards | 127,744 | 51,362 | 82,080 |
| – Short term timing differences | | | |
| – Recoverable tax on directors loan | 70,205 | 106,205 | 141,205 |
| – Other | 1,332 | 549 | 750 |
| | 160,745 | 127,316 | 88,444 |

## 9. Earnings per share

Basic earnings per share is based on the profit after tax for the year and the weighted average number of shares in issue during each year.

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| (Loss)/profit attributable to equity holders of the Group (£) | (205,639) | 101,882 | 636,292 |
| Weighted average number of shares in issue | 293,523 | 359,792 | 359,682 |
| Basic (loss)/earnings per share (pence) | (70.06) | 28.32 | 176.90 |

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

Taking the Group's share options into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| **Number of shares** | | | |
| Dilutive (potential dilutive) effect of share options | — | 13,668 | 13,668 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 293,523 | 373,460 | 373,350 |
| Diluted (loss)/earnings per share (pence) | (70.06) | 27.28 | 170.43 |

## 10. Subsidiaries

Details of the Group's subsidiaries are as follows:

| *Name of subsidiary* | *Principal activity* | *Place of incorporation and operation* | *% ownership held by the Group 2015* | *2016* | *2017* |
|---|---|---|---|---|---|
| Vigilant Software Limited | Software development | England & Wales | 100% | 100% | 100% |
| IT Governance Europe Limited | Information technology governance services | Ireland | — | — | 100% |
| IT Governance Europe Limited | Dormant company | England & Wales | — | 100% | 100% |
| IT Governance Consulting Limited | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance Franchising Limited | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance Publishing Ltd | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance Sales Ltd | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance Software Ltd | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance Training Limited | Dormant company | England & Wales | 100% | 100% | 100% |
| ITG Certification Limited | Dormant company | England & Wales | 100% | 100% | 100% |
| ITG Qualifications Ltd | Dormant company | England & Wales | 100% | 100% | 100% |
| ITG Security Testing Ltd | Dormant company | England & Wales | 100% | 100% | 100% |
| IT Governance LLC | Dormant company | Wyoming, USA | 100% | 100% | 100% |

## 11. Intangible assets

| | *Consultancy products* | *Marketing Tools* | *Publishing products* | *Course-ware* | *Software* | *Website costs* | *Trade-marks* | *Total* |
|---|---|---|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* | *£* | *£* | *£* |
| **Cost** | | | | | | | | |
| At 1 April 2014 | 45,692 | 40,803 | 133,946 | 287,601 | 243,601 | 219,156 | 2,963 | 973,762 |
| Additions | 10,497 | — | 28,401 | 71,973 | 187,742 | 65,204 | 2,198 | 366,015 |
| At 31 March 2015 | 56,189 | 40,803 | 162,347 | 359,574 | 431,343 | 284,360 | 5,161 | 1,339,777 |
| Additions | 15,908 | — | 14,147 | 21,684 | 175,317 | 3,899 | 101 | 231,056 |
| At 31 March 2016 | 72,097 | 40,803 | 176,494 | 381,258 | 606,660 | 288,259 | 5,262 | 1,570,833 |
| Additions | 8,385 | 6,084 | 30,790 | 971 | 270,580 | 85,908 | 1,749 | 404,467 |
| **At 31 March 2017** | 80,482 | 46,887 | 207,284 | 382,229 | 877,240 | 374,167 | 7,011 | 1,975,300 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 April 2014 | — | — | 51,163 | — | 53,885 | 89,538 | 237 | 194,823 |
| Charge for year | 5,017 | 13,601 | 28,457 | 32,617 | 64,091 | 47,096 | 515 | 191,394 |
| Impairment | — | — | — | 7,374 | — | — | — | 7,374 |
| **At 31 March 2015** | 5,017 | 13,601 | 79,620 | 39,991 | 117,976 | 136,634 | 752 | 393,591 |
| Charge for year | 5,481 | 13,601 | 32,318 | 36,128 | 106,142 | 48,713 | 524 | 242,907 |
| Impairment | 4,500 | — | — | 13,602 | — | 3,242 | — | 21,344 |
| **At 31 March 2016** | 14,998 | 27,202 | 111,938 | 89,721 | 224,118 | 188,589 | 1,276 | 657,842 |
| Charge for year | 7,291 | 15,072 | 27,796 | 36,099 | 142,618 | 44,508 | 904 | 274,288 |
| **At 31 March 2017** | 22,289 | 42,274 | 139,734 | 125,820 | 366,736 | 233,097 | 2,180 | 932,130 |
| **Net book value** | | | | | | | | |
| At 1 April 2014 | 45,692 | 40,803 | 82,783 | 287,601 | 189,716 | 129,618 | 2,726 | 778,939 |
| At 31 March 2015 | 51,172 | 27,202 | 82,727 | 319,583 | 313,367 | 147,726 | 4,409 | 946,186 |
| At 31 March 2016 | 57,099 | 13,601 | 64,556 | 291,537 | 382,542 | 99,670 | 3,986 | 912,991 |
| At 31 March 2017 | 58,193 | 4,613 | 67,550 | 256,409 | 510,504 | 141,070 | 4,831 | 1,043,170 |

Amortisation is included within administrative expenses.

## 12. Property, plant and equipment

| | *Leasehold improvements* *£* | *Computer equipment* *£* | *Office equipment* *£* | *Total* *£* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2014 | 31,652 | 135,584 | 15,951 | 183,187 |
| Additions | 964 | 36,636 | — | 37,600 |
| **At 31 March 2015** | 32,616 | 172,220 | 15,951 | 220,787 |
| Additions | — | 23,940 | 490 | 24,430 |
| **At 31 March 2016** | 32,616 | 196,160 | 16,441 | 245,217 |
| Additions | 2,253 | 66,227 | 3,609 | 72,089 |
| **At 31 March 2017** | 34,869 | 262,387 | 20,050 | 317,306 |
| **Accumulated Depreciation** | | | | |
| At 1 April 2014 | 5,354 | 49,484 | 5,557 | 60,395 |
| Charge for year | 3,165 | 27,089 | 2,598 | 32,852 |
| **At 31 March 2015** | 8,519 | 76,573 | 8,155 | 93,247 |
| Charge for year | 3,407 | 33,553 | 2,626 | 39,586 |
| **At 31 March 2016** | 11,926 | 110,126 | 10,781 | 132,833 |
| Charge for year | 3,829 | 44,059 | 3,931 | 51,819 |
| **At 31 March 2017** | 15,755 | 154,185 | 14,712 | 184,652 |
| **Net book value** | | | | |
| At 1 April 2014 | 26,298 | 86,100 | 10,394 | 122,792 |
| At 31 March 2015 | 24,097 | 95,647 | 7,796 | 127,540 |
| At 31 March 2016 | 20,690 | 86,034 | 5,660 | 112,384 |
| At 31 March 2017 | 19,114 | 108,202 | 5,338 | 132,654 |

Depreciation is included within administrative expenses.

## 13. Inventories

| | *2014* *£* | *2015* *£* | *2016* *£* | *2017* *£* |
|---|---|---|---|---|
| Finished goods for resale | 32,928 | 38,579 | 34,575 | 38,626 |

| | *2015* *£* | *2016* *£* | *2017* *£* |
|---|---|---|---|
| Amounts of inventories recognised as an expense during the period as cost of sales are: | 17,067 | 11,523 | 22,532 |

| | *2015* *£* | *2016* *£* | *2017* *£* |
|---|---|---|---|
| Amounts of inventories impaired during the period are: | — | 14,233 | 4,464 |

## 14. Trade and other receivables

| | 2014 £ | 2015 £ | 2016 £ | 2017 £ |
|---|---|---|---|---|
| Trade receivables | 539,607 | 471,251 | 335,945 | 716,232 |
| Director's loan receivable | 410,124 | 424,820 | 566,494 | 731,323 |
| Other receivables | 34,035 | 53,444 | 37,958 | 45,085 |
| Prepayments | 107,495 | 94,619 | 101,767 | 180,450 |
| | 1,091,261 | 1,044,134 | 1,042,164 | 1,673,090 |

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 small incidence of credit losses.

At 31 March, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 March, analysed by the length of time past due, are:

| | 2014 £ | 2015 £ | 2016 £ | 2017 £ |
|---|---|---|---|---|
| Not more than 30 days | 117,199 | 46,077 | 30,625 | 118,294 |
| More than 30 days but not more than 60 days | 37,160 | 6,893 | 8,562 | 19,716 |
| More than 60 days but not more than 90 days | 8,847 | 15,695 | 69 | 7,720 |
| More than 90 days | 33,739 | 8,583 | — | 15,354 |
| | 196,945 | 77,248 | 39,256 | 161,084 |

## 15. Cash and cash equivalents

| | 2014 £ | 2015 £ | 2016 £ | 2017 £ |
|---|---|---|---|---|
| Cash at bank (GBP) | 83,597 | 4,973 | 3,038 | 378,770 |
| Cash at bank (EUR) | 2,513 | 922 | 379 | 8,272 |
| Cash at bank (USD) | 4,524 | 3,587 | 846 | 23,512 |
| Cash at bank (AUD) | 4 | 50 | 6,276 | 2,923 |
| Cash at bank (other currencies) | 79 | 718 | 951 | 75 |
| | 90,717 | 10,250 | 11,490 | 413,552 |

All significant cash and cash equivalents were deposited with major clearing banks with at least an 'A' rating. Details of bank overdrafts are given in note 17.

## 16. Trade and other payables

Amounts falling due within one year:

| | 2014 £ | 2015 £ | 2016 £ | 2017 £ |
|---|---|---|---|---|
| Trade payables | 395,417 | 471,500 | 319,109 | 355,963 |
| Other taxation and social security | 439,163 | 217,770 | 242,752 | 423,408 |
| Other payables | 58,834 | 32,644 | 53,907 | 46,636 |
| Director's loan payable | 123,591 | 39,957 | 21,824 | — |
| Deferred income | 418,346 | 426,340 | 437,155 | 802,922 |
| Accruals | 51,149 | 117,829 | 119,415 | 199,682 |
| | 1,486,500 | 1,306,040 | 1,194,162 | 1,828,611 |

## 17. Borrowings

| | 2014 £ | 2015 £ | 2016 £ | 2017 £ |
|---|---|---|---|---|
| **Secured – at amortised cost** | | | | |
| – Bank overdrafts | 181,484 | 92,339 | 77,784 | — |
| – Bank loans | 98,443 | 81,430 | 56,610 | 30,246 |
| – Other loans | 147,689 | 280,156 | 200,472 | 132,201 |
| | 427,616 | 453,925 | 334,866 | 162,447 |
| Current | 262,090 | 197,157 | 171,857 | 80,031 |
| Non-current | 165,526 | 256,768 | 163,009 | 82,416 |
| | 427,616 | 453,925 | 334,866 | 162,447 |

**Summary of borrowing arrangements:**

The Group has an overdraft facility which comprised £nil at the end of 2017 (2016 £77,784, 2015: £92,339, 2014: £181,484). The facility is uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has a number of loans in issue during the periods presented. These are secured with fixed and floating charges over the assets of the Group and are summarised as follows:

1. FELM Growth Loan Facility – £100,000 in June 2010 over 4 years (including a 6 month capital repayment holiday) at 7% interest above Clydesdale Bank base rate, plus an annual borrowing fee and an annual turnover levy, the latter being calculated quarterly based on the company's turnover. This loan was repaid in full during the 2014-2015 financial year.
2. FSE Loan – £10,000 in November 2010 over 4 years at 7.0% interest. This loan was repaid in full during the 2014-2015 financial year.
3. Directors' Pension scheme loan L001 – £25,000 in October 2009 over 5 years at 3.5% interest rate. This loan was repaid in full during the 2014-2015 financial year.
4. HSBC loan agreement – £125,000 in March 2013 over 5 years at 5.45% interest above the bank's base rate.
5. Directors' Pension scheme loan L003 – £40,000 in October 2011 over 5 years at 3.5% interest.
6. Directors' Pension scheme loan L004 – £66,000 in October 2012 over 5 years at 3.5% interest.
7. Funding circle loan 2 – £65,000 in September 2013 over 3 years at 12.2% APR interest.
8. Funding circle loan 3 – £140,640 in October 2014 over 5 years at 14.69% APR interest.
9. Directors' Pension scheme loan – £70,000 in October 2014 over 5 years at 9.5% APR interest.

The loans from the directors' pension fund are secured by fixed charges over the registered trademarks.

## 18. Financial instruments

**Classification of financial instruments**

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Group does not hold any financial instruments measured at fair value through profit or loss.

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

**Financial assets**

| | *Loans & Receivables* | | | |
|---|---|---|---|---|
| | *2014* | *2015* | *2016* | *2017* |
| | *£* | *£* | *£* | *£* |
| Trade receivables (note 14) | 539,607 | 388,755 | 198,514 | 716,232 |
| Director's loan receivable (notes 14,25) | 410,124 | 424,820 | 566,494 | 731,323 |
| Accrued income (note 14) | — | 82,496 | 137,431 | — |
| Cash and cash equivalents (note 15) | 90,717 | 10,250 | 11,490 | 413,552 |
| | 1,040,448 | 906,321 | 913,929 | 1,861,107 |

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

**Financial liabilities**

| | *Measured at amortised cost* | | | |
|---|---|---|---|---|
| | *2014* | *2015* | *2016* | *2017* |
| | *£* | *£* | *£* | *£* |
| Trade payables (note 16) | 395,417 | 471,500 | 319,109 | 355,963 |
| Director's loan payable (note 16,25) | 123,591 | 39,957 | 21,824 | — |
| Accruals (note 16) | 51,149 | 117,829 | 119,415 | 199,682 |
| Finance lease payables (note 21) | 1,803 | — | 9,039 | 25,353 |
| Bank overdrafts (note 17) | 181,484 | 92,339 | 77,784 | — |
| Bank loans (note 17) | 98,443 | 81,430 | 56,610 | 30,246 |
| Other loans (note 17) | 147,689 | 280,156 | 200,472 | 132,201 |
| | 999,576 | 1,083,211 | 804,253 | 743,445 |

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

## 19. 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, and foreign currency 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 to 20.

**Credit risk**

The Group's credit risk is primarily attributable to its cash balances and trade receivables.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

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. At the 2017 year end this amounts to £1,296,287 (2016: £489,109; 2015: £625,501, 2014: £882,497).

**Interest rate risk**

The Group has secured debt consisting of bank overdrafts, bank loans and other loans.

The interest on most of the loans (with the exception of the FELM loan repaid during 2014-2015 and the HSBC bank loan) is fixed. Variable rate interest applies to the overdraft which is a short-term liability, and therefore interest rate risk is considered to be limited.

The interest on the bank loan and the overdraft is variable. Based on year end balances a 1% increase in interest rates would impact profit and equity by £302 (2016: £1,344; 2015: £1,738).

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial.

**Foreign exchange risk**

Most of the Group's transactions are carried out in GBP. Exposures to foreign currency exchange rates arise from the Group's overseas sales and purchases, which are denominated in a number of currencies, primarily USD, EUR and AUD. Cash balances held in these currencies are relatively immaterial (see note 15) and transactional risk is considered manageable.

The Group does not hold material non-domestic balances and currently does not consider it necessary to take any action to mitigate foreign exchange risk due to the immateriality of that risk.

