



Admission Document



Nominated Adviser and Broker



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This document, which is an AIM admission document, has been prepared in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public within the meaning of section 102B of FSMA and is not required to be issued as a prospectus for the purposes of the Prospectus Rules. Accordingly, this document has not been approved by the UK Listing Authority.

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 AIM Rules are less demanding than those of the Official List.

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that admission to AIM will become effective and that dealings in the Ordinary Shares will commence on 18 December 2014.

Mercia Technologies PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 9223445)

Placing of 143,661,664 Ordinary Shares at 50 pence per Ordinary Share and Admission to trading on AIM

CENKOS SECURITIES PLC

Nominated Adviser and Broker

Cenkos Securities plc ("**Cenkos**"), which is a member of the London Stock Exchange, is authorised and regulated in the UK by the Financial Conduct Authority and is acting as nominated adviser to the Company for the purposes of the AIM Rules and as broker to the Company in connection with the Placing and Admission. Cenkos is not acting for, and will not be responsible to, any person other than the Company for providing the protections afforded to their customers or for advising any other person on the contents of this document or on any transaction or arrangement referred to in this document. Cenkos' responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company, any Director or to any other person. No representation or warranty, express or implied, is made by Cenkos as to, and no liability is accepted by Cenkos in respect of, any of the contents of this document.

The whole of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Prospective investors should carefully read the section entitled "Risk Factors" within this document. All statements regarding the Company and its subsidiaries should be viewed in the light of these risk factors.

The distribution of this document in jurisdictions other than the United Kingdom may also be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions.

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IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in the United Kingdom and are subject to change. This document should be read in its entirety. All holders of Ordinary Shares are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

The delivery of this document or any subscriptions or purchases made hereunder and at any time subsequent to the date of this document shall not, under any circumstances, create an impression that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct.

PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS ARE ADVISED TO READ, IN PARTICULAR, “INFORMATION ON THE GROUP” AND “RISK FACTORS” SET OUT IN THIS DOCUMENT.

The distribution of this document outside the United Kingdom may be restricted by law. No action has been taken by the Company, the holders of the Ordinary Shares, or Cenkos that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for those purposes is required. Persons outside the United Kingdom who come into possession of this document should inform themselves about and observe any restrictions on the holding of Ordinary Shares and/or the distribution of this document in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. In particular, this document is not for distribution (directly or indirectly) in or into the Prohibited Territories. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the Prohibited Territories. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the Prohibited Territories and they may not be offered or sold directly or indirectly within the Prohibited Territories or to or for the account or benefit of any national, citizen or resident of the Prohibited Territories.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group's future prospects, developments and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are contained in all sections of this document. The forward-looking statements in this document, including statements concerning projections of the Group’s future results, operating profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks relating to the Group are specifically described in “Risk Factors”. If one or more of these risks or uncertainties arises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these uncertainties, potential Shareholders should not place over-reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. The Company undertakes no obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or applicable law, whether as a result of new information, future events or otherwise.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company’s website (www.merciatechnologies.com) or any hyperlinks accessible from the Company’s website do not form part of this document and investors should not rely on them.

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 change therein.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

CURRENCY PRESENTATION

All references in this document to “**Sterling**”, “**Pounds Sterling**”, “**£**” and “**pence**” are to the lawful currency of the UK, all references in this document to “**Euros**” and “**€**” are to the lawful currency of the participating member states of the Eurozone and all reference in this document to “**Dollars**” and “**US\$**” and “**\$**” are to the lawful currency of the United States.

THE GROUP

References to the Group and to Mercia throughout this document are references to the group of companies which will be established shortly prior to Admission, upon completion of the Acquisition Agreements. For the avoidance of doubt, the Group does not currently exist. Descriptions of the business, intentions and performance of the Group in this document are descriptions of the respective businesses, intentions and performance of each of MFM and MI as separate entities and/or are descriptions of the business, intentions and performance of the Group as will be established shortly prior to Admission.

PLACING STATISTICS

Placing Price	50 pence
Number of Placing Shares	143,661,664 ⁽¹⁾
Number of Ordinary Shares in issue on Admission	212,000,000
Market capitalisation of the Company at the Placing Price immediately following Admission	£106 million
Gross Placing Proceeds	£71.83 million ⁽²⁾
Net Placing Proceeds	£67.85 million ⁽³⁾

⁽¹⁾ consisting of 140,000,000 new Ordinary Shares and 3,661,664 Founder Shares.

⁽²⁾ consisting of Gross Placing Proceeds of £70 million for the Company and gross placing proceeds of £1.83 million for the Founder Shareholders to fund certain personal tax liabilities.

⁽³⁾ consisting of Net Placing Proceeds of £66.02 million for the Company and placing proceeds of £1.83 million for the Founder Shareholders to fund certain personal tax liabilities.

DEALING CODES

The dealing codes for the Ordinary Shares are as follows:

ISIN	GB00BSL71W47
SEDOL	BSL71W4
Ticker	MERC

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2014
Publication of this document	15 December
Admission and dealings in the Ordinary Shares commence on AIM	8.00 a.m. on 18 December
Crediting of CREST stock accounts in respect of the Ordinary Shares	18 December
Despatch of definitive certificates in respect of the New Ordinary Shares (where applicable) expected by no later than	29 December

The dates and times specified are subject to change without further notice. All references to times in this document are to GMT time unless otherwise stated.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Raymond Kenneth Chamberlain (*Non-executive Chair*)
Mark Andrew Payton (*Chief Executive Officer*)
Martin James Glanfield (*Chief Financial Officer*)
Susan Jane Searle (*Non-executive deputy Chair*)
Ian Roland Metcalfe (*Non-executive Director*)

Company Secretary

Martin James Glanfield

Registered office

Forward House
17 High Street
Henley-in-Arden B95 5AA

Website

www.merciatechnologies.com

Nominated Adviser and Broker

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Legal Advisers to the Company

Wragge Lawrence Graham & Co LLP
4 More London Riverside
London SE1 2AU

Reporting Accountants

Deloitte LLP
Four Brindley Place
Birmingham B1 2HZ

Auditors

Deloitte LLP
Four Brindley Place
Birmingham B1 2HZ

Legal Advisers to the Nominated Adviser and Broker

Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Registrar

SLC Registrars
a division of Equiniti David Venus Limited
Thames House
Portsmouth Road
Esher
Surrey KT10 9AD

DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meaning:

“Acquisitions”	the MFM Acquisition and the MI Acquisition
“Acquisition Agreements”	the MFM Acquisition Agreement and the MI Acquisition Agreement
“Act”	the Companies Act 2006
“Admission”	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIF”	an alternative investment fund
“AIFM”	an alternative investment fund manager
“AIFM Regulations”	the Alternative Investment Fund Managers Regulations 2013 of the United Kingdom (SI 2013/1773)
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules”	the ‘AIM Rules for Companies’ and the ‘AIM Rules for Nominated Advisers’
“AIM Rules for Companies”	the ‘AIM Rules for Companies’ setting out the rules and responsibilities in relation to AIM companies published by the London Stock Exchange, as amended from time to time
“AIM Rules for Nominated Advisers”	the ‘AIM Rules for Nominated Advisers’ setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange, as amended from time to time
“Articles”	the Articles of Association of the Company
“Audit Committee”	the Audit Committee of the Board
“Broker”	Cenkos Securities, in its capacity as Broker to the Company
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for commercial business in the City of London
“Cenkos Securities” or “Cenkos”	Cenkos Securities plc, a company incorporated in England and Wales with registered number 5210733 and having its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is not in CREST)
“Company” or “Mercia Technologies”	Mercia Technologies PLC, a company incorporated in England and Wales with registered number 9223445
“Concert Party”	those persons whose details are set out at paragraph 14.14 of Part 1 of this document
“Consideration Shares”	the 712,861 Ordinary Shares to be issued to the Vendors as consideration for the acquisition of MFM and MI pursuant to the

	MFM Acquisition Agreement and the MI Acquisition Agreement respectively
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
“CRESTCo”	Euroclear, the operator of the CREST UK System or such other person as may for the time being be approved by HM Treasury as operator under the CREST Regulations
“CREST Manual”	the compendium of documents entitled ‘CREST Manual’ issued by CRESTCo from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“CREST Rules”	the rules from time to time issued by CRESTCo governing the admission of securities to and the operation of the CREST UK System
“CREST UK System”	the facilities and procedures of the relevant systems of which CRESTCo is the ‘approved operator’ pursuant to the CREST Regulations
“Deloitte”	Deloitte LLP, a limited liability partnership registered in England and Wales with registered number OC303675 and having its registered office at 2 New Street Square, London EC4A 3BZ
“Directors” or “Board”	the Directors of the Company from time to time, but whose names as at the date of this document appear on page 6 of this document
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure Rules and Transparency Rules made by the FCA in accordance with section 73(A)(3) of FSMA
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“Enlarged Share Capital”	the New Ordinary Shares and the Existing Ordinary Shares
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738 and having its registered office at 33 Cannon Street, London EC4M 5SB
“Executive Directors”	the Executive Directors of the Company at the date of this document, being Mark Payton and Martin Glanfield
“Existing Ordinary Shares”	the 1,000 Ordinary Shares in issue at the date of this document
“FCA”	the UK Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Forward”	Forward Innovation Fund, Croftdawn Limited, Ray Chamberlain and his family
“Forward Group”	Forward Group plc, a public limited company with company number 4232158

“Forward House”	the property known as Forward House, 17 High Street, Henley-in-Arden B95 5AA
“Forward Innovation Fund”	the Forward Innovation Fund, a fund established by Ray Chamberlain in 1999
“Founder Shareholders”	Mark Payton, Martin Glanfield, Susan Searle, Mike Hayes, Rob Johnson, Ian Scott, Josh Levy and Talon Golding
“Founder Shares”	the 7,208,000 Ordinary Shares to be transferred by Forward Nominees Limited to the Founder Shareholders prior to Admission
“FUM”	funds under management
“Gross Placing Proceeds”	the estimated gross proceeds of the Placing (excluding, as the context requires, any placing proceeds to be received by the Founder Shareholders)
“Group” or “Mercia”	Mercia Technologies and its subsidiaries from time to time and, for the purposes of this document, including MFM and MI (notwithstanding such companies are not owned by Mercia Technologies as at the date of this document)
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards, as adopted for use in the European Union
“IPEVCV Guidelines”	the International Private Equity and Venture Capital Valuation guidelines
“Lock-in Agreements”	the agreements by which Forward Innovation Fund, Forward Nominees Limited and Tim Hazell have agreed, with Cenkos Securities and the Company, certain undertakings with respect to their holdings of Ordinary Shares on Admission, as more particularly described in paragraph 9.8 of Part 6 of this document
“London Stock Exchange”	London Stock Exchange plc
“Management Shares”	the management shares of £1 each in the capital of the Company, which will be redeemed immediately following Admission
“MDF”	Mercia Digital Fund
“Memorandum”	the Memorandum of Association of the Company
“Mercia CSOP”	the Mercia Company Share Option Plan adopted by the Company on 8 December 2015
“Mercia Direct Investments”	has the meaning given to it in paragraph 1 of Part 1 of this document
“Mercia Fund 2 Offer”	has the meaning given to it in paragraph 14.2 of Part 1 of this document
“Mercia Fund Management” or “MFM”	Mercia Fund Management Limited, a FCA regulated company incorporated in England and Wales with registered number 6973399
“Mercia Investments” or “MI”	Mercia Investments Limited, a company incorporated in England and Wales with registered number 9108131
“MF1”	Mercia Fund 1

“MF2”	Mercia Fund 2
“MFM Acquisition”	the conditional acquisition by Mercia Technologies of the entire issued share capital of MFM from the MFM Vendors pursuant to the terms of the MFM Acquisition Agreement
“MFM Acquisition Agreement”	the acquisition agreement dated 15 December 2014 between the Company (1) and the MFM Vendors (2) relating to the acquisition of MFM, further details of which are set out at paragraph 9.1 of Part 6 of this document
“MFM Group”	MFM and its subsidiaries
“MFM Portfolio”	has the meaning given to it in paragraph 1 of Part 1 of this document
“MFM Vendors”	Mark Payton, Tim Hazell and Forward Innovation Fund
“MGF1”	Mercia Growth Fund 1
“MGF2”	Mercia Growth Fund 2
“MGF3”	Mercia Growth Fund 3
“MI Acquisition”	the acquisition by Mercia Technologies of the entire issued share capital of MI from the MI Vendors pursuant to the terms of the MI Acquisition Agreement
“MI Acquisition Agreement”	the acquisition agreement dated 15 December 2014 between the Company (1) and the MI Vendors (2) relating to the acquisition of MFM, further details of which are set out at paragraph 9.2 of Part 6 of this document
“MI Vendors”	Ray Chamberlain, Forward Innovation Fund, Croftdawn Limited, Mercia Growth Nominees Limited and Forward Nominees Limited (as nominee for certain members of the Chamberlain family)
“Net Placing Proceeds”	the estimated net proceeds of the Placing (excluding, as the context requires, any placing proceeds to be received by the Founder Shareholders)
“New Ordinary Shares”	the Placing Shares (excluding the Founder Shares being sold as part of the Placing), the Consideration Shares and the Vendor Subscription Shares
“Nominated Adviser” or “Nomad”	Cenkos Securities, in its capacity as Nominated Adviser to the Company for the purposes of the AIM Rules
“Nomination Committee”	the Nomination Committee of the Board
“Non-executive Directors”	the Non-executive Directors of the Company at the date of this document, being Ray Chamberlain, Susan Searle and Ian Metcalfe
“Ordinary Shares”	ordinary shares of 0.001 pence each in the capital of the Company
“Placees”	subscribers for the Placing Shares as procured by Cenkos Securities on behalf of the Company and the Founder Shareholders pursuant to the Placing Agreement
“Placing”	the conditional placing by Cenkos Securities of the Placing Shares on behalf of the Company and the Founder Shareholders, all at the Placing Price pursuant to and on the terms of the Placing Agreement

“Placing Agreement”	the placing agreement dated 15 December 2014 between Cenkos Securities (1) the Company (2) the Directors (3) and the Founder Shareholders (4) relating to the Placing, further details of which are set out in paragraph 9.6 of Part 6 of this document
“Placing Price”	50 pence per Placing Share
“Placing Shares”	the 140,000,000 new Ordinary Shares to be issued by the Company to Placees and, where the context requires, the 3,661,664 Founder Shares to be sold by the Founder Shareholders to Placees, each pursuant to the Placing
“Prospectus Rules”	the Prospectus Rules made by the FCA under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a ‘regulated market’
“QCA”	Quoted Companies Alliance
“QCA Corporate Governance Code”	the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, published by the QCA, as amended from time to time
“Registrar”	SLC Registrars (a division of Equiniti David Venus Limited) of Thames House, Portsmouth Road, Esher, Surrey KT10 9AD
“Remuneration Committee”	the Remuneration Committee of the Board
“SDRT”	stamp duty reserve tax
“SEIS”	Seed Enterprise Investment Scheme under the provisions of Part 5A of the Income Tax Act 2007
“Shareholders”	holders of Ordinary Shares from time to time
“subsidiary” or “subsidiary undertaking”	has the same meaning as in the Act
“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers
“uncertificated” or “in uncertificated form”	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VAT”	UK value added tax
“Vendor Subscription Shares”	the 71,286,139 new Ordinary Shares to be subscribed for by the Vendors shortly before Admission
“Vendors”	the MFM Vendors and the MI Vendors
“WME”	WM Enterprise Limited

PART 1

INFORMATION ON MERCIA

1. INTRODUCTION

Mercia Technologies' vision is to become a leading national player in the creation, funding, incubation and development of high-growth technology businesses with an emphasis on the Midlands and the North of the UK.

The Directors believe that there is a significant opportunity in the Midlands and the North of the UK to develop leading technology businesses through the efficient and targeted provision of capital and support, creating substantial value for Shareholders.

Mercia is focused on creating and developing companies which combine technology and service provision, have significant intellectual property, are scalable and require relatively modest capital infusion. Mercia focuses on some of the highest growth sectors of the UK economy including:

- digital;
- electronics and hardware;
- advanced materials, engineering and specialised manufacturing; and
- life sciences.

Mercia has a flexible sourcing model which provides Mercia with access to a large number of investment opportunities in its areas of focus. Mercia has collaborative relationships with nine universities (including the Universities of Birmingham and Warwick) and research centres in the UK, allowing Mercia to access their flow of spinout and early stage investment opportunities as well as a broad professional network through its management and associates.

Mercia's model is to provide early stage businesses with capital, infrastructure and management support to accelerate their development and enhance their value. Mercia's strategy is to: (i) provide first pathfinder/seed capital from its third party funds under management; and (ii) at a later stage, provide development capital from its own resources to scale 'emerging stars' with the goal of realising value for Shareholders through an exit over time.

Mercia's third party funds under management

Mercia Fund Management Limited ("**MFM**"), a regulated fund management company, manages six funds (the "**MFM Funds**") with a total of circa £22 million of funds under management ("**FUM**"). Mercia Technologies will acquire MFM shortly before Admission pursuant to the terms of the MFM Acquisition Agreement. The MFM Funds invest in early stage companies ranging from university spinouts to more developed businesses and not exceeding £10 million in annual revenue at the date of initial investment. Following an initial investment the MFM Funds have the ability to make follow-on investments as the businesses develop.

As at 4 December 2014 (being the last practicable date before publication of this document), the MFM Funds had invested circa £16 million and had a combined portfolio of 38 businesses across a number of sectors at varying stages of business development (the "**MFM Portfolio**").