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due, and ensuring adequate working capital using invoice financing arrangements.

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 2017, 2016, 2015 and 2014, on the basis of their earliest possible contractual maturity.

**At 31 March 2014**

| | *Total* £ | *On demand* £ | *Within 2 months* £ | *Within 2 -6 months* £ | *6 – 12 months* £ | *1-2 years* £ | *Greater than 2 years* £ |
|---|---|---|---|---|---|---|---|
| Trade payables | 395,417 | — | 395,417 | — | — | — | — |
| Director's loan payable | 123,591 | — | — | 123,591 | — | — | — |
| Accruals | 51,149 | — | — | 51,149 | — | — | — |
| Finance lease payables | 1,803 | — | 1,803 | — | — | — | — |
| Bank overdrafts | 181,484 | 181,484 | | — | — | — | — |
| Bank loans | 120,714 | — | 4,829 | 9,657 | 14,486 | 28,971 | 62,771 |
| Other loans | 159,706 | — | 13,904 | 27,629 | 29,744 | 48,062 | 40,367 |
| | 1,033,864 | 181,484 | 415,953 | 212,026 | 44,230 | 77,033 | 103,138 |

**At 31 March 2015**

| | *Total* £ | *On demand* £ | *Within 2 months* £ | *Within 2 -6 months* £ | *6 – 12 months* £ | *1-2 years* £ | *Greater than 2 years* £ |
|---|---|---|---|---|---|---|---|
| Trade payables | 471,500 | — | 471,500 | — | — | — | — |
| Director's loan payable | 39,957 | — | — | 39,957 | — | — | — |
| Accruals | 117,829 | — | — | 117,829 | — | — | — |
| Bank overdrafts | 92,339 | 92,339 | — | — | — | — | — |
| Bank loans | 91,743 | — | 4,829 | 9,657 | 14,486 | 28,971 | 33,800 |
| Other loans | 338,580 | — | 17,221 | 34,441 | 51,662 | 87,225 | 148,031 |
| | 1,068,842 | 92,339 | 493,550 | 201,884 | 66,148 | 116,196 | 181,831 |

**At 31 March 2016**

| | *Total* £ | *On demand* £ | *Within 2 months* £ | *Within 2 -6 months* £ | *6 – 12 months* £ | *1-2 years* £ | *Greater than 2 years* £ |
|---|---|---|---|---|---|---|---|
| Trade payables | 319,109 | — | 319,109 | — | — | — | — |
| Director's loan payable | 21,824 | — | — | 21,824 | — | — | — |
| Accruals | 119,415 | — | — | 119,415 | — | — | — |
| Finance lease payables | 9,039 | — | — | 1,848 | 2,615 | 4,576 | — |
| Bank overdrafts | 77,784 | 77,784 | — | — | — | — | — |
| Bank loans | 62,772 | — | 4,829 | 9,657 | 14,486 | 28,971 | 4,829 |
| Other loans | 235,256 | — | 17,221 | 34,441 | 35,563 | 63,667 | 84,364 |
| | 845,199 | 77,784 | 341,159 | 187,185 | 52,664 | 97,214 | 89,193 |

**At 31 March 2017**

| | *Total* £ | *On demand* £ | *Within 2 months* £ | *Within 2 -6 months* £ | *6 – 12 months* £ | *1-2 years* £ | *Greater than 2 years* £ |
|---|---|---|---|---|---|---|---|
| Trade payables | 355,963 | — | 355,963 | — | — | — | — |
| Accruals | 199,682 | — | — | 199,682 | — | — | — |
| Finance lease payables | 25,353 | — | 2,543 | 2,543 | 5,085 | 9,516 | 5,666 |
| Bank loans | 33,801 | — | 4,829 | 9,657 | 14,486 | 4,829 | — |
| Other loans | 148,033 | — | 11,612 | 23,224 | 28,832 | 55,263 | 29,102 |
| | 762,832 | — | 374,947 | 235,106 | 48,403 | 69,608 | 34,768 |

## 20. 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 as follows:

| | *2014* | *2015* | *2016* | *2017* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| Equity | 189,761 | 497,264 | 596,648 | 1,231,920 |
| Borrowings (note 17) | 427,616 | 453,925 | 334,866 | 162,447 |
| Cash and cash equivalents (note 15) | (90,717) | (10,250) | (11,490) | (413,552) |
| | 526,660 | 940,939 | 920,024 | 980,815 |

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 or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

## 21. Leasing arrangements

### Operating Leases

Operating leases primarily relate to land and buildings and photocopiers.

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

Payments recognised as an expense are disclosed in note 4.

New operating leases were entered into in January 2017 with a term of 10 years, including a break clause in 2022, after 5 years.

**Aggregate future minimum lease payments under non-cancellable operating lease commitments**

| | *2014* | *2015* | *2016* | *2017* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| **Land and buildings** | | | | |
| Not later than 1 year | 70,707 | 89,107 | 89,107 | 89,107 |
| After 1 year and not later than 5 years | 141,413 | 89,107 | — | 356,428 |
| After 5 years | — | — | — | 445,535 |
| | 212,120 | 178,214 | 89,107 | 891,070 |
| **Other** | | | | |
| Not later than 1 year | 16,566 | 16,566 | 3,561 | – |
| After 1 year and not later than 5 years | 20,126 | 3,561 | – | – |
| After 5 years | – | — | — | — |
| | 36,692 | 20,127 | 3,561 | — |

### Finance Leases

The Group leased certain items of its equipment under finance leases.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities minimum lease payments:

| | 2014<br>£ | 2015<br>£ | 2016<br>£ | 2017<br>£ |
|---|---|---|---|---|
| Not later than one year | 2,214 | – | 4,463 | 10,170 |
| Later than one year and not later than five years | — | — | 4,884 | 15,755 |
| Less: future finance charges | (411) | – | (308) | (572) |
| Present value of minimum lease payments | 1,803 | – | 9,039 | 25,353 |

Finance lease liabilities are included in liabilities:

| | 2014<br>£ | 2015<br>£ | 2016<br>£ | 2017<br>£ |
|---|---|---|---|---|
| Current | 1,803 | — | 4,463 | 10,170 |
| Non-current | — | — | 4,576 | 15,183 |
| | 1,803 | — | 9,039 | 25,353 |

### 22. Retirement benefit plans

Benefits from the contributory pension schemes to which the group contribute are related to the cash value of the funds at retirement dates. The group is under no obligation to provide any minimum level of benefits.

The assets of the schemes are administered by trustees in funds independent of the group.

### 23. Share capital

The total allotted share capital of the company is:

Authorised, allotted, issued and fully paid

| | 2014 | | 2015 | |
|---|---|---|---|---|
| | Number | £ | Number | £ |
| Ordinary shares of £0.005 each | 180,000 | 900 | 214,456 | 1,072 |
| A Ordinary shares of £0.005 each | 25,605 | 128 | 118,291 | 592 |
| B Ordinary shares of £0.005 each | 23,232 | 116 | 27,060 | 135 |
| | 228,837 | 1,144 | 359,807 | 1,799 |

| | 2016 | | 2017 | |
|---|---|---|---|---|
| | Number | £ | Number | £ |
| Ordinary shares of £0.005 each | 214,456 | 1,072 | 214,456 | 1,072 |
| A Ordinary shares of £0.005 each | 118,166 | 591 | 118,166 | 591 |
| B Ordinary shares of £0.005 each | 27,060 | 135 | 27,060 | 135 |
| | 359,682 | 1,798 | 359,682 | 1,798 |

### Issues of shares

During the year ended 31 March 2015, 34,456 Ordinary shares of £0.005 each were issued for £135,000, 92,686 A Ordinary shares of £0.005 each were issued for £363,142, and 3,828 B Ordinary shares of £0.005 each were issued for £15,000.

No shares were issued during years ended 31 March 2016 and 2017.

**Cancellation of shares**

During the year ended 31 March 2016, 125 A Ordinary shares were cancelled.

**Rights and obligations**

The directors may decide to pay dividends to the holders of each class of share on any basis which, in their sole judgement (acting in good faith), they consider appropriate. The Ordinary Shares, "A" Ordinary Shares and "B" Ordinary Shares in the Company shall otherwise rank *pari passu* in all respects, and the holders of all shares shall have the right (in particular) to receive notice of and to attend and vote at general meetings of the Company.

## 24. Share based payments

The Group operates a share option scheme to which the employees of the Group may be invited to participate by the remuneration committee. 12,000 options issued are exercisable at £0.44 per share, 1,668 options are exercisable at £19.00 per share. The options vested at variable dates subject to certain service and non-market performance conditions. The options are settled in equity once exercised. All of the options had vested prior to the date of transition to IFRS.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

A reconciliation of option movements for each period presented is shown below:

| | *As at 31 March 2015* | | *As at 31 March 2016* | |
|---|---|---|---|---|
| | *Number of options* | *Weighted average exercise price £* | *Number of options* | *Weighted average exercise price £* |
| Outstanding & exercisable at 1 April and 31 March | 13,668 | 2.71 | 13,668 | 2.71 |

| | *As at 31 March 2017* | |
|---|---|---|
| | *Number of options* | *Weighted average exercise price £* |
| Outstanding & exercisable at 1 April and 31 March | 13,668 | 2.71 |

## 25. Related party transactions

Key management personnel are identified as the Executive Directors, including non-statutory directors, and their remuneration is disclosed as follows:

| | *2015 £* | *2016 £* | *2017 £* |
|---|---|---|---|
| **Remuneration of key management** | | | |
| Remuneration | 492,567 | 403,155 | 430,024 |
| Social security costs | 57,953 | 47,001 | 51,251 |
| Company pension contributions to defined contributions scheme | 4,800 | 13,637 | 32,176 |
| | 555,320 | 463,793 | 513,451 |

**Director loans**

The Group has short-term receivable and payable loan arrangements with Alan Calder. Balances outstanding at each balance sheet date for these are disclosed in notes 14 and 16 respectively. These balances were settled subsequent to the reporting date.

2014-2015:

Alan Calder lent the Group £241,300 during the financial year, with £135,000 of this amount subsequently being used to subscribe for shares in the company. £49,221 was accrued as interest for the year. The balance payable at 31 March 2015 was £39,957.

Funds paid out to Alan Calder from the director's loan receivable were £162,651. £18,651 was set off against the director's loan payable. As at 31 March 2015 a balance of £424,820 was outstanding.

2015-2016

Alan Calder lent the Group £19,400 during the financial year. £2,424 was accrued as interest for the year. £39,957 of the payable amount was offset against the director's loan receivable during the year. The balance payable at 31 March 2016 was £21,824.

Funds paid out to Alan Calder from the director's loan receivable were £181,631. After amounts offset the director's loan payable, as at 31 March 2016 a balance of £566,494 was outstanding.

2016-2017

Alan Calder lent the Group £9,725 during the financial year. £4,848 was accrued as interest for the year. £1,674 of the payable amount was offset against the director's loan receivable during the year. £34,723 was repaid during the year leaving a balance payable at 31 March 2017 of £nil.

Funds paid out to Alan Calder from the director's loan receivable were £166,503. As at 31 March 2017 a balance of £731,323 was outstanding.

**Other related party borrowings transactions are as follows:**

**Other loans**

| | *Directors' pension scheme* | | | | |
|---|---|---|---|---|---|
| | *£25,000 loan* | *£40,000 loan* | *£66,000 loan* | *£70,000 loan* | *Total* |
| **Principal** | | | | | |
| At 1 April 2014 | 3,591 | 21,538 | 51,270 | — | 76,399 |
| Loans | — | — | — | 70,000 | 70,000 |
| Loans repaid | (3,591) | (8,107) | (12,921) | (4,653) | (29,272) |
| At 31 March 2015 | — | 13,431 | 38,349 | 65,347 | 117,127 |
| Loans repaid | — | (8,396) | (13,377) | (11,945) | (33,718) |
| At 31 March 2016 | — | 5,035 | 24,972 | 53,402 | 83,409 |
| Loans repaid | — | (5,035) | (13,853) | (13,130) | (32,018) |
| At 31 March 2017 | — | — | 11,119 | 40,272 | 51,391 |
| **Interest** | | | | | |
| At 1 April 2014 | — | — | — | — | — |
| Interest Accrued | 325 | 1,293 | 1,486 | 2,698 | 5,802 |
| Interest Paid | (325) | (1,293) | (1,486) | (2,698) | (5,802) |
| At 31 March 2015 | — | — | — | — | — |
| Interest Accrued | — | 1,004 | 1,030 | 5,697 | 7,731 |
| Interest Paid | — | (1,004) | (1,030) | (5,697) | (7,731) |
| At 31 March 2016 | — | — | — | — | — |
| Interest Accrued | — | 449 | 554 | 4,511 | 5,514 |
| Interest Paid | — | (449) | (554) | (4,511) | (5,514) |
| At 31 March 2017 | — | — | — | — | — |

All loan notes terms' are described in note 17. Interest is accounted for on an effective interest basis and included within borrowings on the Balance Sheet.

**Other related party transactions are as follows:**

Xanthos Limited is considered a related party entity as the spouse of Alan Calder is the owner of that company and Alan Calder was also a director of that company until March 2017.

Xanthos sub-lets office space from the Group, which comprises the other income received by the Group as disclosed in note 3.

The Group also makes purchases from Xanthos. During the year to 31 March 2017 the Group made purchases totalling £168,689 from Xanthos (2016: £105,624; 2015: £144,694). Outstanding amounts payable to Xanthos at 31 March 2017 totalled £17,339 (2016: £9,210; 2015: £34,238).

## 26. Ultimate controlling party

Alan Calder is considered the ultimate controlling party by virtue of his shareholding in IT Governance Limited.

## 27. Events after the balance sheet date

On 15 November 2017 a resolution was passed by the board of IT Governance Limited to cancel the Company's share premium account and issue by way of a bonus issue to the Company's shareholders 5,790,312 Ordinary shares, 3,170,367 A Ordinary shares and 730,620 B Ordinary shares. The value of the share premium account was £1,137,098.

On 21 December 2017 a dividend was declared to clear the balance of the director's loan account. Following the cancellation of the share premium account the Company had sufficient distributable reserves.

On 12 February 2018, Christopher Hartshorne was granted and exercised 2,352 investment options.

## 28. Transition to IFRS – voluntary disclosure

This is the first time that the Group has presented consolidated financial information under IFRS. The accounting policies set out above have been applied in preparing the financial information for all periods presented. The opening IFRS balance sheet is as at 1 April 2014.

IT Governance Limited has not previously presented consolidated financial statements, having taken the small companies exemption from the requirement to do so.

The previously published financial statements were prepared on the following bases:

- For the years ended 31 March 2014 and 2015, the most recent previously published financial statements were prepared using the Financial Reporting Standard for Smaller Entities (FRSSE).
- For the years ended 31 March 2016 and 2017, the most recent previously published financial statements were prepared (with transition disclosures) using FRS 102 for smaller entities.

Although not required to disclose a transition note under IFRS the Group considers that its inclusion is necessary for the purposes of explaining the transition to IFRS of the Group. Consolidated historical financial information has been prepared for the group using the previously published GAAP for reporting period presented, which information forms the starting point for the group's transition disclosures below.

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.

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. Previous GAAP did not include the presentation of a statement of cash flows.

The Group has adopted the following IFRS 1 exemptions:

1. Exemption from applying IFRS 2 to options granted after 7 November 2002 and vested before the transition date; and
2. Exemption in relation to IAS 23 which allows restatement to capitalise borrowing costs to begin only on the transition date, rather than requiring historical records to be re-created.

**The following notes relate to the numbered adjustments in note 29 below:**

**UK GAAP adjustments**

Derecognition of logo intangible assets & recognition of intangible amortisation for intangible assets not previously amortised.

In some years dividends have been historically paid with insufficient distributable reserves being available. As such a UK GAAP adjustment has been made to reclassify these amounts as director's loan due.

Subsequent to the year end a resolution was passed to cancel the Company's share premium account thereby creating sufficient distributable reserves to allow historic dividends to be re-declared.

The cumulative impact on the profit and loss reserve for the year to 31 March 2017 is £564,820 (2016 – £424,820, 2015 – £280,820 and 2014 – £157,951). Associated corporation tax liability due has been recognised net of deferred tax asset on the basis that management have assumed the tax will be fully recovered.

1 Reclassification of intangible assets previously recognised in tangible assets

2 Recognition of employee holiday accruals as at 31 March 2014 and 2015 & adjustment for the transition to FRS102 in the year ended 31 March 2016 in respect of previous years' accruals

## 29. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS – voluntary disclosure

### a) Reconciliation of equity at 1 April 2014

| | *UK GAAP (FRSSE)* | *UK GAAP adjustments* | *UK GAAP (FRSSE) restated* | *IFRS adjustments:* | | |
|---|---|---|---|---|---|---|
| | | | | *1* | *2* | *IFRS* |
| | *£* | *£* | *£* | *£* | *£* | *£* |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | 909,746 | (254,251) | 655,495 | 123,444 | — | 778,939 |
| Property, plant and equipment | 246,236 | — | 246,236 | (123,444) | — | 122,792 |
| Deferred tax | — | 28,531 | 28,531 | — | — | 28,531 |
| | 1,155,982 | (225,720) | 930,262 | — | — | 930,262 |
| **Current assets** | | | | | | |
| Inventories | 32,928 | — | 32,928 | — | — | 32,928 |
| Trade and other receivables | 933,310 | 157,951 | 1,091,261 | — | — | 1,091,261 |
| Cash and cash equivalents | 90,717 | — | 90,717 | — | — | 90,717 |
| | 1,056,955 | 157,951 | 1,214,906 | — | — | 1,214,906 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (1,479,500) | — | (1,479,500) | — | (7,000) | (1,486,500) |
| Finance lease payables | (1,803) | — | (1,803) | — | — | (1,803) |
| Borrowings | (262,090) | — | (262,090) | — | — | (262,090) |
| Current tax | — | (39,488) | (39,488) | — | — | (39,488) |
| | (1,743,393) | (39,488) | (1,782,881) | — | (7,000) | (1,789,881) |
| **Net current assets** | (686,438) | 118,463 | (567,975) | — | (7,000) | (574,975) |
| **Non-current liabilities** | | | | | | |
| Borrowings | (165,526) | — | (165,526) | — | — | (165,526) |
| Deferred tax | (10,957) | 10,957 | — | — | — | — |
| | (176,483) | 10,957 | (165,526) | — | — | (165,526) |
| **Net assets** | 293,061 | (96,300) | 196,761 | — | (7,000) | 189,761 |
| **Capital and reserves** | | | | | | |
| Share capital | 1,134 | 10 | 1,144 | — | — | 1,144 |
| Share premium | 624,621 | (10) | 624,611 | — | — | 624,611 |
| Retained earnings | (537,694) | 108,700 | (428,994) | — | (7,000) | (435,994) |
| Revaluation reserve | 205,000 | (205,000) | — | — | — | — |
| **Shareholders' funds** | 293,061 | (96,300) | 196,761 | — | (7,000) | 189,761 |

### b) Reconciliation of equity at 31 March 2015

| | *UK GAAP (FRSSE)* | *UK GAAP adjustments* | *UK GAAP (FRSSE) restated* | *IFRS adjustments:* | | |
|---|---|---|---|---|---|---|
| | | | | *1* | *2* | *IFRS* |
| | *£* | *£* | *£* | *£* | *£* | *£* |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | 1,182,118 | (372,545) | 809,573 | 136,613 | — | 946,186 |
| Property, plant and equipment | 264,153 | — | 264,153 | (136,613) | — | 127,540 |
| Deferred tax | 90,540 | 70,205 | 160,745 | — | — | 160,745 |
| | 1,536,811 | (302,340) | 1,234,471 | — | — | 1,234,471 |
| **Current assets** | | | | | | |
| Inventories | 38,579 | — | 38,579 | — | — | 38,579 |
| Trade and other receivables | 763,314 | 280,820 | 1,044,134 | — | — | 1,044,134 |
| Cash and cash equivalents | 10,250 | — | 10,250 | — | — | 10,250 |
| | 812,143 | 280,820 | 1,092,963 | — | — | 1,092,963 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (1,291,839) | 61 | (1,291,778) | — | (14,262) | (1,306,040) |
| Borrowings | (197,157) | — | (197,157) | — | — | (197,157) |
| Current tax | — | (70,205) | (70,205) | — | — | (70,205) |
| | (1,488,996) | (70,144) | (1,559,140) | — | (14,262) | (1,573,402) |
| **Net current assets** | (676,853) | 210,676 | (466,177) | — | (14,262) | (480,439) |
| **Non-current liabilities** | | | | | | |
| Borrowings | (256,768) | — | (256,768) | — | — | (256,768) |
| | (256,768) | — | (256,768) | — | — | (256,768) |
| **Net assets** | 603,190 | (91,664) | 511,526 | — | (14,262) | 497,264 |
| **Capital and reserves** | | | | | | |
| Share capital | 1,799 | — | 1,799 | — | — | 1,799 |
| Share premium | 1,137,037 | 61 | 1,137,098 | — | — | 1,137,098 |
| Retained earnings | (740,646) | 113,275 | (627,371) | — | (14,262) | (641,633) |
| Revaluation reserve | 205,000 | (205,000) | — | — | — | — |
| **Shareholders' funds** | 603,190 | (91,664) | 511,526 | — | (14,262) | 497,264 |

## c) Reconciliation of equity at 31 March 2016

| | UK GAAP (FRSSE) | UK GAAP adjustments | UK GAAP (FRSSE) restated | IFRS adjustments: 1 | IFRS adjustments: 2 | IFRS |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | 1,117,763 | (322,746) | 795,017 | 117,974 | — | 912,991 |
| Property, plant and equipment | 230,358 | — | 230,358 | (117,974) | — | 112,384 |
| Deferred tax | 21,111 | 106,205 | 127,316 | — | — | 127,316 |
| | 1,369,232 | (216,541) | 1,152,691 | — | — | 1,152,691 |
| **Current assets** | | | | | | |
| Inventories | 34,575 | — | 34,575 | — | — | 34,575 |
| Trade and other receivables | 617,344 | 424,820 | 1,042,164 | — | — | 1,042,164 |
| Cash and cash equivalents | 11,490 | — | 11,490 | — | — | 11,490 |
| | 663,409 | 424,820 | 1,088,229 | — | — | 1,088,229 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (1,194,162) | — | (1,194,162) | — | — | (1,194,162) |
| Finance lease payables | (4,463) | — | (4,463) | — | — | (4,463) |
| Borrowings | (171,857) | — | (171,857) | — | — | (171,857) |
| Current tax | — | (106,205) | (106,205) | — | — | (106,205) |
| | (1,370,482) | (106,205) | (1,476,687) | — | — | (1,476,687) |
| **Net current assets** | (707,073) | 318,615 | (388,458) | — | — | (388,458) |
| **Non-current liabilities** | | | | | | |
| Borrowings | (163,009) | — | (163,009) | — | — | (163,009) |
| Finance lease payables | (4,576) | — | (4,576) | — | — | (4,576) |
| | (167,585) | — | (167,585) | — | — | (167,585) |
| **Net assets** | 494,574 | 102,074 | 596,648 | — | — | 596,648 |
| **Capital and reserves** | | | | | | |
| Share capital | 1,798 | — | 1,798 | — | — | 1,798 |
| Share premium | 1,137,098 | — | 1,137,098 | — | — | 1,137,098 |
| Retained earnings | (644,323) | 102,074 | (542,249) | — | — | (542,249) |
| Capital redemption reserve | 1 | — | 1 | — | — | 1 |
| **Shareholders' funds** | 494,574 | 102,074 | 596,648 | — | — | 596,648 |

## d) Reconciliation of equity at 31 March 2017

| | UK GAAP (FRSSE) £ | UK GAAP adjustments £ | UK GAAP (FRSSE) restated £ | IFRS adjustments: 1 £ | IFRS adjustments: 2 £ | IFRS £ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | 1,270,691 | (382,543) | 888,148 | 155,022 | — | 1,043,170 |
| Property, plant and equipment | 287,676 | — | 287,676 | (155,022) | — | 132,654 |
| Deferred tax | — | 88,444 | 88,444 | | | 88,444 |
| | 1,558,367 | (294,099) | 1,264,268 | — | — | 1,264,268 |
| **Current assets** | | | | | | |
| Inventories | 38,626 | — | 38,626 | — | — | 38,626 |
| Trade and other receivables | 1,108,270 | 564,820 | 1,673,090 | — | — | 1,673,090 |
| Cash and cash equivalents | 413,552 | — | 413,552 | — | — | 413,552 |
| | 1,560,448 | 564,820 | 2,125,268 | — | — | 2,125,268 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (1,828,611) | — | (1,828,611) | — | — | (1,828,611) |
| Finance lease payables | (10,170) | — | (10,170) | — | — | (10,170) |
| Borrowings | (80,031) | — | (80,031) | — | — | (80,031) |
| Current tax | — | (141,205) | (141,205) | — | — | (141,205) |
| | (1,918,812) | (141,205) | (2,060,017) | — | — | (2,060,017) |
| **Net current assets** | (358,364) | 423,615 | 65,251 | — | — | 65,251 |
| **Non-current liabilities** | | | | | | |
| Borrowings | (82,416) | — | (82,416) | — | — | (82,416) |
| Finance lease payables | (15,183) | — | (15,183) | — | — | (15,183) |
| Deferred tax | (52,761) | 52,761 | — | — | — | — |
| | (150,360) | 52,761 | (97,599) | — | — | (97,599) |
| **Net assets** | 1,049,643 | 182,277 | 1,231,920 | — | — | 1,231,920 |
| **Capital and reserves** | | | | | | |
| Share capital | 1,798 | — | 1,798 | — | — | 1,798 |
| Share premium | 1,137,098 | — | 1,137,098 | — | — | 1,137,098 |
| Retained earnings | (88,234) | 182,277 | 94,043 | — | — | 94,043 |
| Capital redemption reserve | 1 | — | 1 | — | — | 1 |
| Translation reserve | (1,020) | — | (1,020) | — | — | (1,020) |
| **Shareholders' funds** | 1,049,643 | 182,277 | 1,231,920 | — | — | 1,231,920 |

## e) Reconciliation of profit for the year ended 31 March 2015

| | UK GAAP (FRSSE) £ | UK GAAP adjustments £ | UK GAAP (FRSSE) restated £ | IFRS adjustments: 1 £ | 2 £ | IFRS £ |
|---|---|---|---|---|---|---|
| **Revenue** | 4,464,122 | — | 4,464,122 | — | — | 4,464,122 |
| Cost of sales | (1,889,959) | — | (1,889,959) | — | — | (1,889,959) |
| **Gross profit** | 2,574,163 | — | 2,574,163 | — | — | 2,574,163 |
| Administrative expenses | (2,676,671) | (118,294) | (2,794,965) | — | (7,262) | (2,802,227) |
| Other operating income | 26,319 | — | 26,319 | — | — | 26,319 |
| **Operating profit** | (76,189) | (118,294) | (194,483) | — | (7,262) | (201,745) |
| Finance income | 8 | — | 8 | — | — | 8 |
| Finance costs | (105,399) | — | (105,399) | — | — | (105,399) |
| **Profit before taxation** | (181,580) | (118,294) | (299,874) | — | (7,262) | (307,136) |
| Taxation | 101,497 | — | 101,497 | — | — | 101,497 |
| **Profit after taxation** | (80,083) | (118,294) | (198,377) | — | (7,262) | (205,639) |

## f) Reconciliation of profit for the year ended 31 March 2016

| | UK GAAP (FRSSE) £ | UK GAAP adjustments £ | UK GAAP (FRSSE) restated £ | IFRS adjustments: 1 £ | 2 £ | IFRS £ |
|---|---|---|---|---|---|---|
| **Revenue** | 4,848,561 | — | 4,848,561 | — | — | 4,848,561 |
| Cost of sales | (1,968,970) | — | (1,968,970) | — | — | (1,968,970) |
| **Gross profit** | 2,879,591 | — | 2,879,591 | — | — | 2,879,591 |
| Administrative expenses | (2,553,486) | (155,201) | (2,708,687) | — | 14,262 | (2,694,425) |
| Other operating income | 26,436 | — | 26,436 | — | — | 26,436 |
| **Operating profit** | 352,541 | (155,201) | 197,340 | — | 14,262 | 211,602 |
| Finance costs | (40,291) | — | (40,291) | — | — | (40,291) |
| **Profit before taxation** | 312,250 | (155,201) | 157,049 | — | 14,262 | 171,311 |
| Taxation | (69,429) | — | (69,429) | — | — | (69,429) |
| **Profit after taxation** | 242,821 | (155,201) | 87,620 | — | 14,262 | 101,882 |

## g) Reconciliation of profit for the year ended 31 March 2017

| | *UK GAAP (FRSSE)* | *UK GAAP adjustments* | *UK GAAP (FRSSE) restated* | *IFRS adjustments: 1* | *IFRS adjustments: 2* | *IFRS* |
|---|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* | *£* |
| **Revenue** | 6,833,303 | — | 6,833,303 | — | — | 6,833,303 |
| Cost of sales | (2,736,743) | — | (2,736,743) | — | — | (2,736,743) |
| **Gross profit** | 4,096,560 | — | 4,096,560 | — | — | 4,096,560 |
| Administrative expenses | (3,320,292) | (59,798) | (3,380,090) | — | — | (3,380,090) |
| Other operating income | 25,694 | — | 25,694 | — | — | 25,694 |
| **Operating profit** | 801,962 | (59,798) | 742,164 | — | — | 742,164 |
| Finance costs | (32,000) | — | (32,000) | — | — | (32,000) |
| **Profit before taxation** | 769,962 | (59,798) | 710,164 | — | — | 710,164 |
| Taxation | (73,872) | — | (73,872) | — | — | (73,872) |
| **Profit after taxation** | 696,090 | (59,798) | 636,292 | — | — | 636,292 |

## Section C – Review Report on the Unaudited Interim Financial Information

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27 February 2018

Dear Sirs

**IT Governance Limited (the "Company") and its Subsidiary Undertakings (together the "Group") – Review Report on Unaudited Interim Financial Information.**

We have been engaged by the Company to review the Group's unaudited interim financial information for the six months ended 30 September 2017 set out in Section D of this Part III, which comprises Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Statement of Cash Flows and the related explanatory notes that have been reviewed, set out in Section D of Part III of the Company's AIM admission document dated 27 February 2018 (the "**Unaudited Interim Financial Information**"). We have read the other information contained in the Company's AIM admission document dated 27 February 2018 (the "**Admission Document**") and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Interim Financial Information.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed or consenting to its inclusion in the Admission Document.