Further information on MFM, the MFM Funds and the MFM Portfolio is set out at paragraphs 2 and 8 of this Part 1.

Mercia's direct investments

Mercia provides development capital from its own resources to scale up businesses in line with its investment policy. Mercia's strategy is to make direct investments into companies within the MFM Portfolio which the Board considers to be 'emerging stars' and in other opportunities arising outside of the MFM Funds.

Historically, these direct investments have been carried out through funds and private capital established by and derived from Ray Chamberlain. These direct investments, together with a 20 per cent. interest in MF2 (one of the MFM Funds) (together the “**Mercia Direct Investments**”) will be acquired shortly before Admission by Mercia Technologies pursuant to the terms of the MI Acquisition Agreement. In addition, following Admission, Mercia intends to acquire the balance of 80 per cent. interest in MF2 which it will not own at Admission.

Financial profile

Mercia will have three principal revenue streams from Admission: (i) fund management fees and profit share from the management of the MFM Funds; (ii) business services fees from companies in the MFM Funds’ portfolio and its own portfolio (including provision of business services, arrangement fees, monitoring/director fees and corporate finance fees); and (iii) proceeds from the exits of its direct investments.

In the year ended 31 March 2014, MFM generated profits of £42,078 on revenues of £722,728. FUM as at 4 December 2014, were circa £22 million. At Admission, it is anticipated that the Group will have pro forma net assets of £75.124 million (including the Net Placing Proceeds).

Use of proceeds

The Company intends to raise Net Placing Proceeds of £66.02 million.

The Board intends to use 70 per cent. to 80 per cent. of the Net Placing Proceeds to provide additional capital to the Mercia Direct Investments, to make direct investments into companies within the MFM Portfolio which it regards as “emerging stars” and to acquire the remaining 80 per cent. interest in MF2. The balance of the Net Placing Proceeds will be used to fund the Company’s platform including regional expansion, recruitment of experienced investment and commercialisation professionals, to fund selective acquisitions of complementary vehicles including incubators and technology funds and for general working capital purposes.

2. HISTORY AND DEVELOPMENT OF THE GROUP

Forward Innovation Fund, WM Enterprise Limited (“**WME**”) and Mercia Fund Management are the precursors of Mercia.

Mercia Fund Management

WME was established in 1982 as a venture capital provider. In 2000, WME launched Mercia Fund 1 (“**MF1**”), a £4 million evergreen seed fund providing support and capital to spinout projects from the Universities of Birmingham and Warwick.

Mark Payton joined WME in 2005, subsequently leading the restructuring of MF1 and the launch of Mercia Fund 2 (“**MF2**”).

In 2007, MF1 was enlarged to circa £7.8 million of FUM and its university base expanded to cover eight universities. Also, in 2007, WME launched MF2 in partnership with the Forward Innovation Fund (with the Forward Innovation Fund taking a 20 per cent. equity stake in MF2). The Forward Innovation Fund’s stake in MF2 will be transferred to Mercia pursuant to the terms of the MI Acquisition Agreement. With circa £5 million of FUM, MF2 was created to invest post seed in slightly later stage businesses (compared to MF1). Also in 2007, Forward Group established a collaboration with WME on the basis of their common interest in supporting and investing in university spinouts emerging from the Midlands and the North of the UK.

In January 2010, Mark Payton led a management buyout to acquire the fund management contracts of MF1 and MF2 from WME and established MFM.

In 2012, MFM raised circa £1.5 million for Mercia Growth Fund 1 (“**MGF1**”), a ‘hybrid’ SEIS/EIS fund. In 2013, MFM raised £2.5 million for Mercia Growth Fund 2 (“**MGF2**”), following on from the success of MGF1. Mercia Growth Fund 3 (“**MGF3**”) raised £2.8 million in 2014. MGF1 and MGF2 are fully invested. In 2012/2013 MFM raised a further £1.5 million as a grant into MF1 from the European Regional Development Fund and a further £0.5 million from partner universities.

In August 2014, MFM launched the Mercia Digital Fund (“**MDF**”). Like MGF1, MGF2 and MGF3, MDF is a ‘hybrid’ EIS and SEIS fund, providing investors with access to opportunities in pioneering digital businesses combined with a risk managed investment strategy and attractive tax advantages. MDF closed on 20 November 2014, having raised circa £1 million.

Forward Innovation Fund

In 1999 Ray Chamberlain founded the Forward Innovation Fund, a private fund committed to technology spinout companies from universities in the West Midlands and the North of the UK. In the same year Ray Chamberlain founded Forward Group, a technology transfer business and investment management company, which provides investment management services to the Forward Innovation Fund.

In 2005, a Chamberlain family trust funded the construction of Forward House, a 29,040 square foot office building in Henley-in-Arden, West Midlands to accommodate early-stage businesses.

In 2012, the Forward Innovation Fund acquired a majority stake in MFM.

In 2013, MFM relocated to Forward House and subsequently two MFM investee companies relocated to Forward House. The onsite availability of MFM’s management team provides the portfolio companies with business services, management support and corporate finance advice. Mercia has entered into a lease of part of the top-floor of Forward House with Forward Midland LLP, a limited liability partnership controlled by Ray Chamberlain. A summary of the terms of the lease is set out at paragraph 13 of Part 6.

In April 2014, Ray Chamberlain, Mark Payton, Susan Searle and Martin Glanfield agreed to form Mercia Technologies with the vision of creating a market leading exponent in the creation, funding and development of technology businesses with an emphasis on the Midlands and the North of the UK. Mercia Technologies combines the experience and track record of the MFM investment team, MFM’s access, to seed capital, its university relationships and pipeline of investment opportunities together with the Mercia Direct Investments and the track record and experience of the proposed Board and management team.

Ray Chamberlain, Forward Innovation Fund and Forward Nominees Limited have entered into a relationship agreement with Mercia Technologies and Cenkos Securities, as further summarised in paragraph 9.9 of Part 6 of this document, which, amongst other things, provides that post-Admission, Ray Chamberlain, the Forward Group and the Forward Innovation Fund will not compete with Mercia in the sectors in which it currently invests. Forward Innovation Fund also has the right under the Relationship Agreement to appoint one director to the Board for so long as he and his associates hold 15 per cent. or more of the issued Ordinary Share capital of the Company.

3. MERCIA FUND MANAGEMENT

MFM is the investment manager of the MFM Funds and is an FCA authorised and regulated fund manager. Mercia Technologies will acquire MFM shortly before Admission pursuant to the terms of the MFM Acquisition Agreement.

As at 4 December 2014 (being the last practicable date before publication of this document), the MFM Funds had circa £22 million FUM dedicated to investing in companies ranging from university spinouts to more developed businesses not exceeding £10 million in revenues. The MFM Funds, as at 4 December 2014 (being the last practicable date before publication of this document), have investments in a combined portfolio of 38 businesses.

MFM will, on behalf of the MFM Funds, typically make an initial investment of between £50,000 and £250,000 and, on behalf of the MFM Funds, has the capacity to maintain its percentage holding at subsequent investment rounds, normally up to an overall limit of £1 million per investee company. Later rounds of financing have historically involved syndication with other venture capital funds or private investors.

To date, MFM has made circa £16 million of investments on behalf of the MFM Funds into EIS and SEIS qualifying businesses and has leveraged into these businesses an additional circa £70 million of syndicated investment. MFM has achieved two exits or realisations from its portfolio, being Abzena plc (which successfully floated on AIM in July 2014) and Hybrid Biosystems (which was acquired by Myotec Ltd to create Psioxus).

Since the launch of MF1 and the management buyout led by Mark Payton, MFM has increased its flexibility on sourcing of investments to include investments from non-university sources and has added tax efficient EIS/SEIS structures to its funds.

A summary of the MFM Funds and their performance to date is set out in the table below:

Fund	Description	Fund size approx. (£m)	Date established	% invested to date	Last reported fund valuation approx. (£m)
Mercia Fund 1	Evergreen fund from proof of concept onwards: only university spinouts in the West Midlands	9.8	2000	72.5	5.2
Mercia Fund 2	Ten year limited life fund. Mainly university spinouts from seed onwards	5	2007	80	4.1
Mercia Growth Fund 1	EIS/SEIS universities and non universities. From seed onwards	1.5	2012	100	2.0
Mercia Growth Fund 2	EIS/SEIS universities and non universities. From seed onwards	2.5	2013	100	2.8
Mercia Growth Fund 3	EIS/SEIS universities and non universities. From seed onwards	2.8	2014	38	2.8
Mercia Digital Fund*	EIS/SEIS universities and non universities. From seed onwards	1.0	2014	0	1.0

*The Mercia Digital Fund closed on 20 November 2014.

MFM has collaborative relationships with nine universities (including the Universities of Birmingham and Warwick) and close relationships with incubators and accelerators in the UK to access their flow of spinout and investment opportunities. These relationships give Mercia early access to investment opportunities and the partner universities are a source of technological expertise for due diligence, technology evaluation, development and grant support to Mercia's portfolio where appropriate.

MFM sources investments for the MFM Funds from its university relationships, professional networks and high net worth individuals. The Directors estimate that MFM typically reviews over 500 business plans per annum.

MFM has an experienced investment team with sector expertise, supported by an Advisory Committee (the "**Advisory Committee**") and an External Investment Advisory Panel (the "**External Investment Advisory Panel**"). The Advisory Committee provides corporate governance across the MFM Funds and is chaired by Michael Cumming, co-founder of Barclays Private Equity. The External Investment Advisory Panel is comprised of sector specialists and advises the MFM investment team on selected investment prospects. The External Investment Advisory Panel is chaired by Peter Gardner who led the communications sector team at 3i plc and has participated in over 100 technology investments. For further information on the Advisory Committee and External Investment Advisory Panel, please see paragraphs 13.3 to 13.4 of this Part 1.

4. STRATEGY AND BUSINESS MODEL

Headquartered in the West Midlands, Mercia's vision is to become a leading national player in the creation, funding and development of technology businesses with an emphasis on the Midlands and the North of the

UK, regions which the Directors believe have been historically underserved by investment capital and incubator services providers, compared to the South of the UK.

The Directors' belief is supported by analysis which identifies a lack of capital for businesses outside the South East and London, where there are approximately 19,000 small and medium enterprises. Between 2011 and 2013 there was an 18 per cent. increase in high growth small businesses and Mercia hopes to take advantage of this rapid expansion.

Mercia's business model is to invest in and provide a platform to accelerate the development of early stage companies in its chosen sectors with the goal of exiting the investments over time generating attractive returns and realising value for Shareholders.

There are numerous companies and other organisations seeking to provide technology transfer, incubator services and funding to technology spinouts including incubators, venture capital funds, technology transfer offices, angel investors and other boutique investors. These entities operate a variety of business models and cover a broad range of sectors and geographies. Mercia seeks to differentiate itself from other market participants in a number of ways, including:

- *Sourcing flexibility* – Mercia sources technology and investment opportunities from both its university relationships and from the broad professional network of its management and associates. This gives the Group access to a broader pool of opportunities particularly in the digital sector, including the gaming, gamification, e-commerce and fintech sectors. Circa 50 per cent. of the MFM Portfolio and of the Mercia Direct Investments have been sourced from non-university contacts.
- *Funding flexibility* – Mercia has the ability to provide capital from new venture creation through to expansion and development capital. MFM, through the MFM Funds, provides seed, early stage and development capital while Mercia from its own resources, provides capital to scale 'emerging stars'. The Directors believe that Mercia's flexibility in funding, sourcing and support can have a material impact on accelerating a company's development and in capturing the inherent value in the businesses it supports for the benefit of Shareholders.
- *Sector focus* – Mercia focuses on some of the highest growth sectors of the UK including: (i) digital; (ii) electronics and hardware; (iii) advanced materials, engineering and specialised manufacturing; and (iv) life sciences. In addition to their growth potential these sectors have been chosen taking into consideration the sector expertise of the investment team and their relative low capital intensity. Within these sectors, Mercia aims to invest in businesses with a technology team recognised as leaders in their field and which have an underlying scalable technology, capable of addressing multiple applications and on occasions acting as consolidators in their market.
- *Flexible support* – Mercia can provide a broad range of support to its investee companies throughout their development. These include accommodation, company secretarial and accounting support, management mentoring and recruitment, business planning and development, governance and corporate finance.
- *Regional focus* – Mercia intends to take advantage of the general equity gap within the UK and lack of investment in regions outside London and the South East of England. It believes that it is well placed to do so given the geographic diversity of its portfolio, with investments in the Midlands, the North, the South East and Wales and its track record in the region.
- *"Fail fast" policy* – the MFM Portfolio companies and the Mercia Direct Investments are based on performance milestones. When an investment fails to meet those milestones, support is removed and the investment is exited to protect further loss of capital. This allows Mercia to focus capital and resources on "emerging stars".
- *Leverage of third party specialist funds* – MFM's third party specialist funds invest in seed and early stage opportunities which represent a pipeline of investment opportunities for Mercia. Mercia seeks to include pre-emption rights and permitted transfer provisions when making investments through the MFM Funds to facilitate follow-on investments and/or transfer holdings from the MFM Funds to Mercia as the businesses develop.

Mercia's strategy to achieve its goal of becoming a leading player of scale in the sector includes:

- expanding the Mercia team through the selective recruitment of experienced professionals within its sector focus;

- continuing to develop relationships with universities, accelerators and incubators;
- seeking acquisition or investment opportunities of complementary businesses;
- increasing its geographic reach, including establishing a London office which will give Mercia better access to the gaming technology hub and to co-investors; and
- continuing to use its MFM third party fund platform to raise further funds to invest seed, early stage and development capital into new ventures.

5. INVESTMENT OBJECTIVE

The investment objective of the Group is to generate capital growth for Shareholders by becoming a leading national player in the creation, funding, incubation and development of high-growth technology businesses with an emphasis on the Midlands and the North of the UK.

6. GROUP INVESTING POLICY

The Group intends to meet its investment objective by: (i) providing early stage businesses with infrastructure, management support and access to capital from the MFM Funds; (ii) making direct investments via Mercia Technologies into businesses within the MFM Portfolio and opportunities arising outside of the MFM Portfolio; and (iii) undertaking strategic corporate transactions via investing in or acquiring complimentary businesses or sub-critical funds.

The Group will seek exposure to early stage companies which combine technology and service provision, have significant intellectual property, are scalable and require relatively modest capital infusion. The Group will primarily seek exposure to developing companies in, but not limited to, the following sectors of the UK economy: 1) digital; 2) electronics and hardware; 3) advanced materials, engineering and specialist manufacturing; and 4) life sciences.

There is no limit on the size of a direct investment by Mercia in a business. Once fully invested, the Board anticipate that Mercia will typically derive its income from a portfolio of not less than eight companies at any given time.

MFM manages each MFM Fund in accordance with its respective investment objective and policy each of which, for the avoidance of doubt, is distinct from the investment objective and investment policy of the Group and the investment objective and investment policy of the other MFM Funds.

Form of investment

Investments are expected to be mainly in the form of equity, although investments may be by way of debt, convertible securities or investments in specific projects. In the case of equity investments, the Directors intend to take positions (with suitable minority protection rights where appropriate), primarily in unquoted companies. Mercia Investments is an active investor, typically taking a board position on the investee company.

Given the time frame to fully maximise the value of an investment, the Board expects that investments will be held for the medium to long term, although short term disposals of assets cannot be ruled out in exceptional or opportunistic circumstances. The Directors intend to re-invest the proceeds of disposals in accordance with the Investing Policy unless, at the relevant time, the Directors believe that there are no suitable investment opportunities, in which case the Directors will consider returning the proceeds to Shareholders in a tax efficient manner.

Borrowing

Mercia does not currently intend to utilise gearing. However, Mercia may, in the future, use gearing if it believes it will enhance Shareholder returns over the longer term. If, in the future, Mercia does decide to introduce gearing it will look to maintain a conservative level of gearing and would intend to limit Mercia's borrowings to a maximum of 20 per cent. of Mercia's net asset value at the time of investment.

Treasury

Cash held by the Group pending investment, reinvestment or distribution will be managed by the Group in accordance with the Group's treasury policy and placed in bank deposits with major global financial institutions, in order to protect the capital value of the Group's cash assets. Investments are expected to be held by the Company or a subsidiary to be incorporated for the purpose of holding an investment.

Investing strategy

In respect of direct investments made by Mercia Technologies, the Directors will apply some or all of the following investing strategy to achieve the investing policy:

- a pre-identified strong market potential and high opportunity for growth;
- the identification of likely exit opportunities, such as trade sales, flotation or partnerships;
- the technology team should be recognised as leaders in their field;
- there should typically be an underlying enabling and scalable technology, capable of addressing multiple applications;
- there should be defensible intellectual property and ideally comprehensive patent protection, with the ability to enhance this position as the investee company develops; and
- the technology is typically projected to be no more than two to three years away from demonstrating incremental value to third party investors or trade buyers or being capable of generating revenue streams for the business.

In the event of a material breach of the investing guidelines and restrictions set out above, the Directors shall, upon becoming aware of the same, make a notification to a Regulatory Information Service.

No material change will be made to the investing policy without the approval of Shareholders by ordinary resolution. The Directors will review the investing policy on an annual basis and will implement any non-material changes or variations as they consider fit. Details of any such non-material changes or variations will be announced as appropriate.

If the Group has not substantially implemented its investing policy within 18 months of Admission, the Company will seek the approval of Shareholders at its next annual general meeting of its investing policy and on annual bases thereafter until such time as its investing policy has been substantially implemented. If it appears unlikely that the investing policy can be implemented at any time, the Directors will consider returning remaining funds to Shareholders.

7. INVESTMENT PROCESS

7.1 Origination

The Directors intend to source and identify potential direct investments for Mercia in line with the investing policy.

7.2 Review and due diligence

In order to mitigate investment risk, the Directors intend to carry out a thorough due diligence process in evaluating each potential investment including: site visits, analysis of financial, legal and operational aspects of each investment opportunity, meetings with management, risk analysis, review of corporate governance and anti-corruption procedures and the seeking of third party expert opinions and valuation reports where the Directors see fit.

7.3 Approval

For any investment to take place, there is a requirement for the unanimous support from the Board. For investments up to £250,000 (or such other amount as determined by the Board from time-to-time), the Board may devolve its investment decisions to the Chief Investment Officer, Chief Executive Officer and investment directors.

Investments are expected to be mainly in the form of equity although investments may be by way of debt, convertible securities or investments in specific projects. In the case of equity investments, the Directors intend to take positions (with suitable minority protection rights where appropriate), primarily in unquoted companies. Mercia Investments is an active investor, typically taking a board position on the investee company.

The Directors consider that as investments are made, or promising new investment opportunities arise, further funding of the Company, either through new equity and/or debt capital, may be required. Subject to prevailing authorities to issue new Ordinary Shares or, if required, with Shareholder approval, new Ordinary Shares may be used as consideration, in whole or in part, for investments or corporate transactions.

7.4 Holding and exit strategy

Given the time frame to fully maximise the value of an investment, the Board expects that investments will be held for the medium to long term, although short-term disposals of assets cannot be ruled out in exceptional or opportunistic circumstances. The Directors intend to re-invest the proceeds of disposals in accordance with the Company's Investing Policy unless, at the relevant time, the Directors believe that there are no suitable investment opportunities in which case the Directors will consider returning the proceeds to Shareholders in a tax efficient manner.

8. THE MFM PORTFOLIO AND MERCIA DIRECT INVESTMENTS

As at 4 December 2014, the MFM Funds had investments in 38 companies, a number of which are considered to be 'emerging stars' by MFM. Through a combination of their progress and potential, of the 38 companies in the MFM Portfolio, Mercia has direct investments in ten. In addition, Mercia has a direct investment in Science Warehouse which is not part of the MFM Funds portfolio.

Paragraph 8.1 below presents a brief description of Mercia Direct Investments. Paragraph 8.2 presents a selection of other 'emerging stars' in the MFM Funds portfolio.

8.1 The Mercia Direct Investments

At Admission, there will be eleven Mercia Direct Investments in operating businesses at varying stages of maturity, across its chosen technology sectors.

Company	Location	Mercia's direct holdings (%)	Percentage control from direct and third party holdings combined (%)	Year of incorporation	Fair value of Investment* £'000	Stage of development
Science Warehouse	Leeds	44.5	44.5	2000	5,580	Profitable and/or cash generative
Allinea	Warwick	6.9	28.4	2009	622	Profitable and/or cash generative
nDreams	Farnborough	30.0	37.8	2006	300	Profitable and/or cash generative
Native Antigen	Upper Heyford	8.3	50.2	2010	150	Profitable and/or cash generative
Canary Care	Abingdon	7.4	20.2	2013	140	Revenue growth
Ventive	London/ Birmingham	6.3	7.0	2012	209	Revenue growth
Concurrent Thinking	Birmingham	8.5	18.7	2010	283	First revenues
Nightingale-EOS	Wrexham/ Birmingham	11.4	21.0	2005	340	First revenues
Kwanji	Birmingham	3.4	14.7	2014	150	First revenues
Warwick Audio	Birmingham/ Henley-Arden	9.7	29.4	2002	250	First revenues
Smart Antenna	Birmingham	8.4	30.7	2013	148	Seed/early stage
Total					8,172	

*Fair value as at 10 November 2014 as per IPEVVCV Guidelines.

In addition, Mercia will have a 20 per cent. holding in MF2, with a fair value of investment of £824,000 (as at 10 November 2014 as per IPEVCV Guidelines).

An overview of the Mercia Direct Investments is presented below.

Science Warehouse

Science Warehouse was established in 2000 as a spinout from the University of Leeds. Science Warehouse has developed a cloud-based procurement, catalogue and spend analysis platform which gives the customer control of the purchasing cycle from requisition through to payment helping to deliver cost savings and to manage spend. Science Warehouse enables the customer to obtain the best price from the range of suppliers on its platform, assign pre-approved spend limits and approval processes across its organisation and to reduce the number of employees required in the procurement process. Based on experience to date, the Directors believe that a typical payback period on the implementation of the Science Warehouse solution is circa six months. The Science Warehouse platform can integrate with a significant number of common customer finance and ERP systems, including Oracle, SAP, Agresso and ABS. The Science Warehouse platform has a number of benefits compared to a manual procurement process including:

- A lower cost per transaction as the orders are processed quickly online;
- A fixed competitive cost per product as prices are negotiated upfront by customers with suppliers before being displayed;
- Access to analysis including savings, movements in product prices and the buying behaviours of users; and
- The website has a similar layout and functionality to online business to consumer (B2C) websites which helps a customer gain compliance across users.

The software also acts as a document exchange between buyers and suppliers, allowing quotes, orders and invoices to be exchanged, with the software integrating with both parties' finance and ERP systems.

Science Warehouse has three primary revenue streams being;

- Annual licence fees for use of its software based on a modular solution offering;
- Transaction fees paid by suppliers based on the value of purchases made by customers; and
- Supplier catalogue management.

The platform currently has 130,000 users across 75 active customers, 18,500 suppliers and in excess of 13 million products available on line. In 2013 circa £500 million was spent via the Science Warehouse platform, of which the Science Warehouse management team believe circa 90 per cent. is recurrent revenue. In the Financial Year 2014, Science Warehouse had turnover of £3.4m with circa £810k earnings before interest tax depreciation and amortisation ("**EBITDA**"), a 24 per cent. EBITDA margin.

The business originally focused on the life sciences area within the higher education sector where the Science Warehouse offering is particularly relevant given the scale and complex nature of the customers, suppliers and procurement process. Over time the business has grown organically in this sector and expanded into other research institutions, government agencies and the NHS. Currently the company's customers include 24 universities such as Cambridge, Manchester, Birmingham and King's College London, seven UK Research Councils and government agencies such as 20 NHS trusts. The company intends to expand into new sectors and has focused on the construction sector, via channel partners. A number of global construction companies, including Vinci and Kier, now use the Science Warehouse platform via a channel partner. Geographically, Science Warehouse has expanded outside of the UK into Ireland and Australia.

Science Warehouse's growth strategy is mainly organic. The Science Warehouse management team believe there is significant opportunity to grow in its core sectors and to penetrate new sectors and territories.

Mercia has a 45 per cent. shareholding in Science Warehouse. The balance is held by Forward Nominees Limited, Forward Venture Management Limited and the management of Science Warehouse. Ray Chamberlain sits on the board of Science Warehouse and Mercia has the right to appoint a director.

Allinea Software

Located in Warwickshire, Allinea Software is a University of Warwick spinout in which Mercia Fund Management was a founding investor. Allinea is a leading vendor of tools for parallel software development and high performance computing (“**HPC**”). Allinea Software’s tools aim to simplify programming and multithreaded software. The software is used by customers to enhance the performance and reduce development time of systems in areas including climate modelling, computational finance and aircraft design. Allinea Software has been passed as a Red Herring Top 100 company (a technology industry recognition for start-ups). The company has offices in the US and the UK, as well as a network of resellers and partners in most parts of the world. Customers include University College London, the University of Warwick and BAE Systems. In addition, Allinea has developed relationships with a number of Tier 1 HPC vendors, including Bull, CRAY, Dell, HP, IBM, SGI and Sun Microsystems, with Bull including Allinea products as a standard offering and IBM/CRAY having global seller/reseller agreements in place. Rob Johnson is the Mercia representative on the board.

nDreams

nDreams was formed in 2006 by former Eidos Creative Director, Patrick O’Luanaigh. Mercia first invested in nDreams in March 2014 through the MFM Funds. nDreams is an innovative game developer and publisher specialising in virtual worlds and virtual reality (“**VR**”). nDreams is best known for alternate reality games such as ‘Xi’ and ‘Lewis Hamilton: Secret Life’ and as one of the largest global publishers in the PlayStation Home virtual world. Over 1.4 million unique players have used its freemium playstation platform ‘Aurora’.

Since mid-2013, nDreams has focused on virtual reality. nDreams is one of the first software development companies to produce VR games. It is estimated that the virtual reality market (hardware and software) will reach \$4.4 billion in sales by end of 2016 (Kzero & Transparency Research) although it is widely recognised that it is still in its infancy stage.

The software developed by nDreams over the past 18 months is designed for use on mobile devices, computers and games consoles for which VR headsets are currently under development. The first VR headset was launched by Samsung in September 2014 and includes circa 20 demonstration games, two of which are developed by nDreams with one of the games, Gunner, featured by Samsung as one of the primary demonstrators of the head set’s capabilities. nDreams has developed relationships with Oculus (acquired by Facebook), Samsung, Sony and Microsoft who are developing VR headsets and other VR propositions. This enables nDreams to tailor its games in conjunction with the release of the emerging VR headsets and hardware and to distribute its games through platforms such as Steam (for PCs), the Xbox Store (Microsoft), the PlayStation Store (Sony) and the Samsung download page (Samsung/Oculus). nDreams is also developing games to be used with the games console and PC manufacturers Sony and Microsoft who are developing their own VR propositions as well as VR headset manufacturer Oculus.

nDreams also operates a virtual reality gaming website which is helping to develop the Virtual Reality community bringing exposure of the hardware and content to the users. The VR Focus website provides an opportunity for nDreams to identify small developers to partner with in the future.

In the year to March 2014 nDreams generated turnover of circa £1.1 million primarily through sales of published game add-ons within the PlayStation Home virtual world. nDreams are not developing further products for the PlayStation Home virtual world and therefore revenues from this source are predicted to decline. Going forward nDreams revenue is expected to derive from VR games and therefore is reliant on the release and adoption of the VR headsets.

The board of nDreams has a deep and relevant experience in the sector including at gaming companies such as SEGA, Eidos and Gamesbrief. Mercia is represented on the board of nDreams

by Mike Hayes who was previously the CEO of SEGA games and is investment director (of Digital) for Mercia.

At present the nDreams management believe that there are a small number of developers focused on VR. The nDreams management believe that this gives nDreams an early advantage. While traditional games developers are still to visibly commit resources to developing software until the first products are released, they are likely to enter the space in the future as the VR headsets are established in the market.

nDreams has an ambitious growth plan to capture the scale of the VR market opportunity. The company intends to launch eight titles per year, acquire or licence additional studio capability and potentially acquire other developers to accelerate its growth.

Native Antigen (“NA”)

Originally a University of Birmingham spinout, NA is an Oxford-based contract service provider specialising in the R&D and scale up manufacturing of highly pure viral and bacterial native antigens. NA's antigens are used primarily by pharmaceutical and IVD manufacturers in vaccine research and serology where high specificity and sensitivity are vital. As well as offering antigens from a rapidly expanding portfolio, NA undertakes bespoke product development and partnering.

NA's scientific team operates from a laboratory located at the Cherwell Innovation Centre in Oxfordshire. NA is ISO 9001:2008 accredited. Mark Payton is the Mercia representative on the board.

Canary Care

Canary Care offers an aide for elderly people looking to remain independent for longer in their own homes. The system uses mobile and wireless technology to monitor daily activities and track movement, heat and light within the home. Text and email alerts are then sent to carers and family to provide reassurance without impacting on the elderly person's privacy.

In addition to using a series of discreet sensors to monitor movement, the system includes a care card to track carers or other visitors entering the home. Canary Care also intends to develop additional sensors and related services, such as panic alarms and home occupancy sensors, to deliver a complete care solution. Tim Hazell is the Mercia representative on the board.

Ventive

Ventive was formed in 2011 and manufactures energy efficient property ventilation devices which are installed into chimney cavities. Ventive has developed a range of award winning passive heat recovery ventilation products which improve air quality without the need for an additional power source.

The first products are now selling in the UK market, in both the social and private housing, new build and retrofit sectors. In addition, the product is simple to install and has no moving parts requiring minimal maintenance.

The Ventive directors believe that UK building regulations are likely to change to keep pace with requirements of carbon reduction and sustainability making heat recovery ventilation a standard requirement.

Concurrent Thinking

Located in Birmingham, Concurrent Thinking is a Data Centre Infrastructure Management solution provider founded in 2010. The software platform is designed to drive operational and management efficiencies in data centres. It monitors servers, power supplies and air conditioning systems, resulting in significantly reduced energy costs within a data centre. The demand for this service is expected to become increasingly significant as the cost of electricity rises and the proliferation of cloud computing grows. Rob Johnson is the Mercia representative on the board.

Nightingale-EOS

Based in Forward House, Nightingale-EOS was founded in 2005 to develop innovative laser based technology for measuring thin film coating thickness on curved surfaces. The company's patented n-Gauge metrology product is expected to be a major step forward for in-line metrology of thin-film

coatings on small engineered parts, such as cardiac stents, orthopaedic prosthetics and contact lenses. In addition, Nightingale-EOS believes that it offers a cost-effective metrology solution for established applications such as silicon wafers, solar cells and flat panel displays.

Nightingale-EOS operates in two target markets: contact lens manufacturers and stent manufacturers. Currently, Nightingale-EOS is focussing on addressing the needs of the contact lens manufacturers and its technology is being evaluated by two large contact lens manufacturers. It is estimated that the global contact lens market was \$7.6 billion in 2013, predicted to continue to grow at 4 per cent. to 5 per cent. per annum (Robert W Baird, 2013).

Warwick Audio (“WA”)

Based in Forward House, WA is a University of Warwick spinout incorporated in 2002. WA specialises in the development of flat, flexible loudspeakers which when compared to conventional speakers have a reduced cost of manufacture, are extremely lightweight, thin and use circa 10 per cent. of the power. The pioneering design of the WA speaker is an electro static speaker – it produces plainer sound which emanates from the loud speaker at 90 degrees from the surface (and thus provides the ability to direct sound). In addition, the speakers can be flexed to direct sound where it is required and can be utilised in damp or humid conditions due to the water resistant nature of its coating film. Their manufacture does not require rare-earth materials. WA currently holds four patent families.

WA’s speakers have a number of applications with the primary market being the automotive sector through the original equipment manufacturers which WA’s management estimate to be greater than \$1 billion. Other potential markets include consumer electronics, audio visual and conferencing, advertising and public areas. WA is in discussions with a number of vehicle manufacturers from around the world including Japan, Europe, India and the USA, with testing underway on both product safety and compatibility with manufacturing techniques. Many other applications of the WA speaker technology exist including (although not limited to) communications and conferencing, where directional sound is particularly important (e.g. in public address). WA has also had interest in other areas such as aerospace. These are not priorities for WA at the moment but are markets which WA will seek to address as the business grows.

While it is not believed that there is a direct competitor in the market that can offer a product of WA’s quality, there are a number of alternative audio manufacturers who aim to produce products offering a similar capability.

The WA board of directors has significant experience of the consumer audio market with Executive Chairman Derek Mottershead spending 14 years as the Managing Director of Bang & Olufsen for the UK, Ireland and Benelux. The Board has five other directors and senior managers with extensive experience in the consumer audio market including Meridian Audio, Johnson Controls and Valeo. Tim Hazell sits on the board as a representative of Mercia.

Kwanji

Kwanji is an early stage company developing an online platform to remove the complexities, inefficiencies, manual data entry and high fees which Small and Medium Enterprises (“**SMEs**”) suffer when making or receiving international business payments. Kwanji aims to provide SMEs with access to the same foreign exchange (forex) rates as those enjoyed by larger businesses as well as saving them time.

At the same time, there are now a number of e-business software packages which are used by SMEs for invoicing and managing cash and payments. Tradeshift has 5 million users worldwide but uses Paypal for foreign exchange (over 5 per cent. charge). Alibaba has many millions users, primarily in the Far East and still uses telegraphic transfers, credit cards and Western Union for payments. It is the Kwanji management’s belief that almost 400,000 UK SMEs use an e-accounting package. Tim Hazell is the Mercia representative on the board.

Smart Antenna (“SA”)

Based in Birmingham, SA is a spinout company from the University of Birmingham established in 2013 based on conceptual antenna technology developed by the chief technology officer, Sampson Hu. MFM invested in SA in the same year. SA has designed, developed and patented a pioneering

smart antenna technology which provides an efficient and low cost antenna solution to the mobile PC, tablet and portable device market. The mobile market alone comprises approximately 2 billion handsets manufactured per year. The specific addressable market for SA is the cellular phone and portable device markets (laptop and tablet) with a volume of 2.96 billion units per year by 2017 (Source: Gartner). There are approximately 50 mobile handset manufacturers globally and management believes that securing a contract with one mobile handset manufacturer alone could result in revenues to SA in excess of £50 million. It is estimated that there will be circa 2.9 billion units in this addressable market produced in 2017 (Source: Gartner). The global antenna market reached \$14.2 billion in 2013 and \$15.1 billion in 2014. This market is expected to grow to \$19.9 billion in 2019, with a compound annual growth rate (“**CAGR**”) of 5.7 per cent. from 2014 to 2019.