### Directors' responsibilities

The Admission Document and the Unaudited Interim Financial Information are the responsibility of, and have been approved by, the directors of the Company. The AIM rules of the London Stock Exchange plc require that the accounting policies and presentation applied to the Unaudited Interim Financial Information in the Admission Document are consistent with those which will be adopted in the Group's next published annual financial statements having regard to the accounting standards applicable for such annual financial statements and the requirements of paragraph 20.6 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by Paragraph (a) of Schedule Two of the AIM Rules for Companies.

As disclosed in the "Basis of preparation" section of the Unaudited Interim Financial Information, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Unaudited Interim Financial Information has been prepared in accordance with the Basis of preparation section of the Unaudited Interim Financial Information.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the Unaudited Interim Financial Information based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of unaudited interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Interim Financial Information is not prepared, in all material respects, in accordance with the basis of accounting described in the "Basis of preparation" section of the Unaudited Interim Financial Information.

**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.

GRANT THORNTON UK LLP

## Section D: Unaudited Interim Financial Information

### Consolidated Income Statement

| | Notes | *Unaudited 30 September 2016 £* | *Unaudited 30 September 2017 £* | *Audited 31 March 2017 £* |
|---|---|---|---|---|
| **Revenue** | | 2,674,822 | 5,799,735 | 6,833,303 |
| Cost of sales | | (1,176,925) | (2,380,770) | (2,736,743) |
| | | 1,497,897 | 3,418,965 | 4,096,560 |
| **Gross profit** | | | | |
| Administrative expenses | | (1,437,033) | (2,807,941) | (3,380,090) |
| Other operating income | | 11,119 | 10,080 | 25,694 |
| **Operating profit** | | 71,983 | 621,104 | 742,164 |
| Finance costs | | (15,879) | (7,281) | (32,000) |
| **Profit before taxation** | | 56,104 | 613,823 | 710,164 |
| Taxation | | — | — | (73,872) |
| **Profit for the financial period** | | 56,104 | 613,823 | 636,292 |
| **Profit for the financial period attributable to:** | | | | |
| The Company's equity shareholders | | 56,104 | 613,823 | 636,292 |
| Basic earnings per share | 2 | 15.60 | 170.76 | 176.90 |
| Diluted earnings per share | 2 | 15.03 | 164.51 | 170.43 |

**Consolidated Statement of Comprehensive Income**

| | *Unaudited 30 September 2016 £* | *Unaudited 30 September 2017 £* | *Audited 31 March 2017 £* |
|---|---|---|---|
| Profit for the financial period | 56,104 | 613,823 | 636,292 |
| **Other comprehensive income – items that may subsequently be reclassified to profit/(loss):** | | | |
| Foreign exchange gains/(losses) on consolidation | — | 579 | (1,020) |
| **Other comprehensive income/(loss) for the financial period, net of tax** | — | 579 | (1,020) |
| **Total comprehensive income for the financial period** | 56,104 | 614,402 | 635,272 |

**Consolidated Balance Sheet**

| | Notes | *Unaudited 30 September 2016 £* | *Unaudited 30 September 2017 £* | *Audited 31 March 2017 £* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 916,406 | 1,259,116 | 1,043,170 |
| Property, plant and equipment | | 99,603 | 254,604 | 132,654 |
| Deferred tax | | 127,228 | 88,444 | 88,444 |
| | | 1,143,237 | 1,602,164 | 1,264,268 |
| **Current assets** | | | | |
| Inventories | | 34,576 | 36,906 | 38,626 |
| Trade and other receivables | | 1,348,327 | 2,335,033 | 1,673,090 |
| Cash and cash equivalents | | 48,353 | 805,827 | 413,552 |
| | | 1,431,256 | 3,177,766 | 2,125,268 |
| **Current liabilities** | | | | |
| Trade and other payables | | (1,531,905) | (2,667,099) | (1,828,611) |
| Finance lease payables | | (2,615) | (16,999) | (10,170) |
| Borrowings | | (154,659) | (75,801) | (80,031) |
| Current tax | | (106,205) | (141,205) | (141,205) |
| | | (1,795,384) | (2,901,104) | (2,060,017) |
| **Net current (liabilities)/assets** | | (364,128) | 276,662 | 65,251 |
| **Non-current liabilities** | | | | |
| Borrowings | | (123,088) | (44,497) | (82,416) |
| Finance lease payables | | (3,269) | — | (15,183) |
| | | (126,357) | (44,497) | (97,599) |
| **Net assets** | | 652,752 | 1,834,329 | 1,231,920 |
| **Equity** | | | | |
| Share capital | 3 | 1,798 | 1,795 | 1,798 |
| Share premium | | 1,137,098 | 1,137,098 | 1,137,098 |
| Retained earnings | | (486,145) | 695,876 | 94,043 |
| Capital redemption reserve | | 1 | 1 | 1 |
| Translation reserve | | — | (441) | (1,020) |
| **Total equity** | | 652,752 | 1,834,329 | 1,231,920 |

## Consolidated Statement of Changes in Equity

### For the six months ended 30 September 2016 (Unaudited)

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2016** | 1,798 | 1,137,098 | (542,249) | — | 1 | 596,648 |
| Profit for the period | — | — | 56,104 | — | — | 56,104 |
| **Total comprehensive income for the period** | — | — | 56,104 | — | — | 56,104 |
| **Balance at 30 September 2016** | 1,798 | 1,137,098 | (486,145) | — | 1 | 652,752 |

### For the six months ended 30 September 2017 (Unaudited)

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2017** | 1,798 | 1,137,098 | 94,043 | (1,020) | 1 | 1,231,920 |
| Profit for the period | — | — | 613,823 | — | — | 613,823 |
| Other comprehensive income | — | — | — | 579 | — | 579 |
| **Total comprehensive income for the period** | — | — | 613,823 | 579 | — | 614,402 |
| Purchase of own shares | (3) | — | (11,990) | — | — | (11,993) |
| **Transactions with owners** | (3) | — | (11,990) | — | — | (11,993) |
| **Balance at 30 September 2017** | 1,795 | 1,137,098 | 695,876 | (441) | 1 | 1,834,329 |

### For the year ended 31 March 2017 (Audited)

| | *Share capital* £ | *Share premium* £ | *Retained earnings* £ | *Translation reserve* £ | *Capital redemption reserve* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2016** | 1,798 | 1,137,098 | (542,249) | — | 1 | 596,648 |
| Profit for the year | — | — | 636,292 | — | — | 636,292 |
| Other comprehensive income | — | — | — | (1,020) | — | (1,020) |
| **Total comprehensive income for the year** | — | — | 636,292 | (1,020) | — | 635,272 |
| **Balance at 31 March 2017** | 1,798 | 1,137,098 | 94,043 | (1,020) | 1 | 1,231,920 |

## Consolidated Statement of Cash Flows

| | *Unaudited 30 September 2016 £* | *Unaudited 30 September 2017 £* | *Audited 31 March 2017 £* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | 56,104 | 613,823 | 710,164 |
| Depreciation | 22,301 | 40,408 | 51,819 |
| Amortisation | 120,762 | 177,904 | 274,288 |
| Foreign exchange losses | 8,557 | 13,722 | 7,114 |
| Finance costs | 15,879 | 7,281 | 32,000 |
| Adjusted profit from operations before changes in working capital | 223,603 | 853,138 | 1,075,385 |
| Increase in inventories | (1) | 1,720 | (4,051) |
| Increase in trade and other receivables | (306,163) | (661,943) | (630,926) |
| Increase in trade and other payables | 337,835 | 838,489 | 634,449 |
| **Net cash inflow from operating activities** | 255,274 | 1,031,404 | 1,074,857 |
| **Cash flow from investing activities** | | | |
| Purchase of intangible assets | (124,177) | (393,851) | (404,467) |
| Purchase of plant and equipment | (9,520) | (159,684) | (44,890) |
| **Net cash used in investing activities** | (133,697) | (553,535) | (449,357) |
| **Net cash flow from financing activities** | | | |
| Purchase of own shares | — | (11,994) | — |
| Repayment of loans | (53,126) | (42,806) | (93,979) |
| Interest paid | (13,918) | (6,606) | (28,229) |
| Interest on finance leases | (1,961) | (17) | (4,427) |
| Capital element of finance lease payments | (3,156) | (10,885) | (10,885) |
| **Net cash outflow from financing activities** | (72,161) | (72,308) | (137,520) |
| **Net increase in cash and cash equivalents** | 49,416 | 405,561 | 487,980 |
| Cash and cash equivalents at beginning of financial period | (66,294) | 413,552 | (66,294) |
| Effects of exchange rate changes | (8,560) | (13,286) | (8,134) |
| **Cash and cash equivalents at end of financial period** | (25,438) | 805,827 | 413,552 |
| **Comprising** | | | |
| Cash at bank | 48,353 | 805,827 | 413,552 |
| Bank overdrafts | (73,791) | — | — |
| | (25,438) | 805,827 | 413,552 |

**Notes to the Consolidated Unaudited Interim Financial Information**

**Principal Accounting Policies**

**Basis of preparation**

The consolidated interim financial information for IT Governance Limited and its subsidiaries (together, the "Group") has been prepared on the basis of the accounting policies set out in the consolidated historical financial information for the years ended 31 March 2015, 2016 and 2017 set out in Section B of this Part III, which complied with International Financial Reporting Standards ("IFRS"), as adopted by the EU and IFRIC interpretations. The financial information for the periods ended 30 September 2016 and 30 September 2017 is unaudited.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The financial information has been prepared in accordance with the recognition and measurement requirements of IFRS that the Directors expect to be applicable as at 31 March 2018.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 March 2017.

**1. Segmental reporting**

***Operating segments***

**30 September 2016**

| | *Consultancy* | *Publishing & distribution* | *Software* | *Training* | *Unallocated* | *Total* |
|---|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* | *£* |
| Revenue | 1,192,697 | 501,248 | 108,903 | 871,974 | — | 2,674,822 |
| Gross profit | 1,192,697 | 501,248 | 108,903 | 871,974 | (1,176,925) | 1,497,897 |
| Administrative expenses | — | — | — | — | (1,437,033) | (1,437,033) |
| Other operating income | — | — | — | — | 11,119 | 11,119 |
| | 1,192,697 | 501,248 | 108,903 | 871,974 | (2,602,839) | 71,983 |
| Finance costs | — | — | — | — | (15,879) | (15,879) |
| Profit before tax | 1,192,697 | 501,248 | 108,903 | 871,974 | (2,618,718) | 56,104 |
| Segment assets | — | — | — | — | 2,574,493 | 2,574,493 |
| Segment liabilities | — | — | — | — | (1,921,741) | (1,921,741) |
| Depreciation and amortisation | — | — | — | — | 143,063 | 143,063 |
| Non-current assets | — | — | — | — | 1,143,237 | 1,143,237 |

**30 September 2017**

| | *Consultancy* £ | *Publishing & distribution* £ | *Software* £ | *Training* £ | *Unallocated* £ | *Total* £ |
|---|---|---|---|---|---|---|
| Revenue | 1,886,790 | 636,449 | 262,148 | 3,014,348 | — | 5,799,735 |
| Gross profit | 1,886,790 | 636,449 | 262,148 | 3,014,348 | (2,380,770) | 3,418,965 |
| Administrative expenses | — | — | — | — | (2,807,941) | (2,807,941) |
| Other operating income | — | — | — | — | 10,080 | 10,080 |
| | 1,886,790 | 636,449 | 262,148 | 3,014,348 | (5,178,631) | 621,104 |
| Finance costs | — | — | — | — | (7,281) | (7,281) |
| Profit before tax | 1,886,790 | 636,449 | 262,148 | 3,014,348 | (5,185,912) | 613,823 |
| Segment assets | — | — | — | — | 4,779,930 | 4,779,930 |
| Segment liabilities | — | — | — | — | (2,945,601) | (2,945,601) |
| Depreciation and amortisation | — | — | — | — | 218,312 | 218,312 |
| Non-current assets | — | — | — | — | 1,602,164 | 1,602,164 |

***Revenue by geographic destination***

Revenue across all operating segments is generated from the UK but includes overseas sales:

| | *30 September 2016* £ | *30 September 2017* £ |
|---|---|---|
| UK | 2,110,749 | 4,750,094 |
| Non-UK | 564,073 | 1,049,641 |
| | 2,674,822 | 5,799,735 |

## 2. Earnings per share

Basic earnings per share is based on the profit after tax for the year and the weighted average number of shares in issue during each year.

| | *30 September 2016* | *30 September 2017* | *31 March 2017* |
|---|---|---|---|
| Profit attributable to equity holders of the Group (£) | 56,104 | 613,823 | 636,292 |
| Weighted average number of shares in issue | 359,682 | 349,468 | 359,682 |
| Basic earnings per share | 15.60 | 170.76 | 176.90 |

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

Taking the Group's share options into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

| | *30 September 2016* | *30 September 2017* | *31 March 2017* |
|---|---|---|---|
| **Number of shares** | | | |
| Dilutive (potential dilutive) effect of share options | 13,668 | 13,668 | 13,668 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 373,350 | 373,131 | 373,350 |
| Diluted earnings per share | 15.03 | 164.51 | 170.43 |

## 3. Share capital

The total allotted share capital of the company is:

**Allotted, issued and fully paid**

| | *30 September 2016* | | *30 September 2017* | |
|---|---|---|---|---|
| | *Number* | *£* | *Number* | *£* |
| Ordinary shares of £0.005 each | 214,456 | 1,072 | 214,456 | 1,072 |
| A Ordinary shares of £0.005 each | 118,166 | 591 | 117,421 | 588 |
| B Ordinary shares of £0.005 each | 27,060 | 135 | 27,060 | 135 |
| | 359,682 | 1,798 | 358,937 | 1,795 |

| | *31 March 2017* | |
|---|---|---|
| | *Number* | *£* |
| Ordinary shares of £0.005 each | 214,456 | 1,072 |
| A Ordinary shares of £0.005 each | 118,166 | 591 |
| B Ordinary shares of £0.005 each | 27,060 | 135 |
| | 359,682 | 1,798 |

**Repurchase of shares**

During the period ended 30 September 2017, 745 A Ordinary shares were repurchased.

## 4. Deferred income

Deferred income balances included in trade & other payables held as at the balance sheet dates presented are as follows:

| | *30 September 2016* | *30 September 2017* | *31 March 2017* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Deferred income | 656,057 | 1,221,275 | 802,922 |

## 5. Events after the balance sheet date

On 15 November 2017 a resolution was passed by the board of IT Governance Limited to cancel the Company's share premium account and issue by way of a bonus issue to the Company's shareholders 5,790,312 Ordinary shares, 3,170,367 A Ordinary shares and 730,620 B Ordinary shares. The value of the share premium account was £1,137,098.

On 21 December 2017 a dividend was declared to clear the balance of the director's loan account (£881,323). Following the cancellation of the share premium account the Company had sufficient distributable reserves.

On 12 February 2018, Christopher Hartshorne was granted and exercised 2,352 investment options.