Handset manufacturers are seeking an effective antenna solution suitable for implementing the next generation of cellular handset technologies, known as long term evolution (“**4G LTE**”). Currently, handset manufacturers are unable to achieve the desired antenna performance in a size which fits a cellular handset package at an acceptable volume cost. Current implementations from the leading handset manufacturers typically employ six antennas. The highly compact SA technology could replace all existing antennas: DVB-H, Bluetooth, Wi-Fi, GSM, GPS, 3G multi-bands and 3.9/4G LTE with just one. This would reduce the space taken up by up to 75 per cent. and could reduce the cost of the antennae in a phone by up to 50 per cent. In addition, SA could provide a solution to 4G LTE with a frequency range from 450MHz to 6GHz, could improve the battery life by up to 28 per cent. and could reduce the requirement of handset manufacturers to produce different handsets for different jurisdictions.

SA has filed or has the exclusive benefit of circa 30 patent applications covering the USA, Europe, South Korea and Japan. SA intends to operate under a licensing business model benefiting from the patented technology.

SA is engaged in commercial discussions with two global manufacturers of mobile devices, laptops and tablets who are interested in utilising the Smart Antenna technology. SA has recently signed an agreement with a global portable device manufacturer to build a prototype incorporating a simplified version of its antenna technology.

Management has identified a number of competitors and suppliers of multiband antenna including in-house R&D teams at the largest mobile handset manufacturers. However, management believes that none of these teams is able to offer a product which can achieve a combination of reduced cost, compact size, high performance and wide bandwidth.

Tim Hazell is the Mercia representative on the board.

8.2 **Selected investments in the MFM Portfolio**

VirtTrade

VirtTrade delivers the same mechanics of physical card and sticker collecting and trading, using digital technology to make the experience more interactive and engaging. A key selling point is that the trader's cards are “live”, with data changing on demand – and in certain instances, even being affected by the actions, environment or location of the user. This removes one of the last barriers to a digital format for card collecting and trading, and in parallel opens up territories such as India and South America which lack the infrastructure for the distribution of physical trading cards. Circa 19 per cent. of VirtTrade is held by the MFM Funds. Mike Hayes is the Mercia representative on the board.

LM Technologies (“LM”)

Originally based in Birmingham, LM is a WiFi and Bluetooth manufacturer in the UK and the USA. The company designs, develops and manufactures innovative technology solutions using its specialist expertise. LM's development road map ensures that the latest technologies are available to distributors and their customers, in order to meet the technical challenges of today's market. Circa 46 per cent. of LM is held by the MFM Funds. Tim Hazell is the Mercia representative on the board.

Soccer Manager

Based in Preston, Soccer Manager is an online multiplayer football management game played globally in 39 languages. There have been 8 million registrations since inception and the game has on average

600,000 monthly users, 220,000 of whom play daily. Soccer Manager comprises an experienced team of software developers based in Preston, Lancashire. For the last nine years they have built and self funded an online football manager game which is now played around the world. Circa 11 per cent. of Soccer Manager is held by the MFM Funds. Mike Hayes is the Mercia representative on the board.

Impression Technologies

A joint Imperial College and University of Birmingham spinout. Impression Technologies (based in Birmingham) provides advanced high-temperature metal forming technologies which enable cost-effective lightweight components to be realised. The new patented hot form quench (“HFQ”) technology developed by Impression Technology and Imperial College uses a heat treatment stage prior to press forming of sheet aluminium followed by a quenching process in the press, forming die which allows complex, deep drawn forms to be produced but maintains excellent material properties. A post forming heat aging process then further enhances material properties. Circa 10.9 per cent. of Impression Technologies is held by the MFM Funds. Tim Hazell is the Mercia representative on the board.

Crowd Reactive

Crowd Reactive allows event organisers to broadcast, on large event screens, photographs, video and social content from a variety of different social media platforms including Instagram, Twitter, Vines, Facebook and Yammer. Crowd Reactive already has a long list of clients based across the globe, including O2, Nike, Ferrari, Clinique, Moleskine, Twickenham Rugby Stadium and Firefly Music Festival. Circa 14 per cent. of Crowd Reactive is held by the MFM Funds. Rob Johnson is the Mercia representative on the board.

Irresistible Materials

Irresistible Materials is a spinout company from the University of Birmingham developing the next generation of ‘photo-resist materials’ for the semiconductor industry. A photo-resist is a material which undergoes a change in its physical and/or chemical properties upon exposure to radiation which allows for the formation of a relief pattern in a material. Circa 20 per cent. of Irresistible Materials is held by the MFM Funds. Tim Hazell is the Mercia representative on the board.

A full list of all the investments in the MFM Portfolio as at 4 December 2014 (the latest practicable date prior to the publication of this document) is set out at Part 5 of this document.

9. UNIVERSITY RELATIONSHIPS

Mercia has non-binding collaborative relationships, on a non-exclusive basis, with the following nine universities and research centres in the UK to access their flow of spinout opportunities. Eight of these nine relationships date back to 2007 when MF1 was re-launched and MF2 was established. Eight of the nine universities invested directly into MF1 and MF2.

- Aston University;
- Birmingham City University;
- The University of Birmingham;
- Coventry University;
- Keele University;
- Leicester University;
- Staffordshire University;
- University of Warwick; and
- Wolverhampton University.

According to the Research Assessment Exercise (last conducted in 2008), the University of Warwick was ranked 7th overall in the UK (based on multi-faculty institutions). The University of Birmingham was ranked 12th in the RAE Ranking by Research Power and together they benefit from combined research grant income in excess of £180 million per annum (according to the respective university accounts).

The Directors believe that Mercia represents an attractive partner for these universities given its track record of providing support and funding across the various stages of development from proof of concept to commercialisation and profitability. Mercia's arrangements are deliberately not exclusive which, while not guaranteeing access to all the university technology ventures, gives Mercia more flexibility and better manages each university's expectation of investment support, whilst mitigating against any third party gaining exclusivity over Mercia's existing relationships. The Directors believe this is a strength of the Mercia model.

MFM works on a regular basis with each university's Technology Transfer Office ("**TTO**"). Each university has a TTO or similar department, the primary purpose of which is to connect academia with a commercial endpoint. Following regular meetings with individual TTOs and collective meetings with all TTOs within a university, disclosed projects which are progressed are first funded via MFM, with a "pathfinder" investment intended to fund the assessment (including from third party experts) of the product's technical and commercial viability and the funding required.

10. REASONS FOR ADMISSION AND USE OF PROCEEDS

The Directors believe that the placing and admission of Mercia to AIM will assist Mercia in its development by: (i) enhancing its corporate profile; (ii) improving its ability to attract and incentivise top investment talent; (iii) increasing its deal flow from outside its existing university relationships and professional networks; and (iv) encouraging universities and other relevant parties to partner or coinvest with Mercia.

The Net Placing Proceeds receivable by the Company are expected to be circa £66.02 million and are intended to be used as follows:

- to provide development and expansion capital to companies in the MFM Portfolio and to the Mercia Direct Investments;
- to fund the proposed acquisition of MFM and the Mercia Direct Investments (see paragraph 14.2 of this Part 1 for further details);
- to continue to develop collaborative relationships;
- to expand geographically, organically and through selective acquisitions of entities with complementary activities; and
- to recruit experienced professionals and to provide working capital for Mercia to support its growth plans.

11. SUMMARY FINANCIAL INFORMATION

Mercia Technologies will become the new parent company of the Group shortly before Admission. The Company has not traded since incorporation and has therefore not produced any financial information. The following financial information for MFM for the three years ended 31 March 2014 has been derived from the financial information contained in Part 3 of this document, prepared in accordance with IFRS, and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	For the year ended 31 March		
(£)	2014	2013	2012
Revenue	722,728	501,359	411,400
Gross profit	696,630	485,416	411,400
Profit before taxation	42,078	18,963	4,172
Profit after tax	42,078	18,963	4,172

	For the year ended 31 March		
(£)	2014	2013	2012
Total Assets	249,834	145,626	135,987
Total Equity	108,390	70,298	101,335
Total Liabilities	141,444	75,328	34,652

The net assets for Mercia on a pro forma basis prior to Admission are £75.124 million. Please see Part 4 of this document for further details.

12. CURRENT TRADING AND PROSPECTS

Mercia derives a consistent income stream from MFM and its revenues for the six months to 30 September 2014 are in line with the prior six month period. However, during the six month period to 30 September 2014 the Company has incurred additional costs in connection with Admission resulting in a loss of £58,000.

The Company's cost base is expected to increase post Admission mainly through the recruitment of additional professionals and regional expansion in line with its stated strategy.

13. DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

13.1 The Board

The Directors are responsible for the determination of Mercia's investment policy and strategy and have overall responsibility for the Mercia's operations, including the review of investment activity. The Directors will meet at least ten times per annum, and the Audit Committee of the Company will meet at least three times per annum.

The Directors are as follows:

Ray Chamberlain (*Non-executive Chair*) (age 68)

Ray is an entrepreneur with a track record of success. Until 1997, Ray was Executive Chairman and the principal shareholder in Forward Group PLC, which he grew from a start-up company in 1978 to become one of Europe's leading high technology printed circuit board manufacturers admitted to trading on the main market for listed securities of the London Stock Exchange. In 1997 Forward Group PLC was acquired for \$200m by PCB Investments plc, a company established by Hicks, Muse Tate & Furst Equity Fund III, L.P. Subsequently, Ray diversified his interests in a number of areas, which included setting up Forward Group and the Forward Innovation Fund.

Susan Searle (*Non-executive deputy Chair*) (age 51)

Susan served as the Chief Executive Officer of Imperial Innovations Group plc ("**Imperial Innovations**") from January 2002 to July 2013. At Imperial Innovations, Susan led funding rounds totalling circa £250 million and during her tenure, Imperial Innovations invested £121 million in a portfolio of healthcare, engineering and software businesses linked to four universities: Cambridge, Imperial College, Oxford and UCL. She sat on a variety of boards including Evo Electric (electric motors), Thiakis (drug development for obesity) and Plaxica (biopolymers). Previously she worked at Montech in Australia (science commercialisation), Signet Group PLC, Bank of Nova Scotia, and Shell Chemicals in a variety of business development and commercial roles. She currently serves as a non-executive director of Horizon Discovery Group plc, Benchmark Holdings plc, QinetiQ Group plc and is a trustee of UK charity Fight for Sight. Susan also serves as a Member of the international advisory board of PTT Global Chemicals, an Ambassador to the Transport Systems Catapult and an adviser to the Emerging Technologies and Industries Group at the Technology Strategy Board. She has an MA in Chemistry from Oxford University.

Dr Mark Payton MBA, PhD (*Chief Executive Officer*) (age 47)

Mark is the Chief Executive Officer and co-founder of MFM. Mark has made in excess of 36 venture investments and led the sale of Hybrid Systems (to Myotec), Warwick Effect Polymers (to Polytherics) and was on the board of Abzena plc until it was admitted to trading on AIM in July 2014. Prior to MFM, Mark was at the Department of Pharmacology (University of Oxford), played leading roles within Isis Innovation (the technology transfer operation of the University of Oxford, involved in spinning out BioAnalab, Oxford Immunotec, Oxitec and Natural Motion, two of which were latterly sold and one of which listed successfully on NASDAQ), Mark was also VP Corporate Development at Oxxon Therapeutics Inc, prior to its sale to Oxford BioMedica PLC. Mark has over 15 years experience in technology commercialisation and investment and led the MBO which created MFM. Mark gained his PhD jointly between the University of Oxford (Worcester College) and the University of London (King's College), his MBA from the University of Warwick, has IMC parts I and II, and is fully FCA accredited.

Martin Glanfield (Chief Financial Officer) (age 55)

Martin is a KPMG trained graduate Chartered Accountant with more than 20 years experience as Chief Financial Officer of listed, private equity backed and privately owned technology led businesses. Martin joined Forward Group PLC in 1993 and was Group Financial Director from 1995 until its sale for \$200 million in 1997. In 1999, as Deputy Chief Executive of Symonds plc, Martin led the public to private of this listed technology group, backed by NatWest Equity Partners. The group was successfully restructured and sold within twelve months to a NASDAQ quoted US electronics group, whereupon he became a Vice President working frequently in Silicon Valley. Martin was Chief Executive of Forward Group plc from 2003 to 2005 and since then has been Group Finance Director of both a large international food processing group and a building services business.

Ian Metcalfe (Non-executive Director) (age 56)

Ian is a qualified solicitor who retired as Managing Partner of International law firm Wragge & Co on 30 April 2014 after eight years in post. Prior to managing the business, Ian was a corporate partner at the firm for fourteen years, acting for a number of substantial public and private companies and private equity houses on a range of transactions. Ian has recently been appointed as a director and Chair designate of Commonwealth Games England and is Chairman of the Professional Game Board of the Rugby Football Union ("RFU"). He is also a non-executive director of the RFU and of England Rugby 2015 Limited, the organising body of the 2015 Rugby World Cup. A double rugby blue, Ian represents Cambridge University on the RFU Council. He is a Governor of the Foundation of King Edward VI Schools in Birmingham, as well as a Governor of King Edward VI School for Boys and King Edward VI High School for Girls. Ian has an MA in Law from Cambridge University.

13.2 Mercia Investment Team

In addition to the Company's Directors, the Mercia investment team comprises:

Tim Hazell

Tim has been involved in investment work since 1985, first with UBS Phillips and Drew and thereafter with 3i plc, WME and the Baring English Growth Fund. He has been extensively involved in appraising and executing venture capital investment opportunities including start-ups, buy-outs and acquisition funding. Tim is a graduate in Mechanical Engineering from Imperial College and has a Masters Degree in Science Technology and Industrialisation, an MBA from the Open University and is fully FCA accredited.

Rob Johnson

Rob has had an extensive career in the computing hardware and e-commerce sector. Most recently he was joint Managing Director at Buyagift plc where he helped grow the business from £3 million to £20 million turnover prior to its sale to Smart&Co. Prior to this, Rob was Managing Director at Ilion plc and was responsible for the turnaround of that company.

Mike Hayes

Mike has more than 20 years' experience in interactive businesses, including at SEGA where he was CEO for Europe and America, presiding over turnover in excess of £400 million. He was responsible for the repositioning of SEGA as a multi-platform software company and managed the acquisition of several development studios.

13.3 MFM Funds Advisory Committee

MFM has established an Advisory Committee comprised of individuals with financial and business backgrounds to assist in the review and consideration of potential investments from the MFM Funds. These individuals have not entered into any contractual arrangements with the Company in respect of their participation on the Advisory Committee.

Michael Cumming (Chairman)

Michael has been involved in private equity for 40 years having helped found Midland Montagu Industrial Finance in 1969 and Barclays Private Equity in 1979. He was Managing Director of the latter from 1981 to 1995. He was chairman of Private & Commercial Financial PLC and is chairman of the Advisory Committees for MF1 and MF2 and is also a director of other quoted and unquoted companies.

Peter Dicks

Peter was the co-founder of Abingworth plc, a venture capital investment company, where he worked from 1973 to 1991. Since then he has been a non-executive director or Chairman of a number of companies. He is currently chairman of Private Equity Investor plc and Sportingbet plc, and is a director of Polar Capital Technology Trust PLC, MearsGroup PLC and Standard Microsystems Corporation, a U.S. based NASDAQ listed company.

Sir John Egan

Sir John is a notable British industrialist, associated with businesses in the automotive, airports, construction and water industries. He was Chief Executive of Jaguar Cars from 1984 to 1990, and then served as Chief Executive of BAA from 1990 to 1999. He is also notable for chairing the construction industry task force which produced the 1998 Egan Report (Rethinking Construction) and the follow-up report, Accelerating Change, in 2002. In 2004, after completing two years as president of the Confederation of British Industry, he was appointed chairman of Severn Trent. He was knighted in the Queen's Birthday Honours list in June 1986.

Norman Price

Norman's first career was as company director in large public engineering businesses. Subsequently, he has been investor, director and chairman of a number of smaller technical businesses, including taking one to the main market. Nationally, he was Innovation Advisor in DTI on finance and investment issues, including EIS and R&D tax credits. In the West Midlands, he is on University of Birmingham Council and Chair of Birmingham Science City. As deputy chair of West Midlands RDA, he drove and drives currently the creation of regionally based private/public venture capital funds. Norman was awarded an OBE in the 2002 Queens Birthday Honours list.

Professor Stuart Palmer

Stuart Palmer FREng, was the Deputy Vice-Chancellor and Interim Chair of the School of Life Sciences of the University of Warwick where he had been since 1987. He is a professor of physics who has worked in Condensed Matter Physics and Engineering Physics and has extensively exploited the technique of ultrasound. While working at the University of Hull he led a team applying ultrasound to the diagnosis and monitoring of osteoporosis. This led to an ultrasonic index for osteoporosis and the development of commercial equipment is available worldwide.

Dr James Wilkie

James heads up the commercialisation activities at the University of Birmingham following many years in industry. He is also CEO of Alta Innovations Ltd, which has the exclusive agency rights to bring new ideas developed at the University to market. Starting as a research scientist with British Telecom plc, he left to join the management team of a 15 person 'start up' company in the Netherlands which manufactured and sold high purity chemicals to the optoelectronic industry. He was the architect of a growth strategy which saw the company take 50 per cent. of the worldwide market share for its products from incumbent companies within two years. This resulted in a trade sale of the business to Air Products. He then moved to the corporate venturing arm of Shell where he remained for eleven years. During this period he was one of a three man team which successfully raised \$500m to allow Shell to enter the Renewable Energy sector and he spent five years identifying, acquiring and integrating new businesses as Global VP Technology for Shell Solar. He returned to the UK and was interim CEO for a number of early stage businesses prior to becoming Managing Director of Morgan Group Technology Ltd, part of Morgan Crucible plc.

13.4 External Investment Advisory Panel

The Group has also established an External Investment Advisory Panel of sector specialists which advises the Group's investment team on selected investment prospects for MFM (on behalf of the MFM Funds). These individuals have not entered into any contractual arrangements with the Company or MFM in respect of their participation on the External Investment Advisory Panel.

Peter Gardner (Chairman)

Peter shaped 3i's early stage technology investment business over his eleven year tenure. As a successful entrepreneur, he founded venture capital backed Micro Technology in 1979, which as a leading IBM PC reseller was sold in 1988 to Sintrom plc. Thereafter, Peter joined venture backed

Tricom Communications introducing VoIP products into Europe as early as 1991. Following five years as the Sales & Marketing Director and then Chief Executive Officer of Cristie Group, he joined 3i in 1997 and led the Communications Sector. He has participated in over 100 technology investments, with a key role in successes such as Telecity, Azzurri, DTMS and Kingston SCL.

Simon Cartmell

With 30 years pharmaceutical, biotech and medtech experience gained in a range of disciplines, Simon is a serial entrepreneur in early stage healthcare businesses. As CEO of ApaTech Ltd, a Queen Mary University of London spinout, he developed a world leader in orthobiologics prior to its sale to Baxter for \$330 million in March 2010. Prior to joining ApaTech in 2004 Simon was a director of Celltech Group plc, before which he served as Chief Operations Officer of Vanguard Medica (later Vernalis plc). The early part of his career was spent at Glaxo/Glaxo Wellcome plc in a series of senior UK and international commercial, supply chain and strategic development leadership roles.

Simon is currently part-time Chief Executive Officer of Calon Cardio-Technology Ltd, a Venture Partner at Imperial Innovations plc, a non-executive director of Phase4 Partners, ReNeuron plc and Creo Medical Ltd. As a member of the Haberdashers Livery Company Simon also supports a number of schools and charitable activities.

Martyn Booth

Martyn Booth, CEO of West Midlands Enterprise Ltd, has been involved in the venture capital and private equity fund management business for over 25 years and has been involved in all aspects from fundraising through to the liquidation of funds following the realisation of portfolios. Martyn currently sits on the investment committees of the North West Equity Fund and the South East Growth Fund and has previously managed The Midlands Growth Fund and, as a secondee to Baring Private Equity Partners, helped manage the Baring English Growth Fund.

Nick Wheelwright

With over 20 years' experience in gaming and interactive entertainment, Nick was Chief Executive Officer of Codemasters Group Limited where he transformed the company from a UK business into a worldwide sales, marketing and distribution operation. Under Nick's management, the company achieved over 300 number one industry rankings across Europe and USA as well as achieving The Sunday Times award for the UK's fastest profit growth company in 2000. In 2010, Nick co-founded Playground Games which won multiple Game of the Year awards for Forza Horizon in 2012 and again with Forza Horizon 2 in 2014.

Nick has joined an Investment Panel of industry veterans and entrepreneurs, bringing knowledge and operational experience in MFM's key sectors. In his role, he will assess investment prospects and also add significant value to selected companies. Nick complements the existing Investment Panel members with his knowledge as a private investor and successful entrepreneur in the gaming and digital sectors.

13.5 Conflicts panel

The Group has also established an external conflicts panel comprising representation from the MFM Funds Advisory Panel, External Investment Advisory Panel and Mercia Technologies Board (typically the Chief Investment Officer). The purpose of the conflicts panel is to provide an opinion to the Mercia Technologies Board and MFM Funds Advisory Board in the event that a conflict arises in respect of co-investment between the MFM Funds and each other or with Mercia Investments in which the round is predominantly lead by one fund or Mercia Investments and the round is of a material down round to the previous investment. The panel comprises: Peter Dicks (Chairman), Peter Gardner and Mark Payton (or the Chief Investment Officer of the Company).

13.6 Incentive arrangements

The Directors believe that the success of Mercia depends, in part, on the future performance of the Executive Directors and the investment management team. The Directors also recognise the importance of ensuring that employees are incentivised and identify closely with the success of the Company. The Directors have established a discretionary share option scheme in the form of a CSOP and, following Admission, propose to establish a profit participation scheme in the form of a carried interest plan.

13.6.1 **Mercia CSOP**

The Mercia CSOP comprises two parts. The first part satisfies the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 (so that options granted under it are subject to favourable tax treatment). The second part will be used to grant options which cannot be granted within the limit prescribed by the applicable tax legislation and which will not, therefore, benefit from favourable tax treatment. No options will be granted under the Mercia CSOP more than 10 years after its adoption. The number of Ordinary Shares over which options may be granted on any date is limited so that the total number of Ordinary Shares issued and issuable in respect of options granted in any ten year period under the Mercia CSOP and any other employees' share scheme of the Company is restricted to ten per cent. of the issued Ordinary Shares from time to time. Any options granted under the Mercia CSOP will be subject to the approval of the Remuneration Committee.

The first options granted under the Mercia CSOP will have an exercise price equal to the Placing Price, which has been agreed with HMRC as not less than the market value of an Ordinary Share for the purpose of making these first grants. The methodology for determining the market value of an Ordinary Share for all future grants of options under the Mercia CSOP has been agreed with HMRC so that the Company will use the middle market price quoted by the London Stock Exchange on the trading day immediately preceding the date of grant.

It is currently intended that options will be granted on or shortly following Admission under the Mercia CSOP and that the Mercia CSOP will continue to be used to provide share incentives to Directors and key employees. Further details of the proposed Mercia CSOP are set out in paragraph 8.4 of Part 6 of this document.

13.6.2 **Carried Interest Plan**

Following Admission, it is anticipated that Mercia will operate carried interest plans for the Executive Directors and certain other employees (the "**Plan Participants**"). Each carried interest plan will operate in respect of the Mercia Direct Investments made during a 24 month period with the first such carried interest plan being for the first 24 month period following Admission.

It is anticipated that Plan Participants will receive, in aggregate, 10 per cent. of the net realised cash profits from the Mercia Direct Investments made over the relevant period once Mercia has received an aggregate annualised six per cent. realised return during the relevant investment period. The Plan Participants' return will be subject to a "catch-up" in their favour. It is proposed that Plan Participants' carried interest will be subject to good and bad leaver provisions.

In addition, it is the intention of the Board to implement a phantom carried interest plan, based on the above criteria, in respect of the Mercia Direct Investments the Company will acquire shortly before Admission.

The Remuneration Committee will consider a timetable for proposed awards under the initial carried interest plan and the phantom carried interest plan following Admission.

13.7 **Corporate Governance**

The Directors recognise the importance of sound corporate governance and the Directors intend to observe the requirements of the corporate governance code for small and mid-size quoted companies published by the QCA.

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee, with formally delegated duties and responsibilities as described below.

Audit Committee

The Audit Committee will be responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and

reviewing the audit findings). The Audit Committee will monitor the need for an internal audit function following Admission.

The Audit Committee will initially comprise Susan Searle, who will act as Chairman, and Ian Metcalfe. The Audit Committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee will also meet regularly with the Company's external auditors.

Remuneration Committee

The Remuneration Committee will be responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments, share options or other long term incentive plans. The remuneration of Non-executive Directors will be a matter for the Chairman and the Executive Directors. No Director will be involved in any decision as to his or her own remuneration. The Remuneration Committee will also be responsible for issuing awards of shares and options to purchase Ordinary Shares under the Company's proposed share incentive plans.

The Remuneration Committee will initially comprise Ian Metcalfe, who will act as Chairman, Ray Chamberlain and Susan Searle. The Remuneration Committee will meet at least twice a year and otherwise as required.

Nominations Committee

The Nominations Committee is responsible for identifying and nominating members of the Board, recommending Directors to be appointed to each committee of the Board and the chair of each such committee. The Nominations Committee will also arrange for evaluation of the Board. The Nominations Committee will initially comprise Ray Chamberlain, who will act as Chairman, Ian Metcalfe and Susan Searle. The Nominations Committee will meet at least twice a year and otherwise as required.

13.8 Share dealing code

The Company has adopted a share dealing code for the Board, in conformity with the requirements of Rule 21 of the AIM Rules, and will take steps to ensure compliance by the Board and senior staff with the terms of the policy.

14. OTHER INFORMATION

14.1 Principal terms of the Acquisitions

On 15 December 2014, the Company entered into the Acquisition Agreements with the Vendors to acquire, subject to certain conditions set out in the Acquisition Agreements, Mercia Investments (which will then hold the Mercia Direct Investments) and Mercia Fund Management (which manages the MFM Portfolio).

The aggregate consideration for the Acquisitions is the issue of the Consideration Shares. The Consideration Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares and the Placing Shares including all rights to all dividends and other distributions declared, made or paid by reference to a record date falling after their issue. Subject to satisfaction of the other conditions relating to the Acquisitions, completion of the Acquisitions is expected to take place on 17 December 2014, the day immediately prior to the expected date of Admission. Each of the Vendors has given certain warranties customary for a transaction of this type.

Further details of the Acquisition Agreements are set out at paragraphs 9.1 and 9.2 of Part 6 of this document.

14.2 The Mercia Fund 2 Offer

One of Mercia's direct investment will be a 20 per cent. holding in Mercia Fund 2. Mercia has an opportunity to make an offer for the remaining 80 per cent. in MF2, based on a valuation of £4,119,990, on the same terms as it has agreed to acquire its 20 per cent. stake in MF2 pursuant to the terms of the MI Acquisition Agreement (the "**Mercia Fund Offer**").

The Directors consider this to be an attractive opportunity for Mercia and have agreed that, no later than five business days after Admission, Mercia shall make an offer to each of the limited partners in MF2 to purchase their respective interests. Further details of the Mercia Fund 2 Offer is set out at paragraph 9.5 of Part 6 of this document.

14.3 The Placing

The Placing comprises (i) an offer by the Company of 140 million Placing Shares to raise Gross Placing Proceeds of £70 million and Net Placing Proceeds of circa £66.02 million and (ii) an offer by the Founder Shareholders of 3,661,664 Founder Shares to raise, in aggregate, £1.83 million for the Founder Shareholders. The Placing of the Founder Shares is intended to fund the personal tax liability arising from the transfer of the Founder Shares. The Placing Shares have been offered to selected investors at the Placing Price of 50 pence per Placing Share. No offer of securities to the public in the EEA has been made for which a prospectus is required to be produced and the Placing is not underwritten.

The Placing is conditional, *inter alia*, on Admission. The costs incurred by the Company in respect of the Placing and Admission, being circa £3.98 million, include, *inter alia*, commissions and fees payable under the Placing, registrar's fees, admission fees, printing costs, legal, advisory and accounting and tax fees and any other applicable expenses.

14.4 The Placing Agreement

On 4 December 2014, the Company, the Directors, the Founder Shareholders and Cenkos entered into the Placing Agreement, pursuant to the terms of which Cenkos has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are to be allocated pursuant to the Placing.

The Placing Agreement may be terminated by Cenkos in certain customary circumstances prior to Admission. The Company has appointed Cenkos as Nominated Adviser and Broker to the Company in connection with the Placing.

The obligation of the Company to issue the Ordinary Shares, the obligation of the Founder Shareholders to transfer the Founder Shares and the obligation of Cenkos to use its reasonable endeavours to procure subscribers for the Placing Shares are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 18 December 2014 (or such later time and/or date, not being later than 6 January 2015, as the Company, the Founder Shareholders and Cenkos may agree); and (ii) the Placing Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Placing and conditional upon completion of the Placing, Cenkos will be paid a corporate finance fee of £250,000, a commission of three per cent. of the aggregate value of the Placing Shares issued to certain cornerstone investors at the Placing Price, a commission of 3.75 per cent. of the gross proceeds of the aggregate value of the Placing Shares issued to the other Placees at the Placing Price and a further £200,000 commission. Cenkos has agreed to apply £699,832 of its commission to the subscription of 1,399,664 new Ordinary Shares pursuant to the Placing.

The Company and the Directors have given warranties to Cenkos concerning, *inter alia*, the accuracy of the information contained in this document. The Company has also given indemnities to Cenkos. The warranties and indemnities given by the Company and the Directors are standard for an agreement of this nature.

Further details of the terms of the Placing Agreement are set out in paragraph 9.6 of Part 6 of this document.

14.5 The Relationship Agreement

On 15 December 2014, the Company, Ray Chamberlain, Forward Innovation Fund and Forward Nominees Limited (together the “**Significant Shareholder Group**”) and Cenkos entered into the Relationship Agreement pursuant to which the Company and the Significant Shareholder Group agreed to regulate the relationship between them in respect of the Ordinary Shares held in the Company following Admission. Forward Innovation Fund also has the right under the Relationship

Agreement to appoint one director to the Board for so long as Ray Chamberlain and his associates hold 15 per cent. or more of the issued Ordinary Share capital of the Company. Further details of the terms of the Relationship Agreement are set out in paragraph 9.9 of Part 6.

14.6 **The Founder Shareholders**

In recognition for their contribution to Mercia to date, Forward Nominees Limited will, following the exercise of certain option arrangements, transfer 7,208,000 Ordinary Shares at par to certain Directors and other key personnel (together the “**Founding Shareholders**”) shortly before Admission.

The Founder Shareholders will sell 3,661,664 Ordinary Shares to Placees as part of the Placing in order to meet the personal tax liabilities arising from the transfer of such Ordinary Shares estimated to be circa £1.83 million.

Further details on the Founder Shareholders and their holdings are set out at paragraph 21 of Part 6 of this document.

14.7 **Admission, settlement and dealings**

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 18 December 2014. The Ordinary Shares will be in registered form and the Registrar will be responsible for the maintenance of the Shareholder register.

It is expected that, subject to the satisfaction of the conditions to the Placing Agreement, the Placing Shares will be registered in the names of the Placees subscribing for them and issued or transferred either: (a) in certificated form, where the Placee so elects, with the relevant share certificate expected to be dispatched by post, at the Placee's risk, by 29 December 2014; or (b) in CREST, where the Placee so elects and only if the Placee is a “system member” (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for, which is expected to take place on 18 December 2014. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued. All documents or remittance sent by or to a place, or as they may direct, will be sent through the post at their risk.

14.8 **Valuation**

Full valuations of the Company's investments will be conducted annually as at 31 March for each financial period. Interim valuations will also be performed on a half-yearly basis. The valuations of the Group's investments will be prepared in compliance with IFRS on the basis of market value in accordance with the IPEVCV Guidelines. The first full valuation will be conducted as at 31 March 2015.

The Net Asset Value (and Net Asset Value per Ordinary Share) will be calculated annually and half-yearly by the Group. Calculations will be made in accordance with IFRS or as otherwise determined by the Board.

Details of each annual and half-yearly valuation of the Company's investments, the Net Asset Value and the Net Asset Value per Ordinary Share, and of any suspension in the making of such valuations, will be announced by the Company on a Regulatory Information Service at the same time as Mercia releases its results.

The calculation of the Net Asset Value will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained or in other circumstances which prevents the Company from making such calculations. Details of any suspension in making such calculations will be announced through a Regulatory Information Service as soon as practicable after any such suspension occurs.

14.9 **Accounting policy**

The Company's financial statements will be prepared in accordance with IFRS and reported in pounds sterling.

14.10 Annual report

The Company's annual report will be prepared up to 31 March each year and will be published by 31 July. The annual report will also be published on the Company's website and copies sent to Shareholders at this time. Shareholders will receive an unaudited interim report covering the six months to 30 September each year which will be dispatched and published on the Company's website by 31 December each year. The first financial report which Shareholders will receive will be the annual report covering the period from incorporation of the Company to 31 March 2015, which will be published by 31 July 2015.

14.11 Further issues of Ordinary Shares

The issue of further Ordinary Shares for cash is subject to pre-emption rights in favour of existing Shareholders, which may be disapplied by Shareholders by way of a special resolution. Pursuant to a resolution passed by the Company's initial shareholders, the Directors will have authority following Admission to issue further Ordinary Shares for cash on a non pre-emptive basis up to an amount representing ten per cent. of the issued Share Capital on Admission to expire on the later of the Company's first annual general meeting and 30 September 2015.

14.12 Repurchase of Ordinary Shares

The Directors will have general authority to make market purchases immediately following Admission of up to 14.99 per cent. of the aggregate of the issued share capital on Admission. There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Board, and not at the option of the Shareholders. Subject to Shareholder authority for the proposed repurchases, general purchases of up to 14.99 per cent. of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) five per cent. above the average of the middle market quotations on AIM for the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

The Directors will not exercise the Board's power to make market purchases if to do so would result in Ray Chamberlain, or any of his affiliated entities, having to make a mandatory takeover offer under the Takeover Code.

14.13 Dividend policy

The Company is not currently in a position to pay dividends and it is the current intention of the Directors to reinvest the net proceeds of any realisations in the Group's portfolio. However, the Directors may consider the payment of dividends in the future when, in their view, the Company has sufficient distributable profits after taking into account the working capital needs and investment opportunities of the Group.