# PART IV

## UNAUDITED PROFORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the net assets of the Group of the receipt by the Company of the net proceeds of the Placing as if it had taken place on 30 September 2017. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the unaudited consolidated Interim Financial Information as at 30 September 2017, as set out in Section D of Part III of this document. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma financial information has been prepared on the basis set out in the notes below.

| | *As at 30 September 2017* | *Proceeds of the Placing* | *Unaudited pro forma total* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| **Assets** | *Note 1* | *Note 2* | |
| Intangible assets | 1,259 | | 1,259 |
| Property, plant and equipment | 255 | | 255 |
| Deferred Tax | 88 | | 88 |
| | 1,602 | | 1,602 |
| **Current Assets** | | | |
| Inventories | 37 | | 37 |
| Trade and other payables | 2,335 | | 2,335 |
| Cash and cash equivalents | 806 | 4,138 | 4,944 |
| | 3,178 | 4,138 | 7,316 |
| **Current Liabilities** | | | |
| Trade and other payables | (2,667) | | (2,667) |
| Finance lease payables | (17) | | (17) |
| Borrowings | (76) | | (76) |
| Current tax | (141) | | (141) |
| | (2,901) | | (2,901) |
| **Net current assets** | 277 | 4,138 | 4,415 |
| **Non-current liabilities** | | | |
| Borrowings | (44) | | (44) |
| **Net assets** | 1,835 | 4,138 | 5,973 |

**Notes**

1. The financial information has been extracted, without material adjustment, from the unaudited consolidated Interim Financial Information as at 30 September 2017, as set out in Section D of Part III of this document.
2. The Placing will raise gross proceeds for the Company of £5,040,000 through the issue of 7,200,000 New Shares at the Placing Price. Net proceeds of the Placing of £4,138,000 reflect the deduction of the estimated fees and expenses payable by the Company in connection with the Placing of £902,000.
3. No account has been taken of trading since 30 September 2017 nor of any other events.

# PART V

# ADDITIONAL INFORMATION

## 1. RESPONSIBILITY STATEMENT

The Company, and the Directors whose names appear on page 9 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

## 2. INCORPORATION AND STATUS OF THE COMPANY

2.1 ITG was incorporated and registered in England and Wales under the Companies Act 1985 on 16 April 2002 with registered number 04418178 as a private company with limited liability. It is domiciled in England.

2.2 On 27 October 2017, the Company was incorporated and registered in England and Wales with registered number 11036180 as a public limited company. The Company is domiciled in England.

2.3 The Company's registered office and principal place of business, and the business address of each of Alan Calder and Steve Watkins as Selling Shareholders, is at Unit 3 Clive Court, Bartholomew's Walk Cambridgeshire Business Park, Ely, Cambridgeshire, CB7 4EA. The telephone number for the Company's principal place of business is 0333 800 7000.

2.4 In addition, the Company operates from Drogheda Enterprise Hub, Greenhills in Ireland and will operate from 420 Lexington Ave, Suite 300, New York, 10170 in US and Hudson House, 8 Albany Street, Edinburgh EH1 3QB.

2.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.grci.group.

2.6 The principal activity of the Company and the Group is as a provider and supplier of training, consultancy, publishing and distribution products and services. The Group's principal activities are described more fully in Part I of this document.

2.7 The Company has no administrative, management or supervisory bodies other than the Board, the Remuneration Committee, the Nomination Committee and the Audit Committee. The Company is governed by its Articles of Association and the principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

2.8 The ISIN number of the Shares is GB00BG06MV41 and the Shares are in registered form and capable of being held either on a certificated or an uncertificated basis.

2.9 The Company's auditor is Grant Thornton UK LLP at 101 Cambridge Science Park, Milton Road, Milton, Cambridge CB4 0FY, which is regulated to carry on audit work by the Institute of Chartered Accountants in England and Wales.

2.10 The accounting reference date of the Company is 31 March.

2.11 The liability of the Shareholders is limited.

## 3. GROUP REORGANISATION

Prior to Admission, ITG and the Company undertook a corporate reorganisation. The corporate reorganisation steps compromised of the following:

a) a reduction of capital by ITG by the cancellation of ITG's share premium account (in the sum of £1,137,098) on 15 November 2017 and transfer of such funds to its distributable reserves;

b) on 15 November 2017 the capitalisation of the amount of £48,456.50 standing to the credit of ITG's reserves to pay up 5,790,312 ordinary shares, 3,170,367 A ordinary shares and 730,620 B ordinary shares in the capital of ITG as part of a bonus issue of shares to the shareholders of ITG at a rate of 27 new shares (of the relevant class) for every one existing share in the capital of ITG;

c) the adoption of interim articles of association of the Company on 1 February 2018;

d) the re-designation of the two ordinary shares in the capital of the Company into one A ordinary share held by Alan Calder and one B ordinary share held by Stephen Watkins;

e) the shareholders of ITG entering into share-for-share exchange agreements on 1 February 2018 pursuant to which they transferred their shares in ITG to the Company in consideration for the issue of the same number and class of fully paid shares in the Company (and in the case of Alan Calder and Stephen Watkins only, the crediting of the existing shares held by them in the Company as fully paid and the issue of shares in the Company in exchange for the balance of the shares in ITG);

f) the approval of the GRC International Group plc Employee Share Plan;

g) the granting of authority to allot and waiver of pre-emption rights in respect of the options to be granted to Stephen Watkins, Neil Acworth and Chris Hartshorne (as described more fully in paragraph 10 of this Part V);

h) the distribution of the shares in each of the subsidiary companies listed in paragraph 4.1 of this Part V (excluding ITG and IT Governance LLC) by way of a dividend in specie from ITG to the Company;

i) with effect on the business day immediately prior to when Admission is scheduled to occur, pursuant to conditional resolutions passed by the shareholders of the Company on 1 February 2018, the re-designation of the A ordinary shares of £0.005 each and B ordinary shares of £0.005 each in the capital of the Company into ordinary shares of £0.005 each in the capital of the Company;

j) with effect immediately prior to Admission, pursuant to a conditional resolution passed by the shareholders of the Company on 1 February 2018, the sub-division of each of the resulting ordinary shares of £0.005 each (pursuant to (i) above) into five ordinary shares of £0.001 each; and

k) upon Admission, the adoption of the Articles as the new articles of association of the Company in a form customary for a listed company.

## 4. THE SUBSIDIARIES

4.1 The Company acts as the holding company of the Group and has the following subsidiaries, which either undertake information technology services activities or are dormant.

| *Name* | *Registration Number* | *Incorporated in* | *Percentage of issued share capital owned by the Company (direct or indirect)* |
|---|---|---|---|
| IT Governance Limited | 04418178 | England & Wales | 100% |
| IT Governance Consulting Limited | 06145730 | England & Wales | 100% |
| IT Governance Franchising Limited | 06188477 | England & Wales | 100% |
| IT Governance Publishing Ltd | 06082604 | England & Wales | 100% |
| IT Governance Sales Ltd | 06548978 | England & Wales | 100% |
| IT Governance Software Ltd | 06408767 | England & Wales | 100% |
| IT Governance Training Limited | 06146546 | England & Wales | 100% |
| ITG Certification Limited | 07421042 | England & Wales | 100% |
| ITG Qualifications Ltd | 08646907 | England & Wales | 100% |
| ITG Security Testing Ltd | 07049209 | England & Wales | 100% |
| Vigilant Software Limited | 05985888 | England & Wales | 100% |
| IT Governance Europe Limited | 10515710 | England & Wales | 100% |
| IT Governance Europe Limited | 590421 | Republic of Ireland | 100% |
| IT Governance USA Inc | See note below[1] | Delaware, USA | 100% |
| IT Governance LLC | 2010-000588664 | Wyoming, USA | Indirectly hold 100% via direct holding by ITG |

1. Paperwork for the incorporation of IT Governance USA Inc has been filed and the Registration Number has yet to be received.

4.2 All the subsidiaries (excluding IT Governance LLC) are wholly owned by the Company. IT Governance LLC is wholly owned by ITG.

**5. Share capital of the Company**

**5.1 History of the share capital of the Company**

On incorporation, the issued share capital of the Company was two ordinary shares of £0.005 each with one ordinary share issued to Alan Calder and one ordinary share issued to Stephen Watkins.

On 1 February 2018, as part of the group reorganisation summarised in paragraph 3 of this Part V, the two ordinary shares were re-designated as one A ordinary share of £0.005 held by Alan Calder and one B ordinary share of £0.005 held by Stephen Watkins, and a total of 6,004,768 ordinary shares of £0.005 each, 3,287,787 A ordinary shares of £0.005 each and 757,679 B ordinary shares of £0.005 each were issued in satisfaction of the consideration to be given by the Company for the acquisition of the entire issued share capital of ITG.

On 12 February 2018, Chris Hartshorne's share options over 2,352 A ordinary shares were granted by the Company and immediately exercised, resulting in an aggregate issued share capital of 10,052,588 shares (being, 6,004,768 ordinary shares, 3,290,140 A ordinary shares and 757,680 B ordinary shares).

In accordance with conditional resolutions of the Company passed on 1 February 2018, with effect on the business day immediately prior to the date on which Admission is scheduled to occur, all the then issued A ordinary shares of £0.005 each and all the issued B ordinary shares of £0.005 each in the capital of the Company will be re-designated as ordinary shares of £0.005 each, and immediately prior to Admission, each resulting issued ordinary share of £0.005 in the capital of the Company will be sub-divided into 5 ordinary shares of £0.001 each, resulting in an aggregate share capital of 50,262,940 ordinary shares of £0.001 each.

**5.2 New Shares**

The Placing will result in the issue of 7,200,000 New Shares on Admission. The Company's issued share capital, immediately prior to Admission and following Admission, will be as follows:

| | *Immediately prior to Admission* | | *Following Admission* | |
|---|---|---|---|---|
| | *Amount (£)* | *Number of Shares of £0.001 each* | *Amount (£)* | *Number of Shares of £0.001 each* |
| Issued and fully paid | 50,262.94 | 50,262,940 | 57,462.94 | 57,462,940 |

5.3 The New Shares will be issued in accordance with the following resolutions of the Company passed on 1 February 2018 and conditional on (but effective immediately prior to) Admission taking place, which:

a) generally and unconditionally authorises the directors in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot shares or grant options or other rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal amount of £50,262.94, provided that such authority is limited to:

(i) £12,000.00 in respect of the New Shares;

(ii) 10 per cent. of the nominal value of the Shares in issue at 6.00 p.m. (London time) on the date which is three business days following Admission in respect of the grant of rights to subscribe for Shares in connection with any equity option or incentive plan;

(iii) 10 per cent. of the nominal value of the Shares in issue at 6.00 p.m. (London time) on the date which is three business days following Admission in respect of the allotment of new Shares (excluding the New Shares and any shares pursuant to (iv) below);

(iv) £20,546.77 in respect of new Shares (excluding the New Shares or any shares pursuant to (iii) above) for general corporate purposes,

such authorities to expire (unless previously revoked, varied or renewed) in the case of the authority in paragraph (i), immediately following Admission, in the case of the authorities described in paragraphs (ii) and (iv), on 30 September 2022, and in the case of the authority in paragraph (iii), on the earlier of the conclusion of the first annual general meeting of the Company and the date falling 15 months after Admission (save that the Company may before the expiry of such periods make offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after expiry of these authorities, and the directors may allot shares or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired);

b) empower the directors pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash as if section 561(1) of the 2006 Act did not apply to such allotment, provided that such power shall be limited to the allotment of equity securities in the Company:

(i) up to an aggregate nominal amount of £12,000.00 in connection with the New Shares;

(ii) up to an aggregate nominal amount equal to 10 per cent. of the nominal value of the Shares in issue at 6:00 p.m. (London time) on the date which is three business days following Admission pursuant to the authority granted as described in paragraph (a)(ii);

(iii) up to an aggregate nominal amount equal to 10 per cent. of the nominal value of the Shares in issue at 6:00 p.m. (London time) on the date which is three business days following Admission pursuant to the authority granted as described in paragraph (a)(iii),

provided always that such powers expire (unless previously revoked, varied or renewed) in the case of the authority in paragraph (i), immediately following Admission, in the case of the authority described in paragraphs (ii), on 30 September 2022, and in the case of the authority in paragraph (iii), on the earlier of the conclusion of the first annual general meeting of the Company and the date falling 15 months after Admission (save that the Company may before the expiry of such periods make offers or agreements which would or might require equity securities to be granted after such expiry, and the directors may allot equity securities or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired).

5.4 **History of the share capital of ITG**

5.4.1 On incorporation, the issued share capital of ITG was one ordinary share of £1 in nominal value issued to Brighton Director Limited.

5.4.2 In April 2007, the share capital of ITG increased from 1 ordinary share of £1 to 900 ordinary shares of £1 each.

5.4.3 In May 2007, the share capital of ITG increased from 900 ordinary shares of £1 each to 900 ordinary shares of £1 each and 100 B ordinary shares of £1 each.

5.4.4 Following a subdivision of shares in January 2010, the issued share capital of ITG was 180,000 ordinary shares of £0.005 each and 20,000 B ordinary shares of £0.005 each.

5.4.5 In February 2010, a further 2,097 A ordinary shares of £0.005 each and 315 B ordinary shares of £0.005 each were issued and the resulting share capital was 180,000 ordinary shares of £0.005 each, 2,097 A ordinary shares of £0.005 each and 20,315 B ordinary shares of £0.005 each, being 202,412 issued shares in total.

5.4.6 Following a share issue in April 2011, the issued share capital of ITG increased from 180,000 ordinary shares of £0.005 each, 2,097 A ordinary shares of £0.005 each and 20,315 B ordinary shares of £0.005 each to 180,000 ordinary shares of £0.005 each, 12,316 A ordinary shares of £0.005 each and 21,903 B ordinary shares of £0.005 each, being 214,219 issued shares in total.

5.4.7 Following share issues in September and November 2012, the issued share capital of ITG increased to 180,000 ordinary shares of £0.005 each, 17,461 A ordinary shares of £0.005 each and 22,803 B ordinary shares of £0.005 each.

5.4.8 Following share issues in August 2013, November 2013 and December 2013, the issued share capital of ITG further increased to 180,000 ordinary shares of £0.005 each, 25,605 A ordinary shares of £0.005 each and 23,232 B ordinary shares of £0.005 each, being 228,837 issued shares in total.

5.4.9 Following a share issue in November 2014, the issued share capital of ITG increased to 180,000 ordinary shares of £0.005 each, 109,832 A ordinary shares of £0.005 each and 23,232 B ordinary shares of £0.005 each, being 313,064 issued shares in total.

5.4.10 Following share issues in April 2015 and December 2015, the issued share capital of ITG increased to 214,456 ordinary shares of £0.005 each, 118,291 A ordinary shares of £0.005 each and 27,060 B ordinary shares of £0.005 each, being 359,807 issued shares in total.

5.4.11 In January 2016, ITG bought back and cancelled 125 A ordinary shares of £0.005 each and the resulting issued share capital of ITG was 214,456 ordinary shares of £0.005 each, 118,166 A ordinary shares of £0.005 each and 27,060 B ordinary shares of £0.005 each, being 359,682 issued shares in total.