14.14 Concert Party

Certain persons are considered to be acting in concert with Ray Chamberlain in relation to the Company for the purposes of the Takeover Code by virtue of them being interested in the Acquisitions (as more particularly described at paragraphs 9.1 and 9.2 of Part 6 of this document). Following Admission, members of the Concert Party will hold, in aggregate, 64,997,573 Ordinary Shares, representing approximately 30.66 per cent. of the issued Ordinary Share capital of the Company. In addition, Mark Payton, who is a member of the Concert Party, holds options under the Mercia CSOP to acquire a total of 1,000,000 new Ordinary Shares. Assuming these Options, which are not fully vested, were exercised in full (and that there are no other changes to the Company's issued share capital), the members of the Concert Party would hold, in aggregate, 65,997,573 Ordinary Shares, representing approximately 30.98 per cent. of the issued Ordinary Share capital of the Company immediately following Admission.

Details of the Concert Party, whose members comprise Ray Chamberlain, Forward Innovation Fund, Forward Nominees Limited, Mercia Growth Nominees Limited, Croftdown Limited and Mark Payton, are set out below:

- (a) Ray Chamberlain is the Chairman of Mercia, a party to the MI Acquisition Agreement and is indirectly interested in Forward Innovations Fund, Forward Nominees Limited, Mercia Growth Nominees Limited and Croftdawn Limited (as more particularly described below). At Admission, Ray will directly hold 6,149,752 Ordinary Shares and will be indirectly interested in a further 52,224,958 Ordinary Shares by virtue of his interests in Forward Innovations Fund, Forward Nominees Limited, Mercia Growth Nominees Limited and Croftdawn Limited.
- (b) Forward Innovation Fund is a discretionary trust where Ray Chamberlain is a trustee and, along with certain members of his immediate family, a beneficiary. Forward Innovation Fund is a party to the MFM Acquisition Agreement and the MI Acquisition Agreement. At Admission, Forward Innovation Fund will hold 31,622,280 Ordinary Shares.
- (c) Forward Nominees Limited is ultimately owned by Forward Group plc. Ray Chamberlain is the majority shareholder of Forward Group plc. Forward Nominees Limited holds various investments as nominee for Ray Chamberlain and certain members of his immediate family and is also a party to the MI Acquisition Agreement. At Admission, Forward Nominees Limited will hold 16,481,456 Ordinary Shares.
- (d) Mercia Growth Nominees Limited is a subsidiary of the Company and, inter alia, holds various investments as nominee for certain members of Ray Chamberlain's immediate family. Mercia Growth Nominees Limited is a party to the MI Acquisition Agreement. At Admission, Mercia Growth Nominees will hold 126,436 Ordinary Shares as nominee for certain members of Ray Chamberlain's immediate family.
- (e) Croftdawn Limited is ultimately owned by Forward Innovation Fund and is also a party to the MI Acquisition Agreement. At Admission, Croftdawn Limited will hold 3,994,786 Ordinary Shares.
- (f) Mark Payton is the Chief Executive Officer of Mercia, co-founder of MFM and a party to the MFM Acquisition Agreement. At Admission, Mark will directly hold 6,622,863 Ordinary Shares and holds options under the Mercia CSOP to acquire a total of 1,000,000 new Ordinary Shares. He has no direct or indirect interest in any other member of the Concert Party.

Further details on the City Code and the Concert Party can be found at paragraph 5 of Part 6 of this document.

PART 2

RISK FACTORS

The Directors believe that an investment in Ordinary Shares is subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in Mercia, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision.

The information below does not purport to be an exhaustive list. Prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances. The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under FSMA.

If any of the following risks relating to Mercia were to materialise, Mercia's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of their investment.

Additional risks and uncertainty not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon Mercia.

RISKS RELATING TO MERCIA

Mercia may not meet its investment objective

Mercia may not achieve its investment objective. Meeting the investment objective is a target, but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met. Mercia's investment objective includes the aim of providing Shareholders with capital appreciation over the long term. The amount of any capital appreciation will depend upon, amongst other things, Mercia successfully pursuing its investment policy and the performance of the MFM Portfolio and the Mercia Direct Investments. There can be no assurance as to the level of any capital appreciation over the long term.

The departure of some or all of the Executive Directors and other key personnel may significantly affect prospects

Mercia depends on the diligence, skill, judgment and business contacts of its Executive Directors, including Mercia's chief investment officer (when appointed), and other key personnel and the information and deal flow they generate during the normal course of their activities. Mercia's future success depends on the continued service of the existing individuals and Mercia's ability to strategically recruit, retain and motivate a new chief investment officer and new talented personnel. However, Mercia may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified successful investment professionals is extremely competitive.

In the event of the departure of one of the Executive Directors or other key personnel, there is no guarantee that Mercia would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of Mercia.

Loss of SEIS and EIS reliefs

A majority of the early stage deal flow for Mercia derives from, and is financed via, the MFM Funds which include capital raised from sophisticated investors seeking tax relief. Although the Directors do not believe that such investors chose MFM solely for the tax relief available, such reliefs are an element of their decision making and if such reliefs were to be withdrawn this could result in the size of the MFM Funds being reduced or make it difficult for Mercia to successfully launch one or more similar funds. This would result in Mercia relying on MF1 or using its own capital to finance early stage investment prospects which could adversely affect the business, results of operations or financial condition of Mercia.

Mercia may be unable to make investments

Although Mercia has identified a number of potential direct investments held in the MFM Portfolio which are consistent with its investment objective and investment policy, there can be no certainty that Mercia will be able to make these investments on acceptable terms or at all. Mercia may face competition from other investors. Competitors may have greater financial resources than Mercia. Furthermore, should there be a change to the investment objective or investment policy of any of the MFM Funds or should MFM's appointment with any of them be terminated, the number of companies in the MFM Funds which Mercia may be able to make direct investments in may be reduced and this could adversely affect the business, results of operations or financial condition of Mercia.

MFM may cease to be authorised by the FCA

MFM is authorised and regulated by the FCA as a small authorised UK AIFM. Should MFM cease to be authorised and regulated by the FCA as a small authorised UK AIFM then it would no longer be authorised to act as the investment manager of the MFM Funds or as the UK AIFM to Mercia Technologies and Mercia Investments. If that was to occur, Mercia would: (i) lose one of its revenue streams; (ii) be required to appoint a replacement UK AIFM; and (iii) lose the principal source of direct investments for Mercia Investments which would adversely affect the business, results of operations or financial condition of Mercia.

Compliance of the FCA Rules by MFM

The FCA is obliged by FSMA to maintain arrangements for supervision of authorised persons such as MFM. One such way the FCA does that is through the appointment of auditors who report to the FCA, as required, on the financial resources of the regulated entity, the accuracy of its reports to the FCA and its compliance with particular FCA Rules, such as the FCA rules on client assets (the “**CASS Rules**”). BDO LLP submitted a draft of such an audit report to MFM on 17 November 2014 relating to the financial year ended 31 March 2014 which highlighted two potential technical breaches of the CASS Rules. The Board anticipates that the final version of BDO LLP's report to be submitted to the FCA will contain references to these two potential technical breaches. The FCA may wish satisfy itself as to MFM's compliance with the CASS Rules. Should such steps result in the FCA taking enforcement action against MFM (which, given the nature of and circumstances surrounding the potential technical breaches, the Board believes, having taken advice, is unlikely), the outcome of such enforcement action could have a materially adverse effect on the operations and business of Mercia.

Mercia may not be successful in forming relationships with additional universities and research institutions

Mercia's ability to expand its business by entering into additional links and collaborative arrangements with universities and other research institutions will depend on the willingness of organisations of suitable quality to enter into such arrangements on terms acceptable to Mercia. Failure to successfully initiate new and additional partnerships may limit Mercia's ability to expand.

Mercia generates limited revenue and there is no guarantee of a return on exit

The ability of Mercia to exit its position within each direct investment depends in part on the market's appetite for investments in scientific and technology companies with a limited or no trading history, as well as valuations in the market sectors in which its businesses participate. As such, there can be no guarantee that the expenditure made to date and which Mercia expects to be made going forward will produce returns. Returns which are lower than expected, or non-existent, could have a material adverse effect on the business, financial condition, results of operations and prospects of Mercia.

Mercia may fail to identify the most promising new technologies invented by its university or other partners, or may invest in new technologies which are less promising than other competing new technologies

Mercia's business model is critically dependent on its ability to identify and evaluate potentially promising new technologies. Mercia may fail to identify the most promising new technologies available for any number of reasons, including because it lacks a relationship with the relevant institution, or because the institution has already transferred ownership of, or granted a licence to, the relevant intellectual property to others.

Even where Mercia is successful in identifying new technologies, it may fail to accurately assess the technical feasibility or commercial prospects of the new technology. Although Mercia has a multi-stage evaluation process designed to efficiently filter out those new technologies which do not demonstrate the greatest promise, there is no guarantee that this evaluation process will not mistakenly identify as promising those technologies which in fact cannot be satisfactorily developed into commercially viable products, services or intellectual property.

The failure by Mercia to identify promising new technologies or to accurately evaluate their technical or commercial prospects could adversely affect the business, results of operations or financial condition of Mercia.

The market's demand for investment in early stage companies may impact Mercia's ability to realise equity returns

Some of the Mercia Direct Investments may have significant funding requirements in the future. The success of these Mercia Direct Investments may be influenced by the market's appetite for investment in early stage companies.

Mercia's investments may not have exclusive rights on all matters in relation to intellectual property and could lose their rights under certain circumstances

Mercia has collaborative relationships, on a non-exclusive basis, with nine universities and research centres in the UK to access their flow of spinout opportunities. Approximately 50 per cent. of Mercia's investment deal flow derives from technology which was originated in the course of research conducted in, and initially funded by, partner universities. Mercia's arrangements are deliberately not exclusive which, while not guaranteeing access to all the university technology ventures, gives Mercia more flexibility and better manages each university's expectation of investment support, whilst mitigating against any third party gaining exclusivity over Mercia's existing relationships. However there can be no guarantee, given the non-exclusive basis of Mercia's relationships with the universities, that Mercia will continue to have access to the universities' flow of spinout opportunities which would make it more difficult for Mercia to identify and source investment opportunities.

The value of Mercia may be dominated by a single or limited number of companies

A large proportion of the overall value of the Mercia Direct Investments may at any time be accounted for by one, or very few, companies. There is a risk that one or more of the Mercia Direct Investments experience financial difficulties, become insolvent or suffer from poor market conditions and if as a result its value were to be adversely affected, this would have a material detrimental effect on the overall value of Mercia.

As equity realisations from the Mercia Direct Investments are expected to be achieved through liquidity events, including trade sales and initial public offerings, the total income receivable by Mercia from these sources may vary substantially from year to year.

Changes in legislation and policy may impact the resources and technology available to Mercia

There may be changes in English law which impact the operation of Mercia, the MFM Funds, the MFM Portfolio and/or the Mercia Direct Investments. A change in legislation or policy may: (i) adversely affect the monies and resources available to Mercia and/or the MFM Funds and/or the Mercia Direct Investments; (ii) affect their entitlement to enter into funding agreements under which the businesses would have a role in exploiting the intellectual property; or (iii) affect the right of the universities and research institutions to transfer intellectual property to, or to share revenues with, Mercia's businesses. If the universities or research institutions experience a pronounced reduction in their research funding, this may have an adverse effect on the quantity and quality of the output from the research and development conducted at these institutions, thereby reducing the quantity and value of the intellectual property made available to Mercia. This could result in universities and research institutions no longer being able, or for it to become commercially unattractive for them, to own, exploit or protect intellectual property. This may have an adverse effect on the financial position or performance of Mercia.

Changes in government policy or legislation (including changes to tax legislation) or other terms upon which the academics are incentivised could make it commercially unattractive for research academics to participate

in the commercialisation of intellectual property which they create. This would represent a fundamental risk to the continuing growth in the number of Mercia Direct Investments and the MFM Portfolio.

Mercia's businesses

Mercia operates a similar business model to existing and established publicly quoted companies. It has a focus on creating and developing companies which combine technology and service provision and are rich in intellectual property. The technology sector is intensely competitive on a global scale. Many of Mercia's competitors have greater financial, technical and other resources. Competition in the technology sector could materially adversely affect the businesses' prospects, financial condition and results of operations.

MFM provides services to the MFM Funds which could compete directly or indirectly with the other activities of Mercia

MFM is involved in activities which may on occasion give rise to conflicts of interest with Mercia. In particular: (i) MFM manages the MFM Funds and may provide investment management, investment advisory or other services in relation to future funds which may have similar investment policies to that of Mercia; and (ii) MFM may give advice and recommend investments to the MFM Funds which may differ from advice given to, or investments recommended or invested in by, Mercia, even though their investment policies may be the same or similar. If these conflicts of interest are managed to the detriment of Mercia by MFM, they could materially and adversely affect the performance of Mercia.

Mercia's businesses are difficult to value accurately given that they are early stage and their technology is in development

Investments in early stage companies are inherently difficult to value since sales, cash flow and tangible asset values are very limited, which makes the valuation highly dependent on expectations of future development and any future significant revenues would only arise in the medium to longer terms and are uncertain. Equally, investments in companies just commencing the commercial stage are also difficult to value since sales, cash flow and tangible assets are limited, they have only commenced initial receipts of revenues which may not be representative of future significant revenues and valuations are still dependent on expectations of future development.

Mercia's businesses may fail, lose value or fail to generate the anticipated level of returns

Due to the early stage nature of Mercia's activities, any of Mercia's businesses, even those which are in more mature stages of development or in which the MFM Funds and/or Mercia has invested significant capital, may fail or not succeed as anticipated, resulting in an impairment of Mercia's value and/or profitability. Where a project has failed to deliver sufficient additional proof points and no longer supports on-going development and commercialisation activity and cannot be successfully redirected to an alternative commercial path, Mercia will look to terminate the investment early.

Lack of control of Mercia's companies where Mercia has a minority interest

The size of Mercia's and/or the MFM Funds' direct shareholding in each investment will vary. Mercia and/or MFM will not be able to exercise control over any affairs of these companies in which it or they have only a minority interest. Further, in raising funds for a company by way of a subscription of shares in that company, Mercia and/or the MFM Funds might be required to become subject to provisions which could force Mercia and/or the MFM Funds to exit from these companies at a time and/or price determined by other investor(s) (for example, by the exercise of drag-along rights).

Mercia will be restricted from taking on structural leverage unless it is granted full-scope authorisation under the AIFM Directive

MFM is a small authorised UK AIFM for the purposes of the AIFM Regulations. The Company and Mercia's Investments are considered AIFs under the AIFM Regulations and have appointed MFM as their AIFM. Accordingly, MFM, whilst MFM holds this registration, will not be subject to the majority of the requirements placed upon full-scope AIFMs under the AIFM Regulations and the other rules and regulations implementing the AIFM Directive. One of the qualifying criteria for registration as a small authorised UK AIFM, for an AIFM with more than €100 million of assets under management, is that it must be unleveraged.

Mercia does not currently intend to utilise gearing. However, Mercia may, in the future, use gearing if it believes it will enhance Shareholder returns over the longer term. Before Mercia would be able to use such gearing in the future, MFM would have to apply to the FCA for a full-scope Part 4A permission under the AIFM Regulations in order to take on structural leverage. Following a decision by Mercia to use gearing in the future, any restriction on, or undue delay in, MFM being granted a full-scope Part 4A permission under the AIFM Regulations by the FCA will restrict, or delay the timing of, such leverage being drawn down, which may have a material adverse effect on Mercia's profitability.

RISKS RELATING TO THE TECHNOLOGY SECTOR

Closure of technology transfer offices and/or spinout equity management offices at universities and other research intensive institutions

One or more of the universities or other research intensive institutions with which Mercia has a partnership or other collaborative relationship may choose to close its technology transfer office and/or spinout equity management offices. The technology transfer offices and/or spinout equity management offices act as the link between Mercia and the universities and other research intensive organisations and, consequently, the closure of such an office would make it more difficult for Mercia to identify and source opportunities emanating from that university or other organisation. The collaborative relationships with universities are not exclusive or legally binding and therefore could cease at short notice.

The Mercia businesses are at an early stage and carry inherent risk

Mercia intends to use the Net Placing Proceeds principally to invest further in its pipeline of direct investments and to take advantage of any future opportunities. The majority of these direct investments will be in early-stage companies which may be subject to one or more of the following risks (or a combination of these risks):

- The science and technology developed by these businesses may fail and/or these businesses may not be able to develop their intellectual property or technology into commercially viable products or technologies.
- Early-stage businesses may not be able to secure subsequent rounds of funding which may restrict their ability to fund on-going research and the development and commercialisation of their technology and intellectual property. Any such lack of funding could result in a company being forced to sell off its assets.
- These businesses may not be able to source and/or retain appropriately skilled personnel. In particular, they may not have the financial resources to compete with the salary and other incentivisation packages offered by their competitors or other scientific and technology based companies or organisations.
- Competing technologies may enter the market which may adversely affect the businesses' ability to commercialise their intellectual property or the underlying companies may not have been able to adequately protect their intellectual property (whether due to lack of financial resource or otherwise).
- There is no certainty that the businesses will (i) reach the stage where the economic benefits resulting from expenditure on research activities become probable or (ii) generate any, or any significant, returns (e.g. dividends, proceeds from a share sale or a return on capital from an exit event) for their shareholders (including Mercia) or that Mercia will be able to secure a profitable exit from its investment in any or all of Mercia's businesses.