5.4.12 In April 2017, ITG bought back and cancelled 20 A ordinary shares of £0.005 each and in August 2017, ITG bought back and cancelled 725 A ordinary shares of £0.005 each. The resulting issued share capital was 214,456 ordinary shares of £0.005 each, 117,421 A ordinary shares of £0.005 each and 27,060 B ordinary shares of £0.005 each, being 358,937 issued shares in total.

5.4.13 In November 2017, as part of the group reorganisation summarised in paragraph 3 of this Part V, a further 5,790,312 ordinary shares of £0.005 each, 3,170,367 A ordinary shares of £0.005 each and 730,620 B ordinary shares of £0.005 each in the capital of ITG were issued as part of a bonus issue of shares to the shareholders of ITG at a rate of 27 new shares (of the relevant class) for every one existing share in the capital of ITG. The resulting issued share capital was 6,004,768 ordinary shares of £0.005 each, 3,287,788 A ordinary shares of £0.005 each and 757,680 B ordinary shares of £0.005 each, being 10,050,236 issued shares in total.

5.5 Save as disclosed in this Part V, as at the date of this document:

a) no shares in the capital of the Company or of any member of the Group are 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 are 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) there are no shares in the capital of the Company currently in issue with a fixed date on which an entitlement to a dividend arises, and there are no arrangements in place under which future dividends are waived or agreed to be waived;

f) 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;

g) the Company does not hold any of its own shares as treasury shares and no shares in the capital of the Company are held by or on behalf of the Company or by any subsidiary;

h) none of the Company's subsidiaries hold any Shares;

i) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

j) 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.

5.6 The Shares have been created under the Companies Act.

## 6. ARTICLES OF ASSOCIATION

6.1 The Articles, which were adopted conditional on Admission by a conditional special resolution of the Company passed on 1 February 2018, contain, amongst other things, provisions to the following effect:

### 6.1.1 Objects

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles.

The Articles do not contain any restrictions on the objects of the Company.

### 6.1.2 Rights attaching to the Shares

*a) Voting rights*

Subject to the provisions of the Companies Act and the Articles and to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person or by proxy has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder.

No member is entitled to vote at a general meeting (or any separate class meeting) either personally or by proxy, or to exercise any other right or privilege as a member in respect of a share held by him if any calls or other sums due and payable by him in respect of that share (whether alone or jointly with any other person together with interest and expenses (if any)) have not been paid to the Company, unless the board determines otherwise.

If a member (or any other person appearing to be interested in shares held by that member) has been issued a notice under section 793 of the Companies Act and is in default in supplying to the Company the information thereby required within the prescribed period, then (unless the board determines otherwise) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings or polls of the Company in respect of the shares which are the subject of such notice.

*b) Dividends*

Subject to the provisions of the Companies Act and the Articles and to any special rights attaching to any shares (as the case may be):

(i) the Company may, by ordinary resolution, declare dividends be paid to members of the Company according to their respective rights and interests in the profits of the Company, but no such dividend shall exceed the amount recommended by the board;

(ii) interim dividends may be declared and paid provided that they appear to the board to be justified by the profits available for distribution;

(iii) all dividends shall be declared and paid *pro rata* according to the amounts paid up (otherwise than in advance of calls) on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid;

(iv) no dividends payable by the Company shall bear interest as against the Company.

The Board may, by ordinary resolution of the Company, or in the case of an interim dividend, without the authority of an ordinary resolution, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid shares or debentures of any other company.

The Board may, subject to the Companies Act and with the prior authority of an ordinary resolution of the Company, offer the holders of Shares the right to elect to receive Shares, credited as fully paid, instead of cash in respect of the whole or some part of any dividend specified in the resolution, provided always that the Company has sufficient reserves or funds that may be capitalised and the board has sufficient authority to allot.

Any dividend unclaimed for a period of twelve months after having become payable may be used by the Board for the benefit of the Company until claimed and the Company shall not constitute a trustee in respect thereof. Any dividend unclaimed for a period of twelve years after it was first declared or became due for payment shall (if the board so resolves) be forfeited and cease to remain owing by the Company.

If a member (or any other person appearing to be interested in shares held by that member) has been issued a notice under section 793 of the Companies Act and is in default in supplying to the Company the information thereby required within the prescribed period, then (unless the board determines otherwise) where the holding represents more than 0.25 per cent. of the nominal value of the issued shares of that class (calculated exclusive of any treasury shares) the payment of any dividends for such shares shall be withheld.

*c)* *Return of capital on a winding up*

On a winding up, subject to the Companies Act and any special rights attached to any class of shares, any surplus assets remaining after payment of its liabilities shall be distributed amongst the members in proportion to the amount paid up on their shares at the commencement of the winding up.

A liquidator may, with the authority of a special resolution of the Company and any other authority required by law, divide amongst the members in specie the whole or any part of the assets of the Company and may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members. The liquidator may set such value for the assets as he deems fair. No member is required to accept any asset in respect of which there is a liability.

*d)* *Redemption*

The Shares are not redeemable.

*e)* *Pre-emption rights*

There are no pre-emption rights incorporated into the Articles in relation to the allotment and/or issue of new shares. However, the Company has passed resolutions (please refer to paragraph 5.3 of Part V of this document) relating to, amongst other things, the directors' authority to issue shares and disapplication of pre-emption rights on new share issues.

6.1.3 **Alteration of capital**

The Company may, from time to time, subject to the passing of a resolution authorising it to do so in accordance with the Companies Act:

a) consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares; or

b) sub-divide its shares or any of them into shares of smaller nominal amount, provided that the proportion between the amount paid and the amount, if any, unpaid on each resulting share shall be the same as it was in the case of the share from which that share is derived.

The Company may, subject to the provisions of the Companies Act and the passing of a special resolution, reduce its share capital, any capital redemption reserve, any share premium account and any redenomination reserve in any way.

The Company may, from time to time, and subject to the provisions of the Companies Act and the Articles, purchase any of its own shares of any class and may hold any shares purchased for consideration as treasury shares.

6.1.4 **Variation of rights**

Subject to the Companies Act, the rights attached to any class of shares may, whether or not the Company is being wound up, be varied or abrogated either:

a) with the consent in writing of the holders of not less than three-quarters in nominal value of the issued share of that class (excluding any shares of that class held as treasury shares); or

b) with the authority of a special resolution passed at a separate meeting of the holders of the relevant class of shares. The quorum at such meeting (except an adjourned meeting) shall not be less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class.

The creation or allotment of other shares ranking *pari passu* with or subsequent to the shares of any class in respect of dividends or returns of capital shall not (unless otherwise expressly provided by the Articles or the rights attached to such last-mentioned shares as a class) be deemed to be a variation of the rights of such shares, nor shall any lawful purchase by the Company of its own shares of any class.

6.1.5 **Transfers of shares**

All transfers of Shares held in certificated form may be effected by an instrument of transfer in any usual form or in any other form acceptable to the board and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee.

All transfers of Shares held in uncertificated form will be effected by means of the relevant system as provided for by the uncertificated securities rules.

The Board has the discretion to refuse to register any transfer of a share held in certificated form if it is not fully paid, the Company has a lien over it, it is in respect of more than one class of share, it is in favour of more than four transferees, it is not duly stamped (or otherwise shown to be exempt from stamp duty) or it is not accompanied by the certificate or other evidence required to prove title.

In the case of uncertificated shares, the Board may only refuse to register a transfer in accordance with the uncertificated securities rules and the relevant system.

If a member (or any other person appearing to be interested in shares held by that member) has been issued a notice under section 793 of the Companies Act and is in default in supplying to the Company the information thereby required within the prescribed period, then (unless the board determines otherwise) where the holding represents more than 0.25 per cent. of the nominal value of the issued shares of that class (calculated exclusive of any treasury shares) no transfer, other than an excepted transfer, of any shares held by the member shall be registered.

6.1.6 **Shareholder meetings**

An annual general meeting shall be held once a year. Other general meetings may be called whenever the Board think fit or when one has been requisitioned in accordance with the Companies Act.

All general meetings shall be called by at least the minimum notice required or permitted by the Companies Act, and the period of notice shall be exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. An annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent.

Two members present in person or by proxy and entitled to attend and vote on the business to be transacted shall be a quorum for all purposes.

6.1.7 **Directors**

a) *Constitution of Board*

Unless otherwise determined by ordinary resolution, the number of Directors shall be at least two. No shareholder qualification is required of any Director.

b) *Retirement of directors by rotation*

At every annual general meeting, any Director:

(i) appointed by the Board since the last annual general meeting; or

(ii) for whom it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected,

shall retire from office but shall be eligible for re-appointment. If the Company does not fill the office vacated by a retiring Director at the meeting at which he retires, if willing to act, such retiring Director shall be deemed re-appointed unless a resolution is passed not to fill the vacancy, another person is elected in his place, or a resolution to re-appoint him is put to the meeting and lost.

c) *Remuneration*

In accordance with Article 87, fees may be paid to Directors at such rate as may from time to time be determined by the board provided that such fees do not in the aggregate exceed the sum of £500,000 per annum or such other figure as the Company may from time to time determine by ordinary resolution. Such fees shall be distinct from any salary, remuneration or other amounts payable under any other provisions of the Articles.

Each Director may be paid their reasonable travelling, hotel and other expenses properly incurred in connection with performance of his duties as a director of the Company, including their expenses incurred in attending meetings of the Board, committee meetings or general meetings.

Any Director who performs or renders any special duties or services outside his ordinary duties as a director and not in his capacity as an employee or pursuant to an executive office, may be paid such reasonable additional remuneration as the board may determine.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or who has at any time been a director of any company within the Group.

d) *Restrictions on voting*

Save as provided below, a Director shall not vote or be counted in the quorum on:

(i) any resolution relating to any transaction or arrangement with the Company in which he has any interest and which may reasonably be regarded as likely to give rise to a conflict of interest; or

(ii) any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including, without limitation, fixing or varying the terms of his appointment or the termination or extension thereof).

A Director shall be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

(i) giving him any security, guarantee or indemnity for any money or any liability which he, or any other person, has lent or obligations he or any other person has undertaken at the request, or for the benefit, of the Company or any of its subsidiary undertakings;

(ii) giving any security, guarantee or indemnity to any other person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings, to that other person if the director has taken responsibility for some or all of that debt or obligation (i.e. by giving a guarantee, indemnity or security);

(iii) a proposal or contract relating to an offer of any shares or debentures or other securities for subscription or purchase by the Company or any of its subsidiary undertakings, if the director takes part because he is a holder of shares, debentures or other securities, or if he takes part in the underwriting or sub-underwriting of the offer;

(iv) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;

(v) save where has a '*relevant interest*' (as defined in the Articles) in which case he will not be entitled to vote or count in the quorum, any arrangement involving any other company if the director (together with any person connected with him) has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder of that company);

(vi) a contract relating to insurance which the Company can buy or renew for the benefit of the directors or a group of people which includes directors; and

(vii) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the scheme relates.

6.1.8 **Borrowing powers**

Subject to the Articles and the Companies Act, the Board may exercise all the powers of the Company to borrow money, indemnify and guarantee, mortgage or charge all or any part of the Company's undertaking, property and assets (present or future) and uncalled capital, create and issue debentures and other securities and give security either outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The aggregate principal amount at any one time outstanding in respect of monies borrowed or secured by the Group (exclusive of intra-group borrowings) shall not at any time without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the aggregate of the amount paid up or credited or deemed to be paid up on the issued or allotted share capital of the Company and the amount standing to the credit of the reserves (including, without limitation, the profit and loss account and any share premium account or capital redemption reserve) of the Company and its subsidiary undertakings included in the consolidation in the relevant balance sheet of the Company but after any adjustments, exclusions and deductions as set out in the Articles.

## 7. Interests of the Directors and significant shareholdings

7.1 The interests of the Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the Companies Act) in the issued share capital of the Company or the existence of which could, with reasonable diligence, be ascertained by any Director immediately prior to Admission and as expected to be immediately following Admission will be as follows:

| | *Immediately prior to Admission* | | *Sale Shares sold or Placing Shares acquired* | | *Immediately following Admission* | |
|---|---|---|---|---|---|---|
| *Name* | *Number of Shares* | *% of existing Shares* | *Number of Sale Shares sold* | *Number of Placing Shares acquired* | *Number of Shares* | *% of Enlarged Share Capital* |
| Alan Calder | 29,028,740 | 57.75% | 1,071,429 | — | 27,957,311 | 48.65 |
| Alan Calder 2018 trust (Note 1) | 1,000,000 | 1.99% | — | — | 1,000,000 | 1.74 |
| ITG Pension Fund (Note 2) | — | — | — | 32,857 | 32,857 | 0.06 |
| Natasha Calder (Note 3) | 62,860 | 0.13% | — | — | 62,860 | 0.11 |
| Alexandra Calder (Note 4) | 60,060 | 0.12% | — | — | 60,060 | 0.10 |
| Olga Travlos (Note 5) | 70,980 | 0.14% | — | — | 70,980 | 0.12 |
| Meg Ward (Note 6) | 99,960 | 0.20% | — | — | 99,960 | 0.17 |
| **Calder Family** | **30,322,600** | **60.33%** | **1,071,429** | **32,857** | **29,284,028** | **50.96** |
| Neil Acworth (Note 7) | 1,130,080 | 2.25% | — | — | 1,130,080 | 1.97 |
| Andrew Brode | 11,279,800 | 22.44% | — | — | 11,279,800 | 19.63 |
| Chris Hartshorne (Note 7) | 11,760 | 0.02% | — | — | 11,760 | 0.02 |
| Steve Watkins (Note 7) | 3,788,400 | 7.54% | 142,857 | — | 3,645,543 | 6.34 |
| **Total Concert Party** | **46,532,640** | **92.58%** | **1,181,429** | **32,857** | **45,351,211** | **78.92** |
| Ric Piper | — | — | — | 50,000 | 50,000 | 0.09 |
| | 46,532,640 | 92.58% | 1,181,429 | 82,857 | 45,301,251 | 78.84 |

**Notes**

1. The trustees of the Alan Calder Discretionary Settlement 2018 are Alan Calder and Olga Travlos and the beneficiaries are Natasha and Alexandra Calder
2. Alan Calder and Olga Travlos are the sole beneficiaries and two of the three trustees of the ITG Pension Fund which will acquire 32,857 Shares under the Placing
3. Natasha Calder is Alan Calder's adult daughter
4. Alexandra Calder is Alan Calder's adult daughter
5. Olga Travlos is Alan Calder's wife
6. Meg Ward is Alan Calder's sister and as such is deemed to be a member of the Concert Party but is not a connected person within the meaning of section 252 of the Companies Act
7. Excludes entitlement to Shares under the Employee Share Sceme set out in paragraph 10.1 below

7.2 Save as disclosed below, the Company is not aware of any interest in the Company's share capital which amounts or will, immediately following Admission, amount to 3 per cent. or more of the Company's issued share capital other than the following:

| | *Immediately prior to Admission* | | *Sale Shares sold or Placing Shares acquired* | | *Immediately following Admission* | |
|---|---|---|---|---|---|---|
| *Name* | *Number of Shares* | *% of Existing Shares* | *Number of Sale Shares sold* | *Number of Placing Shares acquired* | *Number of Shares* | *% of Enlarged Share Capital* |
| Alan Calder (Note 1) | 30,222,640 | 60.1% | 1,071,429 | 32,857 | 29,184,068 | 50.8 |
| Andrew Brode | 11,279,800 | 22.4% | — | — | 11,279,800 | 19.6 |
| Steve Watkins (Note 2) | 3,788,400 | 7.5% | 142,857 | — | 3,645,543 | 6.3 |
| Paul Chambers | 2,592,380 | 5.2% | — | — | 2,592,380 | 4.5 |

**Notes**

1. Alan Calder's shareholding shown above includes the shareholdings of Natasha Calder, Alexandra Calder, the ITG Pension Fund, the Alan Calder Discretionary Settlement 2018 and Olga Travlos
2. Excludes options held as set out in paragraph 10.1 below

7.3 The voting rights of the shareholders set out in paragraphs 7.1 and 7.2 do not differ from the voting rights held by other shareholders.