Claims alleging infringement of a third party's intellectual property could result in significant losses and expenses to Mercia's investments and the loss of material rights

The value of the intellectual property and technology owned by or licensed by Mercia's businesses depends, in part, on how successfully it can be used to defend against claims that these businesses are infringing the intellectual property rights of third parties. The businesses are likely to receive notice that they are infringing intellectual property of a third party, or that the attempted intellectual property protection should not be granted. In addition, the validity of intellectual property rights (such as patents) relating to technology utilised by Mercia's businesses may become subject to claims and/or challenges by third parties.

Litigation of intellectual property rights is an occurrence in most technology businesses and, from time to time, competitors and other third parties may seek to assert the right to restrict Mercia's businesses' use of patent, copyright, trademark or other intellectual property rights relating to technologies which are important

to their business. Intellectual property litigation can be expensive, complex and lengthy and its outcome is frequently difficult to predict.

Mercia is subject to risks associated with developments in the technology sector

The success of Mercia is based on the ability to successfully identify, develop and take to market viable products in the technology sector. Mercia cannot be certain that such a successful outcome is possible. The technology sector is characterised by rapid technological changes, frequent new product introductions and enhancements and evolving industry standards. Mercia's businesses may encounter unforeseen operational, technical and other challenges.

The general global economic climate and trading conditions may adversely affect Mercia's revenues

The performance of Mercia and of its portfolio companies is influenced by global economic and financial conditions. Weak economic growth may have an adverse effect on trading conditions and Mercia may find it increasingly difficult to raise new capital and/or exit its investments in order to realise capital. This could adversely affect the business, financial condition, results of operations and prospects of Mercia.

In addition, restrictions on spending whether public or private resulting from adverse global economic and financial conditions could affect its income and/or growth and that of its portfolio companies.

RISKS RELATING TO THE ORDINARY SHARES

Impact of events affecting companies with comparable business models on the value of the Ordinary Shares

Technology commercialisation is a relatively new business sector and consequently there are a relatively small number of companies with comparable business models. Accordingly, any event which detrimentally affects one or more companies in this comparator group may adversely affect the value of Mercia and the value of the Ordinary Shares.

The Directors may apply the Net Placing Proceeds to uses which Shareholders may not agree with and may make investments which fail to produce income or capital growth or which lose value

The Directors will have considerable discretion in the application of the Net Placing Proceeds and holders of Ordinary Shares must rely on the judgement of the Directors regarding the application of such proceeds. The net proceeds may be placed in investments which fail to produce income or capital growth or which lose value.

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which may be out of Mercia's control

From time to time, publicly traded securities experience significant price and volume fluctuations which may be unrelated to the operating performance of the companies which have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond Mercia's control, including: variations in operating results in Mercia's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by Mercia of a significant investment in a portfolio company; strategic alliances, joint ventures or other capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

Investment in AIM-traded securities

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in Mercia may go down as well as up and that

the market price of the Ordinary Shares may not reflect the underlying value of Mercia. Investors may therefore realise less than, or lose all of, their investment.

Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to Mercia and its operations and others which may affect quoted companies generally. These factors could include the performance of Mercia, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions.

Certain Directors own a significant percentage of the Ordinary Shares. Following Admission, they will be in a position to exert influence on Mercia and their interests may differ from other Shareholders

Following Admission, Ray Chamberlain and his affiliated entities will beneficially own 27.54 per cent. of the Enlarged Share Capital. This significant concentration of share ownership may adversely affect the market value of the Ordinary Shares because investors may believe that there are disadvantages in owning shares in companies with significant shareholders. Ray Chamberlain and his affiliated entities may have the ability to determine the outcome of matters requiring Shareholder approval, including appointments to the Board and significant corporate transactions. In addition, the interests of Ray Chamberlain and his affiliated entities may be different from the interests of Mercia or other Shareholders as a whole.

Future sale of Ordinary Shares

Mercia is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. Mercia may require additional capital in the future which may not be available to it. If available, future financings to provide this capital may dilute Shareholders' proportionate ownership in Mercia. Mercia may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares or rights to acquire these securities. Where circumstances permit, the Directors intend to consult with Cenkos (for so long as it remains Nominated Adviser to Mercia) each time Mercia proposes to offer new Ordinary Shares for cash as to whether its Shareholders should be provided with the opportunity to participate in such offering. Mercia cannot, however, give Shareholders any assurance that a right to participate will be given in any particular circumstance or at all. If Mercia raises significant amounts of capital by these or other means, it could cause dilution for the existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. Mercia may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

No prior trading market for Ordinary Shares

Prior to the Admission to trading on AIM, there was no public market for the Ordinary Shares. There can be no assurance that an active market for (and hence strong liquidity in the trading of) the Ordinary Shares will develop upon Admission or, if developed, that such market will be sustained.

PART 3

HISTORICAL FINANCIAL INFORMATION ON THE MFM GROUP

SECTION A: ACCOUNTANT'S REPORT



4 Brindley Place
Birmingham
B1 2HZ

The Board of Directors
Mercia Technologies PLC (the "**Company**")
Forward House
17 High Street
Henley-in-Arden
B95 5AA

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

15 December 2014

Dear Sirs

Mercia Technologies PLC

We report on the financial information of Mercia Fund Management Limited and its subsidiaries (together the "**MFM Group**") for the three years ended 31 March 2014 set out in Section B of this Part 3. This financial information has been prepared for inclusion in the AIM admission document of Mercia Technologies PLC dated 15 December 2014 (the "**Admission Document**") on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

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

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

Save for any responsibility arising under paragraph (a) of Schedule Two to 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 Annex I item 23.1 of the Prospectus Directive Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

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

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

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

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the MFM Group as at 31 March 2012, 2013 and 2014 and of its profits, cash flows and changes in equity for the three years ended 31 March 2012, 2013 and 2014 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

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

Yours faithfully

Deloitte LLP

Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE MFM GROUP

Consolidated statement of comprehensive income for the years ended 31 March 2012, 2013 and 2014

	Note	2014 £	2013 £	2012 £
Revenue	5	722,728	501,359	411,400
Cost of sales		26,098	15,943	–
Gross profit		696,630	485,416	411,400
Administrative expenses		654,552	466,453	407,228
Operating profit		42,078	18,963	4,172
Profit before taxation	6	42,078	18,963	4,172
Taxation	8	–	–	–
Profit and total comprehensive income for the financial year		42,078	18,963	4,172
Attributable to:				
Equity holders of the parent		42,042	18,922	4,127
Non-controlling interests	36	41	45	–
		42,078	18,963	4,172
Basic earnings per ordinary share (pence)	9	326	142	31
Diluted earnings per ordinary share (pence)	9	326	142	31

All results arose from the continuing operations of Mercia Fund Management Limited (“**MFM**”).

Consolidated balance sheet
As at 31 March 2012, 2013 and 2014

	Note	2014 £	2013 £	2012 £
Assets				
Non-current assets				
Property, plant and equipment	10	26,786	780	581
Investments	12	50	50	50
Total non-current assets		<u>26,836</u>	<u>830</u>	<u>631</u>
Current assets				
Trade and other receivables	13	184,444	90,733	13,733
Cash and cash equivalents		38,554	54,063	121,623
Total current assets		<u>222,998</u>	<u>144,796</u>	<u>135,356</u>
Total assets		<u><u>249,834</u></u>	<u><u>145,626</u></u>	<u><u>135,987</u></u>
Equity and liabilities				
Equity				
Issued share capital	15	59,350	63,336	113,336
Capital redemption reserve		3,986	–	–
Retained earnings		44,932	6,876	(12,046)
Equity attributable to owners of MFM		<u>108,268</u>	<u>70,212</u>	<u>101,290</u>
Non-controlling interests		122	86	45
Total equity		<u>108,390</u>	<u>70,298</u>	<u>101,335</u>
Liabilities				
Amounts falling due within one year	14	141,444	75,328	34,652
Total liabilities		<u>141,444</u>	<u>75,328</u>	<u>34,652</u>
Total equity and liabilities		<u><u>249,834</u></u>	<u><u>145,626</u></u>	<u><u>135,987</u></u>

Consolidated cash flow statement
for the years ended 31 March 2012, 2013 and 2014

	Note	2014 £	2013 £	2012 £
Cash flows from operating activities:				
Operating profit		42,078	18,963	4,172
Adjustments to reconcile operating profit to net cash flows used in operating activities:				
Depreciation of property, plant and equipment		3,930	311	254
Working capital adjustments:				
Increase in trade and other receivables		(93,711)	(77,000)	(13,145)
Increase in trade and other payables		66,116	40,676	5,642
Net cash used in operating activities		<u>18,413</u>	<u>(17,050)</u>	<u>(3,077)</u>
Cash flows from investing activities:				
Purchase of plant and equipment		(29,936)	(510)	(349)
Net cash used in investing activities		<u>(29,936)</u>	<u>(510)</u>	<u>(349)</u>
Cash flows from financing activities:				
Proceeds from share issues		–	–	10,002
Costs of share repurchase	15	(3,986)	(50,000)	–
Net cash (used in)/generated from financing activities		<u>(3,986)</u>	<u>(50,000)</u>	<u>10,002</u>
Net (decrease)/increase in cash and cash equivalents		(15,509)	(67,560)	6,576
Cash and cash equivalents at beginning of the year		54,063	121,623	115,047
Cash and cash equivalents at end of the year		<u><u>38,554</u></u>	<u><u>54,063</u></u>	<u><u>121,623</u></u>

Consolidated statement of changes in equity
for the years ended 31 March 2012, 2013 and 2014

	Share capital £	Capital redemption reserve £	Retained earnings £	Total £	Non- controlling interest £	Total equity £
Balance at 1 April 2011	103,334	–	(16,173)	87,161	–	87,161
Total comprehensive income for the period	–	–	4,127	4,127	45	4,172
Issue of share capital	10,002	–	–	10,002	–	10,002
Balance at 31 March 2012	113,336	–	(12,046)	101,290	45	101,335
Total comprehensive income for the period	–	–	18,922	18,922	41	18,963
Repurchase of own shares	(50,000)	–	–	(50,000)	–	(50,000)
Balance at 31 March 2013	63,336	–	6,876	70,212	86	70,298
Total comprehensive income for the period	–	–	42,042	42,042	36	42,078
Repurchase of own shares	(3,986)	3,986	(3,986)	(3,986)	–	(3,986)
Balance at 31 March 2014	59,350	3,986	44,932	108,268	122	108,390

Notes to the historical financial information for the years ended 31 March 2012, 2013 and 2014

1. General information

MFM has historically been engaged in fund management activities.

Information on the MFM Group's structure is given in note 11. Information on other related party relationships of the MFM Group is provided in note 20.

Basis of accounting

The historical financial information has been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit and loss as required by International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'.

The historical financial information of MFM has been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRSs) and the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee (IFRIC)) interpretations.

The principal accounting policies adopted in the preparation of this historical financial information have been consistently applied to all the years presented, unless otherwise stated. These accounting policies are in line with the policies expected to be followed for the year ending 31 March 2015.

The preparation of historical financial information in conformity with IFRS as endorsed by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the MFM Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 4.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. Adoption of new and revised Standards

IFRS 1 First time adoption of IFRSs: sets out the provisions for first time adoption of International Financial Reporting Standards. There are no adjustments to the opening balance sheet, dated 1 April 2011, required as a result of the transition from UK GAAP to IFRS.

Amendment to IFRS 10 – Investment Entities: The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss, rather than consolidating them in its consolidated financial statements. Measurement at fair value through profit or loss must also be applied to an investment entity's separate financial statements. The amendments also introduce disclosure requirements for investment entities into IFRS 12 Disclosure of Interests in Other Entities and amend IAS 27 Separate Financial Statements. The MFM Group considers that certain entities within the MFM Group structure qualify as investment entities and those entities have adopted this Amendment in preparing the historical financial information herein.

New standards, interpretations and amendments not yet effective

The following new standards, which have not been applied in this historical financial information, will or may have an effect on the MFM Group's future financial statements:

IFRS 9 Financial Instruments: IFRS 9 will eventually replace IAS 39 in its entirety. The process has been divided into three main components, being classification and measurement; impairment; and hedge accounting. The MFM Group provisionally assesses the potential effect to be immaterial given the majority of its financial assets will be held 'at fair value through profit or loss' (FVTPL). The previous effective date of 1 January 2015 has been withdrawn and is now expected to be implemented in 2018.

IFRS 15 Revenue from contracts with customers: IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It is effective for periods beginning on or after 1 January 2017, and will supersede a number of International Financial Reporting Standards and International Accounting Standards, including IAS 18 Revenue.

None of the other new standards, interpretations and amendments that are not yet effective are expected to have a material effect on the MFM Group's future financial statements.

3. Significant accounting policies

The significant accounting policies disclosed below are those observed in the years ending 31 March 2012, 2013 and 2014, and those that will be observed in the year ending 31 March 2015.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services comprises:

Fund management services

Fund management fees are generally earned as a fixed percentage of funds under management and are recognised as the related services are provided.

Arrangement fees

Arrangement fees are generally earned as a fixed percentage (ranging from 2-4%) of amounts invested by the MFM Funds and are a one-off payment made by the investee company to MFM as the fund manager.

Portfolio directors' fees

Portfolio directors' fees are earned as a fixed percentage (ranging from 2-4%) of amounts invested by the MFM Funds. These are annual fees, charged and invoiced quarterly in arrears, to the investee company and payable to MFM as the fund manager.

Leases

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive

income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The MFM Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the MFM Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Fixtures and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

Fixtures and equipment	33%
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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Basis of consolidation

The historical financial information incorporates the financial information of MFM and entities controlled by MFM (its subsidiaries) made up to 31 March each year. Control is achieved when MFM:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

MFM reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When MFM has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. MFM considers all relevant facts and circumstances in assessing whether or not MFM's voting rights in an investee are sufficient to give it power, including:

- the size of MFM's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by MFM, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that MFM has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of MFM and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of MFM and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with the MFM Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transitions between the members of the MFM Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the MFM Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests, entitling their holders to a proportionate share of net assets upon liquidation, may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Limited partnerships

MFM Group entities act as the general partner and investment manager to the following limited partnerships:

Name	Interest in limited partnership (%)
The Mercia Fund 1 General Partner Limited (" Fund 1 GP ")	20
The Mercia Fund 2 General Partner Limited (" Fund 2 GP ")	–

The MFM Group receives compensation for its role as investment manager to these limited partnerships including fixed fees and performance fees.

The directors of MFM consider that these amounts are, in substance and form, "normal market rate" compensation for its role as investment manager. In order to determine whether these limited partnerships are required to be consolidated, the presence of the three aforementioned elements of control are considered.

In the case of Fund 1 GP, the directors of MFM consider that the company has 'control' over the limited partnership. The directors of MFM will adopt the provisions of 'Amendment to IFRS 10 – Investment Entities' to measure its investments in Fund 1 GP at fair value through profit or loss, rather than consolidating it into its historical financial information.

For all other funds, the directors of MFM consider that the limited partnership interests do not create an exposure of such significance that it indicates that the MFM Group acts as anything other than agent for the other partners in the arrangement.

Financial instruments

Financial assets and financial liabilities are recognised in the MFM Group's balance sheet when the MFM Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets, financial assets 'at fair value through profit or loss' (FVTPL), 'loans and receivables', and 'held-to-maturity' investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The MFM Group has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors of MFM consider that fair value can be reliably measured). Fair value is determined in the manner described herein. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment's revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the MFM Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the MFM Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the MFM Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Valuation of financial assets held at FVTPL

The fair values of quoted investments are based on bid prices at the balance sheet date.

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). The valuation methodology used most commonly by the MFM Group is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the MFM Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. The MFM Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly, where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation.

Where the MFM Group considers that the price of a recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the MFM Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the MFM Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. When considered appropriate, the MFM Group may use external valuers to assess the reasonableness of any change in fair value estimated by management.

Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the MFM Group considers alternative methodologies in the IPEVCVG guidelines, being principally discounted cash flows and price-earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value.

Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

All recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly; the length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. During this period the MFM Group considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required; where the MFM Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the MFM Group. However any adjustment is, by its very nature, subjective. Where deterioration in value has occurred, the MFM Group

reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation, the MFM Group may consider increasing the carrying value of the investment. However, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome. This is a critical accounting judgement as set out in note 4.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the MFM Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of MFM's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of MFM's own equity instruments.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the MFM Group's accounting policies, which are described in note 3, the directors of MFM are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the MFM Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors of MFM have made in the process of applying the MFM Group's accounting policies and that have the most significant effect on the amounts recognised in financial information.

Investment entity status

Management of MFM considers that certain subsidiaries of the MFM Group are investment entities under the provisions of 'Amendment to IFRS 10 – Investment Entities', and as such measures investments held in those subsidiaries at fair value through profit loss (FVTPL).

'Amendment to IFRS 10 – Investment Entities' defines an investment entity as an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services as set out in IAS 18 Revenue and, in particular, the measurement stage of completion of the transaction at the end of a reporting period. The directors of MFM are satisfied that the stage of completion of a transaction has been measured appropriately at the year end, and thus that recognition of revenue in the current year is appropriate.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of unquoted equity investments

The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision whether or not to impair or uplift investment valuations.

5. Segmental reporting

For the years ended 31 March 2014, 31 March 2013 and 31 March 2012, the MFM Group's revenue and profit was derived from its principal activity within the United Kingdom.

The MFM Group has adopted IFRS 8, "Operating Segments". IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the board of directors of MFM. The directors of MFM are of the opinion that under IFRS 8 the MFM Group has only one operating segment, being Investment and Technology Transfer. The board of directors of MFM assesses the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the historical financial information.