7.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

7.5 Save as disclosed above, and save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

7.6 None of the Directors or any person connected with them (within the meaning of section 252 of the Companies Act) is interested in any related financial product referenced to the Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Shares including a contract for difference or a fixed odds bet).

## 8. DIRECTORS AND EMPLOYEES

### 8.1 Executive Directors

#### 8.1.1 Alan Philip Calder

Mr Calder has entered into a service agreement with the Company on 27 February 2018 (which replaced any existing services agreement with the Group) for his appointment as full time chief executive officer effective from and conditional on Admission. The appointment will be terminable on six months' notice given by either party and summarily by the Company in certain limited circumstances. Mr Calder's annual salary will be £220,000 and he will be entitled to various customary benefits, as well as a contribution of 15 per cent. of his salary to his pension fund (ITG Pension Fund). Mr Calder will give certain non-compete and non-solicitation undertakings which will apply during his engagement and in respect of the period of twelve months post termination.

#### 8.1.2 Neil Roger Acworth

Mr Acworth has entered into a service agreement with the Company on 27 February 2018 (which replaced any existing services agreement with the Group) for his appointment as full time chief information officer effective from and conditional on Admission. The appointment will be terminable on six months' notice given by either party and summarily by the Company in certain limited circumstances. Mr Acworth's annual salary will be £100,000 and he will be entitled to various customary benefits, as well as an auto-enrolment pension contribution. Mr Acworth will give certain non-compete and non-solicitation undertakings which will apply during his engagement and in respect of the period of twelve months post termination.

#### 8.1.3 Christopher John Hartshorne

Mr Hartshorne has entered into a service agreement with the Company on 27 February 2018 (which replaced any existing services agreement with the Group) for his appointment as full time chief financial officer effective from and conditional on Admission. The appointment will be terminable on six months' notice given by either party and summarily by the Company in certain limited circumstances. Mr Hartshorne's annual salary will be £75,000 and he will be entitled to various customary benefits, as well as an auto-enrolment pension contribution. Mr Hartshorne will give certain non-compete and non-solicitation undertakings which will apply during his engagement and in respect of the period of six months (non-compete) and nine months (non-solicitation) post termination.

#### 8.1.4 Stephen George Watkins

Mr Watkins has entered into a service agreement with the Company on 27 February 2018 (which replaced any existing services agreement with the Group) for his appointment as full time executive director effective from and conditional on Admission. The appointment will be terminable on six months' notice given by either party and summarily by the Company in certain limited circumstances. Mr Watkins' annual salary will be £105,000 and he will be entitled to various customary benefits, as well as an auto-enrolment pension contribution.

Mr Watkins will give certain non-compete and non-solicitation undertakings which will apply during his engagement and in respect of the period of twelve months post termination.

8.2 **Non-Executive Directors**

8.2.1 **Andrew Stephen Brode**

Mr Brode has entered into a letter of appointment with the Company dated 27 February 2018 (which replaced any existing agreement with the Group) for his appointment as a non-executive director and Chairman with effect from Admission. The appointment will be for an initial term of three years to be reviewed annually thereafter. The letter provides that Mr Brode will not receive a director's fee or other remuneration. Mr Brode will give certain non-compete undertakings which will apply during his engagement and in respect of the period of twelve months post termination.

8.2.2 **Richard John Piper**

Mr Piper has entered into a letter of appointment with the Company dated 27 February 2018 for his appointment as a non-executive director with effect from Admission. The appointment will be for an initial term of three years to be reviewed annually thereafter. The letter provides for payment of a director's fee of £35,000 per annum. Mr Piper will give certain non-compete undertakings which will apply during his engagement and in respect of the period of twelve months post termination.

8.3 All of the aforementioned service agreements and letters of appointment are governed by English law.

8.4 The aggregate remuneration (excluding dividends but including benefits in kind) paid or payable by the Group to the Directors during the year ended 31 March 2017 was £150,382. The aggregate estimated remuneration (excluding dividends but including benefits in kind and pension payments) paid or payable to the Directors by the Company for the current financial period under the arrangements in force from Admission is expected to amount to £540,000 (also excluding any discretionary payments which may be made under these arrangements).

8.5 Save as disclosed in this document:

a) there are no existing or proposed service contracts between any Director and the Company or any other company in the Group;

b) there are no existing or proposed arrangements which provide for benefits or additional payment upon any Director's termination of employment; and

c) there are no existing or proposed arrangements under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year preceding the date of this document.

8.6 Save as set out in the letter of appointment entered into by Richard John Piper dated 27 February 2018 (as referred to in paragraph 8.2.2. in this Part V), the Placing Agreement, the Relationship Agreement, and the Lock-In Agreements (which are summarised in paragraphs 11.2, 11.5 and 11.6 of this Part V), there are no agreements, arrangements or understandings (including compensations agreements) between any of the Directors, recent directors, Shareholders, or recent shareholders of the Company connected with or dependent upon Admission or the Placing.

## 9. Additional information on the directors

9.1 The names of all companies (excluding group companies) and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document and indicating whether they are current or past are set out below:

| *Director* | *Current Directorships/Partnerships* | *Directorships/Partnerships in the past 5 years* |
|---|---|---|
| Alan Calder | IBITGQ Verein (registered association, Germany) | Xanthos Limited |
| Neil Acworth | None | None |
| Christopher Hartshorne | None | None |
| Andrew Brode | ABMS Partners Limited<br>Atom Content Marketing Limited<br>Beijing RWS Science & Technology<br>Communicare Limited<br>Corporate Translations Inc.<br>Corporate Translations Inc. (UK) Limited<br>Czech Intermediate Holding Company s.r.o.<br>Eclipse Translations Limited<br>Erevalue Limited<br>Harleystreet World Limited<br>Hotbed Group Limited<br>(in members voluntary liquidation)<br>Information Consultancy Co. Limited<br>Inovia Europe GmbH<br>Inovia Holdings Pty Limited<br>Japanese Language Services Limited<br>KK RWS Group<br>Lawyers' and Merchants' Translation Bureau Inc.<br>Learning Technologies Group Plc<br>Moravia Czech Holding Company s.r.o.<br>Pharmaquest Limited<br>RWS Group Deutschland GmbH<br>RWS Group Limited<br>RWS Group Schweiz GmbH<br>RWS Holdings Plc<br>RWS Information Limited<br>RWS (Overseas) Limited<br>RWS Life Sciences International SA<br>RWS Translations Limited<br>RWS UK Holding Co Limited<br>RWS US Holding Co Inc.<br>Vehicle Consulting UK Limited<br>Walkwood Properties Limited | Bybrook Limited<br>Davda & Associates Limited<br>Electric Word Limited<br>Epic Group Limited<br>Gomo Learning Limited<br>HDOL2012 Limited<br>HDTL2012 Limited<br>Health Hub Limited<br>Internet Direct Limited<br>Leo Learning Inc<br>Leo Learning Limited<br>Pang Isis Limited<br>Plastics Translations Limited<br>Reading Room Limited<br>RWS Vault Limited<br>Tributary Limited<br>Vitesse Media plc |
| Stephen Watkins | IBITGQ Verein (registered association, Germany)<br>Kinsnall Consulting Limited<br>Manage Your Career Limited | |
| Richard Piper | Gattaca plc<br>Restoration Partners Limited<br>Turbo Power Systems Limited | Elektron Technology PLC<br>Concepta PLC<br>Lakehouse PLC<br>Precision Midstream PLC<br>Turbo Power Systems, Inc.<br>Waterman Group PLC<br>Waterman Trustees Limited |

9.2 The following disclosures are required pursuant to Schedule 2(g) of the AIM Rules for Companies:

Mr Calder was appointed as an executive director of The Hire Corporation plc on 27 July 1991 until it was dissolved on 18 May 1999. On 6 March 1992 the company went into administrative receivership.

Mr Calder was appointed as an executive director of The Realisations (No.2) Limited on 27 July 1991 until it was dissolved on 11 May 1999. The company was the administrator's realisations company for The Hire Corporation plc, and as such on 9 March 1992 the company went into administrative receivership.

Mr Calder was appointed as an executive director of Wide Multimedia Ltd on 3 July 2001 until it was dissolved on 8 October 2008. On 4 July 2002 the company went into voluntary creditors liquidation. The deficiency as regards creditors was £1,082,723.

Mr Calder was appointed as an executive director of W794 Limited on 4 July 2002 until 5 April 2003. On 27 June 2003 the company went into voluntary creditors liquidation. The deficiency as regards creditors was £554,610.

Mr Brode was appointed as a non-executive director of Prescom Publications Limited on 20 May 1993, representing 3i plc. On 16 March 2001 the company went into a creditors' voluntary liquidation. 3i was the largest creditor and the deficiency regarding creditors was £442,402.

Mr Brode was appointed as a non-executive director of Rage plc on 21 November 1994. On 15 January 2003 the company went into administrative receivership. The deficiency as regards creditors was £6.12 million.

Mr Brode was appointed as a director of Health Hub Limited on 1 May 2012 until it was dissolved on 11 April 2016. The company went into creditors voluntary liquidation on 13 November 2014. The deficiency as regards creditors was less than £25,000.

Mr Brode was appointed as a director of Mandis Information Services Limited on 23 December 2003 until it was dissolved on 13 May 2008. The company went into creditors voluntary liquidation on 5 October 2006. The deficiency as regards creditors was £237,949.

Mr Brode was appointed as a director of Andromeda Oxford Limited on 18 August 1999 whilst it was subject to a creditors voluntary arrangement which concluded on 14 November 1999. Mr Brode resigned as a Director on 19 June 2001.

Mr Piper was appointed as a director of SubSea Resources plc on 21 December 2006 until it was dissolved on 15 June 2011. On 11 April 2008 the company went into administrative receivership and went into voluntary creditors liquidation on 2 April 2009. The deficiency as regards creditors was £155,558. SubSea Resources plc was subject to a public censure by the London Stock Exchange for a period prior to Mr Piper's involvement with the Company.

9.3 Save as disclosed in this paragraph 9, none of the Directors have:

a) any unspent convictions in relation to indictable offences;

b) had any bankruptcy order made against him or entered into any voluntary arrangements;

c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

e) been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

f) been officially publicly criticised incriminated or sanctioned by any statutory or regulatory authorities (including designated professional bodies); or

g) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of a company in the five years preceding the date of this document.

## 10. SHARE OPTION SCHEMES

### 10.1 Share Options and the Employee Share Scheme

On 1 February 2018, the Company adopted a new share option plan (Employee Share Scheme), which was subsequently amended on 12 February 2018. A brief summary of its principal terms is set out in paragraph 10.2 below.

Immediately prior to Admission, there will be options over 2,348,920 Shares outstanding under the Employee Share Scheme representing 4.09 per cent. of the Enlarged Share Capital.

| *Name of option holder* | *Number of Shares under option immediately prior to Admission* | *Exercise price per Share (pence)* | *Total exercise Value £* |
|---|---|---|---|
| Neil Acworth (Note 1) | 353,920 | 12.71474 | 45,000 |
| Chris Hartshorne (Note 2) | 315,000 | 42.85714 | 135,000 |
| Steve Watkins (Note 1) | 1,680,000 | 0.31429 | 5,280 |

**Notes**

1. options held by Neil Acworth and Steve Watkins will have vested and become exerciseable with effect from Admission
2. with effect from Admission, 50 per cent. of Chris Hartshorne's options will have vested and become exercisable

### 10.2 Terms of the Employee Share Scheme

*a) Overview*

The Employee Share Scheme mirrors, as far as possible, the features of the previous unapproved scheme so the options granted to Steve Watkins and Neil Acworth are granted as fully vested and exercisable as their options were fully vested under the old scheme. Share options granted under the Employee Share Scheme are intended to be eligible for qualification as Enterprise Management Incentive share options.

*b) Grant*

Options may only be granted to employees (including directors) of the Company or any member of the Group. The Board has discretion to determine which employees may be granted options.

*c) Vesting*

The Board may set time, performance or other conditions which must be met before an option will become vested. The board may vary any condition set if the condition no longer represents a fair measure of performance.

It is anticipated that options will be granted subject to a three-year vesting period, although the initial grants described above (other than certain of those granted to Chris Hartshorne) have been granted as fully vested and exercisable at any time from grant.

Options will also be granted subject to performance conditions which must be met before the option vests. The intention is to use financial performance conditions such as share value appreciation targets.

*d) Tax Indemnity*

It is a condition of a grant of an option that each option holder indemnifies the Company and any member of the Group (if permitted by law) against any income tax and/or national insurance contribution charges (including both employee and employer national insurance contributions) or any similar employment or withholding tax or costs arising in the territory of residence and/or employment of the option holder, resulting from the grant, exercise, disposal or release of an option.

e) *Exercise*

The option will normally be exercisable once it has vested. As stated above, vesting is likely to be based on both time and performance conditions, although the Board may set other exercise provisions for a particular option holder at the date of grant. The option will lapse if not exercised by the day prior to the tenth anniversary of the date of grant.

Each option shall be exercisable only by the option holder to whom it is granted (or his personal representatives) and may not be transferred, assigned or charged and the option shall lapse on any purported transfer assignment or charge by the option holder.

If an option holder ceases to be an employee prior to the normal vesting date (which will usually be the third anniversary of grant), the option will automatically lapse over a proportion of the option shares based on a proportion of the number of days between the date of cessation and the normal vesting date for the option compared with the number of days between the grant date and normal vesting date.

A vested option may be exercised (within 90 days of cessation or one year on death) provided that the employment does not terminate as a result of the employee's bad conduct (including gross misconduct and breach of termination restrictions). If the employment terminates due to the employee's bad conduct, the option will lapse unless the Board determines otherwise.

f) *Amendments*

In the event of a capitalisation, rights issue, sub-division, consolidation, reduction of capital or otherwise the Board may make appropriate adjustments to the number of Shares under option and the price at which Shares may be acquired on exercise.

The Board may amend the rules at any time, except that Shareholder approval is required to amend the limit of the relevant plan or make the plan materially more generous, or change the definition of Eligible Employee to expand the class of potential option holders.

g) *Miscellaneous*

Participation by an option holder shall not form part of his entitlement to remuneration or benefits pursuant to his contract of employment and rights granted to an option holder under the grant of an option shall not afford him any rights or additional rights to compensation or damages in consequence of the loss, termination of his office or employment with the Company.

10.3 **Option pool**

Pursuant to the conditional resolutions passed by the shareholders of the Company on 1 February 2018 (as summarised at paragraph 5.3 of this Part V), an option pool has been created over 10 per cent. of the nominal value of the Shares in issue at 6.00 p.m. (London time) on the date which is three business days following Admission. The existing options (as summarised at paragraph 10.1 of this Part V) are not included within this pool.

10.4 **Vigilant's unapproved option scheme**

Vigilant operates an unapproved options scheme, under which options to acquire 1,000 ordinary shares in Vigilant (approximately 0.6 per cent. of its current issued share capital) were granted to an employee on 20 December 2013. These options are only capable of being excercised, to the extent vested, on an exit of Vigilant (which would include the sale or listing of Vigilant).

## 11. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document or were entered into prior to this but contain provisions which are, or may be, material:

11.1 **Xanthos Framework Agreement**

A Framework Agreement for the provision of IT services dated 20 February 2018 between (1) GRC International Group plc and (2) Xanthos Limited, pursuant to which Xanthos Limited provides IT services to group companies of GRC International Group plc ("Group Companies"). The Framework Agreement: (i) extinguishes all previous terms and conditions in place between Xanthos Limited and the Group Companies; (ii) brings any continuing provision of IT Services by Xanthos Limited to Group Companies under the terms of the Framework Agreement; and (iii) allows Group Companies to commission further IT Services from Xanthos Limited on an *ad hoc* basis by calling off individual Statements of Work under the Framework Agreement.

The IT Services being provided by Xanthos Limited at the date of execution of the Framework Agreement and which have been brought under the terms of the Framework Agreement include, amongst other things, website development, support and hosting (including design, testing and release of complete websites), product development, first line technical support in relation to website functionality, website performance monitoring, website reporting, strategic advice and guidance on website development strategies (including use of new technologies).

Under the Framework Agreement: (i) subject to payment of the requisite fees, all intellectual property rights in the products of the Services vest in the Group Company commissioning the IT Services; and (ii) the Group Companies warrant that any marketing lists provided to Xanthos Limited in connection with the relevant Statement(s) of Work will have been collected and collated in accordance with all applicable laws and regulations; and that the use of such list by Xanthos Limited in accordance with the Group Companies' instructions will not breach any applicable laws, infringe any person's legal rights and will not give rise to a cause of action against Xanthos Limited, the Group Companies or any other person. The Framework Agreement has a fixed term of five years and may be terminated by either party for material breach or repeated breach, events of insolvency or breach of warranty or terminated for convenience at six months' notice. Termination of the Framework Agreement does not automatically terminate any Statements of Work that have been agreed while the Framework Agreement is in force, but Statements of Work can be terminated for material breach or repeated breach, events of insolvency or breach of warranty. In addition, any Statement of Work may be terminated by 30 days' written notice prior to its renewal date unless otherwise agreed. The Framework Agreement includes an indemnity in favour of the relevant Group Company for claims relating to the employment or redundancy of employees of Xanthos Limited who subsequently transfer to that Group Company or to a successor service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended). The Framework Agreement is structured to allow flexibility as to the spend of individual Group Companies, subject to an annual cap on the aggregate contract value across all Group Companies of £850,000.

11.2 **Placing Agreement**

A placing agreement dated 27 February 2018 and made between (1) the Company, (2) the Directors, (3) Grant Thornton and (4) Dowgate, pursuant to which Dowgate has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the Placing Shares and the Sale Shares at the Placing Price. Under the Placing Agreement, the Company has agreed to pay to Grant Thornton (in its capacity as Nominated Adviser) a corporate finance fee and to Dowgate a corporate broking fee and a commission on the aggregate value of the New Shares issued pursuant to the Placing, together with all costs and expenses of Grant Thornton and Dowgate properly and reasonably incurred, arising out of, or incidental to, the Placing and Admission (together in each case with any applicable VAT). The Selling Shareholders have agreed to pay Dowgate a commission on the value of the Sale Shares they are selling at the Placing Price.

The Placing Agreement is conditional upon, amongst other things, Admission occurring on or before 8.00 a.m. on 5 March 2018 (or such later date as the Company, Grant Thornton and Dowgate may agree, being not later than 8.00 a.m. on 5 April 2018). The Placing Agreement contains warranties from the Company and the Directors in favour of Grant Thornton and Dowgate in relation to, amongst other things, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company and Alan Calder and Steve Watkins (as the Selling Shareholders) have agreed to indemnify Grant Thornton and Dowgate in respect of certain liabilities they may incur in respect of the Placing. Grant Thornton and Dowgate have the right to terminate the

Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a *force majeure* event.

11.3 **Nominated Adviser Agreement**

A nominated adviser agreement dated 27 February 2018 and made between (1) the Company (2) the Directors and (3) Grant Thornton pursuant to which the Company has appointed Grant Thornton to act as nominated adviser to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Grant Thornton an annual retainer. It has also been agreed that the retainer fee will be reviewed and agreed between the Company and Grant Thornton annually. The agreement contains certain undertakings and indemnities given by the Company to Grant Thornton and certain undertakings given by the Directors to Grant Thornton. The agreement is terminable upon not less than three months' prior written notice by either the Company or Grant Thornton.

11.4 **Broker Agreement**

A broker agreement dated 27 February 2018 and made between (1) the Company and (2) Dowgate pursuant to which the Company has appointed Dowgate to act as sole broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Dowgate an annual retainer fee for its services as broker under the agreement. Such annual retainer fee will rise by 3 per cent. per annum from the later of the first anniversary of Admission and 1 April 2019. The agreement contains certain undertakings, warranties and indemnities given by the Company to Dowgate. The agreement is for a fixed term of twelve months and thereafter is terminable upon not less than three months' prior written notice by either the Company or Dowgate.

11.5 **Relationship Agreement**

A Relationship Agreement dated 27 February 2018 and made between (1) the Company, (2) Alan Calder, (3) Grant Thornton and (4) Dowgate to regulate the relationship between each of them and the Company after Admission. The Relationship Agreement provides for the autonomous operation of the Company by the board independently of Alan Calder and will be binding on him for so long as he (together with his Associates) is interested in voting rights representing 30 per cent. or more of the rights to vote at a general meeting of the Company. Immediately following Admission, those shareholders caught by the Relationship Agreement shall be the Calder Family. Pursuant to the Relationship Agreement, Alan Calder undertakes, amongst other things, that: (i) he will conduct all transactions, agreement and arrangements with the Group on an arm's length basis and on normal commercial terms; (ii) he will not vote (nor will any of his Associates vote) on resolutions concerning any business with the Company in which they are interested or which involves a conflict of interest; and (iii) the Group and the business shall be managed for the benefit of the shareholders as a whole and independently of Alan Calder, and that he will not (either alone or together with any of his Associates) exercise his (or their) voting rights to allow, permit or cause breaches of any of the undertakings to subsist.

11.6 **Lock-in Agreements**

Lock-in agreements dated 27 February 2018 and made between (1) the Company, (2) Dowgate, (3) Grant Thornton, and (4) each of the Directors, pursuant to which the Directors have undertaken to the Company, Dowgate and Grant Thornton not to dispose of the Shares held by each of them following Admission or any other securities in exchange for or convertible into, or substantially similar to, Shares (or any interest in them or in respect of them) at any time prior to the twelve month anniversary of Admission (the "Lock-in Period"). Furthermore, each of the Directors have also undertaken to the Company, Dowgate and Grant Thornton not to dispose of their Shares for a further twelve months following the expiry of the Lock-in Period otherwise than through Dowgate for such time as they shall remain brokers to the Company and in such manner as Dowgate and/or Grant Thornton may reasonably determine with a view to maintaining an orderly market in Shares.

## 12. RELATED PARTY TRANSACTIONS

Xanthos Limited is considered a related party to the company as Alan Calder was a director and shareholder of that company until March 2017, and his spouse Olga Travlos is now sole shareholder and sole director of that company. Xanthos sub-lets office space from the Group, which comprises the other income received by the Group as disclosed in Part III of this document. The Group also makes purchases from Xanthos. During the year to 31 March 2017 the Group made purchases totalling £168,689 from Xanthos (2016: £105,624; 2015: £144,694). Outstanding amounts payable to Xanthos at 31 March 2017 totalled £17,339 (2016: £9,210; 2015: £34,238).

Save as disclosed above and in the notes to the Historical Financial Information in Part III of this document the Company has not entered into any related party transactions of the type set out in the standards adopted according to the Regulation (EC) No. 1606/2002 during the period covered by the historical financial information set out in Part III and up to the date of this document.

**13. LITIGATION**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware, which may have or have had during the twelve months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or the Group.

**14. TAKEOVER CODE, 'SQUEEZE OUT' AND 'SELL OUT'**

14.1 **Mandatory takeover bids**

The Company is subject to the Takeover Code. Brief details of the Takeover Panel, the Takeover Code and the protections they afford are described below. The Takeover Code is issued and administered by the Takeover Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, amongst other things, a public company resident in the United Kingdom and which is considered by the Takeover Panel to have its place of central management and control in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code. Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company. Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him. Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Takeover Panel consent. For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' (as defined in the Takeover Code) also deems any shareholders in a private company who sell their shares in that company inconsideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established, and, for this purpose, the Concert Party is considered to be the Company's concert party fo the purpose of this rule.

14.2 **Squeeze out**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the takeover offer relates (the "Takeover Offer Shares") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

14.3 **Sell-out**

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

## 15. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 16. TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident in the United Kingdom for tax purposes, holding Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HMRC published practice. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time (and in certain circumstances with retrospective effect). **Any person who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.**

16.1 **Taxation of dividends**

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

*Individuals*

Individual Shareholders receiving a dividend from the Company will be liable to UK income tax on the amount of any such dividend. Dividend income is generally treated as the top slice of the Shareholder's total income (subject to certain exceptions for specific types of income, such as termination payments) for UK tax purposes. From 6 April 2016, the dividend tax credit was abolished and a new system for taxing dividends introduced. Under the new system, there is no income tax payable in respect of the first £5,000 (£2,000 from 6 April 2018) of dividend income received in the tax year by a UK resident individual (although such income still counts towards the basic, higher and additional rate thresholds) regardless of the level of non-dividend income received. Dividend income received above £5,000 (£2,000 from 6 April 2018) in a tax year is taxable at 7.5 per cent., 32.5 per cent. and 38.1 per cent. for basic rate, higher rate and additional rate taxpayers, respectively. Shareholders should therefore seek appropriate tax advice on how the new changes may impact their tax affairs. Dividends payable to trustees of discretionary trusts will be subject to dividend income tax at the dividend trust rate, currently 38.1 per cent. Dividends payable to trustees of interest in possession trusts or personal representatives will be subject to income tax at 7.5 per cent. Trustees do not qualify for the £5,000 dividend allowance available to individuals.

*Companies*

With certain exceptions (e.g. for traders in securities), Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will generally not be subject to tax on dividends from the Company under the Distribution Exemption rules. The exemption is only available if certain conditions are met (including an anti-avoidance condition). 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. To the extent that dividends are not exempt, they will be subject to corporation tax. The current rate of UK corporation tax is 19 per cent. This rate is due to fall to 17 per cent. with effect from 1 April 2020.

16.2 **Taxation of chargeable gains**

For the purpose of UK tax on chargeable gains, the purchase of 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 Shares allotted to him, the 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 Shares will constitute the base cost of a Shareholder's holding. A disposal of all or any of the 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 not resident in the UK.

*Individuals*

Where an individual Shareholder disposes of Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption and after taking account of any capital losses available to the individual. In computing the gain, the Shareholder is entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal). From 6 April 2016, for individuals disposing of assets other than residential property, capital gains tax will be charged at 10 per cent. on any chargeable gains to the extent that they do not exceed the amount of the individual's unused basic rate income tax band for the relevant tax year. To the extent that any chargeable gains, or part of any chargeable gain exceed the individual's unused basic rate income tax band, capital gains tax will be charged at 20 per cent. For trustees and personal representatives of deceased persons, capital gains tax on gains on disposals of assets other than residential property in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

*Companies*

Where a Shareholder is within the charge to corporation tax, a disposal of 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 (currently 19 per cent. for chargeable accounting periods commencing on/after 1 April 2017). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss. However irrespective of the date of disposal of an asset, indexation allowance is only available up to 31 December 2017 (assuming Finance Bill 2017-18 receives Royal Assent as expected).

16.3 **Inheritance Tax**

The Shares are treated as unquoted shares for UK inheritance tax (IHT) purposes. Individuals and trustees subject to IHT may be entitled to claim business property relief of up to 100 per cent. after a holding period of two years, providing all the relevant conditions for relief are satisfied at the appropriate time. Shareholders who are concerned with the potential IHT implications of their shares in the Company should consult their personal tax advisers.

16.4 **Stamp Duty and Stamp Duty Reserve Tax**

As this will be an admission to trading on AIM, no stamp duty and/or stamp duty reserve tax should be due on the issue of new Shares. Subsequent sales of the Shares once admitted to trading on AIM should be exempt from both stamp duty and stamp duty reserve tax provided that the Shares remain admitted to trading on AIM but are not listed on any other recognised stock exchange in the UK or elsewhere.

**17. NO SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION**

Save as otherwise disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 September 2017, being the date to which the unaudited interim financial information set out in Part III of this document was prepared.

**18. GENERAL**

18.1 The gross proceeds of the Placing are expected to be £5.04 million, with net proceeds from the New Shares expected to be approximately £4.14 million. The total costs and expenses relating to the Placing payable by the Company are estimated to be £0.90 million (excluding VAT). Gross proceeds received by the Selling Shareholders will be £0.85 million. The Selling Shareholders will be responsible for paying the broker commission in respect of their shares.

18.2 The Placing Shares will not be offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. All the Placing Shares will be placed firm with placees. The Placing will not be guaranteed or underwritten by any person.

18.3 The Placing Price represents a premium over nominal value of 69.9 pence per Share.

18.4 Grant Thornton UK LLP in its capacity as Reporting Accountants to the Company has given and not withdrawn its written consent to the inclusion in this document of its accountant's report on historical financial information in Section A of Part III of this document, and its review report on unaudited financial information in Section C of Part III of this document in the form and context in which it appears.

18.5 Grant Thornton in its capacity as Nominated Adviser to the Company has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.

18.6 Dowgate in its capacity as Broker to the Company has given and has not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

18.7 The Group has not made any investments since 30 September 2017 up to the date of this document, nor are there any investments by the Group in progress or anticipated which are significant.

18.8 Except for fees payable to the professional advisers whose names are set out on page 9 of this document, payments to trade suppliers, and except as set out below or as otherwise disclosed in this document, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission:

a) Cortayne Commercial Limited has received, or will receive, payments of up to £125,000 in relation to transaction support services in connection with the Placing and Admission.

b) Aspiration Europe Limited has received, or will receive, payments of up to £30,000 in relation to IFRS accounting.

18.9 Save as set out in this document and so far as the Directors are aware, there are no arrangements relating to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

18.10 Save as disclosed in this document, no person has made a public takeover bid for the Company's issued share capital since its incorporation or in the current financial period and the Company is not aware of the existence of any takeover pursuant to the rules of the City Code.

18.11 Save for the acquisition of ITG and its subsidiaries (other than IT Governance LLC) on 1 February 2018 and the incorporation of IT Governance USA Inc, since the date of its incorporation on 27 October 2017, the Company has not yet commenced operations and it has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document.

## 19. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge from the Company's registered office and at the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for at least one month after Admission. An electronic version of this document is also available to download from the Company's website www.grci.group.

Dated: 27 February 2018

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