Revenue is derived solely within the United Kingdom, from continuing operations for all periods. An analysis of the MFM Group's revenue is as follows:

	2014 £	2013 £	2012 £
Management fees	377,265	400,374	404,710
Arrangement fees	118,254	–	–
Portfolio directors' fees	125,136	37,380	–
Other	102,073	63,605	6,690
Total	722,728	501,359	411,400

6. Profit for the year

Profit for the year has been arrived at after charging:

	2014 £	2013 £	2012 £
Depreciation	3,930	311	254
Operating lease rentals – plant and equipment	627	710	1,649
Operating lease rentals – other	12,812	13,921	10,408
Auditor's remuneration	1,875	1,500	1,500

7. Staff costs

The average monthly number of employees (including executive directors of MFM) was:

	2014 Number	2013 Number	2012 Number
Investment and technology transfer	5	3	3
Central MFM Group functions	2	–	–
Total	7	3	3

Their aggregate remuneration comprised:

	2014 £	2013 £	2012 £
Wages and salaries	378,061	212,301	193,745
Social security costs	37,446	22,473	20,467
Other pension costs	41,848	22,931	22,130
Total	457,355	257,705	236,342

8. Tax

	2014 £	2013 £	2012 £
Corporation tax:			
Current year	–	–	–
Deferred tax	–	–	–
Total	<u>–</u>	<u>–</u>	<u>–</u>

There is no current tax charge in the years ended 31 March 2014, 2013 and 2012. A reconciliation of differences between the standard rate of corporation tax and the current tax charge is shown below:

	2014 £	2013 £	2012 £
Profit before tax	42,078	18,963	4,172
Tax at the standard rate or corporation tax in the UK of 23% (2013: 24%; 2012: 26%)	9,678	4,551	1,085
Tax effect of expenses that are not deductible in determining taxable profit	842	8,474	756
Capital allowances in excess of depreciation	(5,981)	(48)	(25)
Other short-term timing differences	577	287	(293)
Utilisation of tax losses	(5,116)	(13,264)	(1,523)
Total	<u>–</u>	<u>–</u>	<u>–</u>

With regards taxation, the directors of MFM deem that all planned or enacted Acts will not have a material impact on the MFM Group's financial statements in future periods.

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2014 £	2013 £	2012 £
Earnings for the purposes of basic earnings per share, being net profit attributable to owners of MFM	42,042	18,922	4,127
Effect of dilutive potential ordinary shares	–	–	–
Earnings for the purposes of diluted earnings per share	<u>42,042</u>	<u>18,922</u>	<u>4,127</u>
	2014 Number	2013 Number	2012 Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>12,914</u>	<u>13,336</u>	<u>13,336</u>

10. Property, plant and equipment

	Fixtures and equipment £
Cost	
At 1 April 2011	500
Additions	349
At 31 March 2012	849
Additions	510
At 31 March 2013	1,359
Additions	29,936
At 31 March 2014	31,295
Aggregate depreciation	
At 1 April 2011	114
Charge for the year	254
At 31 March 2012	268
Charge for the year	311
At 31 March 2013	579
Charge for the year	3,930
At 31 March 2014	4,509
Net book value	
At 1 April 2011	486
At 31 March 2012	581
At 31 March 2013	780
At 31 March 2014	26,786

11. Subsidiaries

The MFM Group consists of a parent company, MFM, incorporated in England and Wales, and a number of subsidiaries and associates held directly and indirectly by MFM, which operate, and are incorporated, solely in the United Kingdom.

Information about the composition of the MFM Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		2014	2013	2012
Mercia Fund 1 General Partner Limited	U.K. Fund Management	–	–	–
Mercia Fund 2 General Partner Limited	U.K. Fund Management	–	–	–
Lothian Shelf (582) Limited	U.K. Fund Management	–	–	–
Mercia Fund Management (Nominees) Limited	U.K. Fund Management	–	–	–
Mercia Growth Nominees Limited	U.K. Fund Management	–	–	–
Mercia Growth Nominees 2 Limited	U.K. Fund Management	–	–	–
Mercia Growth Nominees 3 Limited	U.K. Fund Management	–	–	–

12. Investments

	2014 £	2013 £	2012 £
Available-for-sale investments held at fair value			
Equity shares	50	50	50
Total	<u>50</u>	<u>50</u>	<u>50</u>

A wholly-owned subsidiary of the MFM Group, Mercia Fund 1 General Partner Limited holds 20 per cent. of the capital in Mercia Fund 1 Limited Partnership. Mercia Fund 1 General Partner Limited is the general partner in this limited partnership and acts as an investment manager for the limited partnership, in which investments are held at fair value through profit and loss.

13. Trade and other receivables due within one year

	2014 £	2013 £	2012 £
Trade receivables	131,373	71,645	814
Prepayments and accrued income	50,247	12,897	3,983
Other debtors	2,824	6,191	8,936
Total	<u>184,444</u>	<u>90,733</u>	<u>13,733</u>

The directors of MFM consider that the carrying amount of trade receivables approximates to their fair value.

14. Trade and other payables due within one year

	2014 £	2013 £	2012 £
Trade creditors	26,915	24,940	7,559
Taxation and social security	26,589	18,970	6,090
Other creditors	5,181	1,471	11,986
Accruals and deferred income	82,759	29,947	9,017
Total	<u>141,444</u>	<u>75,328</u>	<u>34,652</u>

The directors of MFM consider that the carrying amount of trade payables approximates to their fair value.

15. Share capital

Authorised, allotted, called up and fully paid.

	2014 £	2013 £	2012 £
"A" ordinary shares of £1.00 each	6,682	6,682	3,334
Preference shares of £1.00 each	46,436	50,000	100,000
"B" ordinary shares of £1.00 each	6,232	6,654	10,002
Total	<u>59,350</u>	<u>63,336</u>	<u>113,336</u>

MFM has two classes of ordinary shares, "A" and "B", which carry no right to fixed income. Holders of both "A" and "B" ordinary shares are entitled to vote at meetings of MFM. Preference shares carry no voting rights.

On 8 October 2012, 50,000 preference shares were repaid at par value.

On 16 November 2012, 3,348 "B" ordinary shares were re-designated as "A" ordinary shares.

On 5 February 2014, 3,564 preference shares and 422 "B" ordinary shares were repaid at par value.

16. Operating lease arrangements

	2014 £	2013 £	2012 £
Lease payments under operating leases recognised as an expense in the year	13,439	14,631	12,057

At the balance sheet date, the MFM Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £	2013 £	2012 £
Within one year	2,566	4,213	3,595
In the second to fifth years inclusive	4,391	5,659	15,652
Later than five years	–	533	1,600
Total	6,957	10,405	20,847

Operating lease payments represent rentals payable by the MFM Group for certain of its office properties, photocopiers and mobile telecommunication handsets. Leases are negotiated for an average term of three years and rentals are predominantly fixed over that period.

17. Retirement benefit schemes

Defined contribution schemes

The MFM Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the MFM Group in funds under the control of trustees.

The total cost charged to the Statement of Comprehensive Income of £41,848 (2013: £22,931; 2012: £22,130) represents contributions payable to these schemes by the MFM Group at rates specified in the rules of the schemes. As at 31 March 2014, contributions of £4,691 (2013: £2,180; 2012: £983) due in respect of the current reporting period had not been paid over to the schemes.

18. Financial instruments

The MFM Group is entirely equity funded. Categories of financial instruments

	2014 £	2013 £	2012 £
Financial assets			
Cash and cash equivalents	38,554	54,063	121,623
Amortised cost	134,197	77,836	9,750
Financial liabilities			
Amortised cost	58,685	45,381	25,635

Financial risk management objectives

Financial risks are usually grouped by risk type: market, liquidity and credit risk. These risks are discussed in turn below.

Market risk**Price risk**

The MFM Group is exposed to equity price risks arising from its investments. Equity investments are held for strategic rather than trading purposes. The MFM Group does not actively trade these investments.

Interest rate risk

The MFM Group holds no interest-bearing borrowing and as such has fully mitigated such a risk.

Liquidity risk

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Cash and cash equivalents comprise solely of balances held in readily-accessible bank accounts.

Ultimate responsibility for liquidity risk management rests with the board of directors of MFM, which has established an appropriate liquidity risk management framework for the management of the MFM Group's short, medium and long-term funding and liquidity management requirements. The MFM Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the MFM Group. The MFM Group's trade receivables are amounts due from the investment funds under management, or underlying portfolio companies.

Capital risk management

The MFM Group manages its capital to ensure that entities in the MFM Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of any debt and equity balance. The MFM Group's overall strategy remains unchanged for all periods under review.

The capital structure of the MFM Group consists solely of the equity of the MFM Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in note 15). The MFM Group has no debt instruments in any period under review.

Fair value measurements

The information set out below provides information about how the MFM Group determines fair values of various financial assets and financial liabilities.

Subsequent to their initial recognition at fair value, measurements of movements in fair values of financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The fair value hierarchy used is outlined in note 1.

Fair value of the MFM Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the MFM Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

The following table presents the MFM Group's assets that are measured at fair value at 31 March 2014:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets:				
Financial assets at fair value	—	—	50	50
Total	<u>—</u>	<u>—</u>	<u>50</u>	<u>50</u>

The following table presents the MFM Group's assets that are measured at fair value at 31 March 2013:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets:				
Financial assets at fair value	—	—	50	50
Total	<u>—</u>	<u>—</u>	<u>50</u>	<u>50</u>

The following table presents the MFM Group's assets that are measured at fair value at 31 March 2012:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets:				
Financial assets at fair value	—	—	50	50
Total	<u>—</u>	<u>—</u>	<u>50</u>	<u>50</u>

In each year, the £50 asset is derived from a single investment, being The Mercia Fund 1 Limited Partner, for which an MFM Group subsidiary acts as general partner and investment manager. The fair value of unlisted securities held within this limited partnership is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG).

The directors of MFM consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial information approximate their fair values.

19. Events after the balance sheet date

On 15 June 2014 the Group issued 150,000 £1 Preference Shares at par.

20. Related party transactions

Remuneration of key management personnel

The remuneration of the directors of MFM, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2014 £	2013 £	2012 £
Short-term employee benefits	212,476	149,508	136,526
Post-employment benefits	19,855	14,930	14,283
Total	232,331	164,438	150,809

Aggregate directors' remuneration

The total amounts for the remuneration of the MFM directors were as follows:

	2014 £	2013 £	2012 £
Salaries, fees, bonuses and benefits in kind	212,476	149,508	136,526
Total	212,476	149,508	136,526

Directors' transactions

No dividends were paid in the year (2013: £nil; 2012: £nil) in respect of ordinary shares held by the directors of MFM.

Loans to related parties

	2014 £	2013 £	2012 £
M. Payton	1,695	3,939	–
Total	1,695	3,939	–

M. Payton, a director of MFM, was granted an interest-free loan of £4,500 in the year to 31 March 2013. The loan was to be repaid over two years. The outstanding amount at 31 March 2014 was £1,695.

Transactions with other related parties

In the year ended 31 March 2014, the MFM Group accrued income of £196,088 (2013: £227,497; 2012: £245,254) from The Mercia Fund 1 Limited Partnership for which a subsidiary acts as general partner to the limited partnership.

In the year ended 31 March 2014, the MFM Group accrued income of £154,918 (2013: 164,611; 2012: £159,451) from The Mercia Fund 2 Limited Partnership for which a subsidiary acts as general partner to the limited partnership.

All transactions noted above took place at market rates, the balances were unsecured and settlement is in cash. There was no provision for doubtful debts attributed to any of the above balances at any balance sheet date, nor was any expense recognised in relation to bad or doubtful debts in any period.

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma balance sheet (the “**Pro Forma Financial Information**”) has been prepared to show the effect on the consolidated net assets of the MFM Group of certain transactions that are to be completed shortly before or at the time of Admission as if they had occurred on 31 March 2014.

The unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation, and should be read in conjunction with the notes set out below. Due to its nature, the unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the MFM Group’s or the Group’s actual financial position.

	2014 As reported £'000 Note 1	IPO Fundraising £'000 Note 2	Acquisition of Assets £'000 Note 3	2014 Pro-forma £'000 Note 4
Assets				
Non-current assets				
Property, plant and equipment	27	–	–	27
Investments	–	–	8,996	8,996
Total non-current assets	<u>27</u>	<u>–</u>	<u>8,996</u>	<u>9,023</u>
Current assets				
Trade and other receivables	184	–	–	184
Cash and cash equivalents	39	66,020	–	66,059
Total current assets	<u>223</u>	<u>66,020</u>	<u>–</u>	<u>66,243</u>
Total assets	<u>250</u>	<u>66,020</u>	<u>8,996</u>	<u>75,266</u>
Equity and liabilities				
Equity				
Issued share capital	59	67,133	8,996	76,188
Capital redemption reserve	4	–	–	4
Retained earnings	45	(1,113)	–	(1,068)
Equity attributable to owners of the Group	<u>108</u>	<u>66,020</u>	<u>8,996</u>	<u>75,124</u>
Non-controlling interests	–	–	–	–
Total equity	<u>108</u>	<u>66,020</u>	<u>8,996</u>	<u>75,124</u>
Liabilities				
Amounts falling due within one year	142	–	–	142
Total liabilities	<u>142</u>	<u>–</u>	<u>–</u>	<u>142</u>
Total equity and liabilities	<u>250</u>	<u>66,020</u>	<u>8,996</u>	<u>75,266</u>

1. The consolidated net assets of the MFM Group as at 31 March 2014 have been extracted, without material adjustment, from the historical financial information for the year ended 31 March 2014 as set out in Section B of Part 3 (*Historical Financial Information on the MFM Group*).
2. As set out in paragraph 14.3 of Part 1, the Net Placing Proceeds receivable by the Company from the Placing are estimated to be approximately £66.02 million, after deduction of commissions and other estimated fees and expenses incurred by the Group in connection with the Placing and Admission of approximately £3.98 million.
3. The Group intends to acquire the Mercia Direct Investments shortly before Admission.
4. The unaudited pro forma balance sheet does not reflect any trading results or other transactions undertaken by the MFM Group or the Group since 31 March 2014.

PART 5

THE MFM PORTFOLIO

As at 4 December 2014 (being the last practicable date prior to the publication of this document), the 38 businesses in the MFM Portfolio comprised:

MF1

Investment	Sector	Incorporated	Year first investment made	Last reported turnover (£m)	Last reported EBITDA (£m)	Percentage ownership
Sarissa	Life Sciences	2003	2004	0.08	-0.01	34.5%
Intelligent Orthopaedics	Life Sciences	2004	2005	0.05	-0.16	13.7%
Warwick Audio Technology	Advanced Materials, engineering & Specialised Manufacturing	2002	2005	0.1	-1.1	7.46%
Celentyx Ltd	Life Sciences	2007	2007	0.31	0.03	12.1%
Nanotherics Ltd	Electronics & Hardware	2007	2008	0.2	-0.2	19.7%
Allinea	Electronics & Hardware	2009	2009	2.4	0.4	12.4%
Concurrent Thinking	Electronics & Hardware	2010	2010	0.1	-0.7	7.0%
Native Antigen Company	Life Sciences	2010	2010	0.48	0.00	18.5%
Psioxus	Life Sciences	2000	2000	0.06	-4.3	1.5%
Abzena	Life Sciences	2000	2000	9.3	-2.6	0.9%
Smart Antenna Technology	Electronics & Hardware	2013	2013	0	-0.4	13.1%
Aston Eyetech	Electronics & Hardware	2014	2014	0	0	9.9%
Incocardia	Life Sciences	2013	2014	0	0	17.6%
Irresistible Materials	Advanced Materials, engineering & Specialised Manufacturing	2010	2011	0.02	-0.22	20.0%
Impression Technologies	Advanced Materials, engineering & Specialised Manufacturing	2012	2014	0	-0.23	3.8%

MF2

Investment	Sector	Incorporated	Year first investment made	Last reported turnover (£m)	Last reported EBIDTA (£m)	Percentage ownership
Intelligent Orthopaedics	Life Sciences	2004	2005	0.05	-0.16	7.1%
Abzena	Life Sciences	2000	2000	9.3	-2.6	0.7%
Anaxsys	Life Sciences	2002	2007	0.03	-0.63	0.5%
Psioxus	Life Sciences	2000	2000	0.06	-4.3	1.4%
LM Technologies	Electronics & Hardware	2004	2008	1.1	0.04	18.2%
Allinea	Electronics & Hardware	2009	2009	2.4	0.4	9.1%
Nanotherics Ltd	Electronics & Hardware	2007	2008	0.2	-0.2	12.7%
Nightingale – EOS	Electronics & Hardware	2005	2009	0.1	-0.5	9.3%
Warwick Audio Technology	Advanced Materials, engineering & Specialised Manufacturing	2002	2011	0.1	-1.1	3.46%
Concurrent Thinking	Electronics & Hardware	2010	2010	0.1	-0.7	3.3%
Native Antigen Company	Life Sciences	2010	2010	0.48	0.00	18.4%

MGF1

Investment	Sector	Incorporated	Year first investment made	Last reported turnover (£m)	Last reported EBIDTA (£m)	Percentage ownership
Warwick Audio	Advanced Materials, Technology engineering & Specialised Manufacturing	2002	2013	0.1	-1.1	1.8%
Ventive	Clean technology	2011	2013	0.1	-0.3	0.7%
Native Antigen Company	Life Sciences	2010	2013	0.48	0.00	5.1%
Nanotherics	Electronics & Hardware	2007	2013	0.2	-0.2	9.9%
LM Technologies	Electronics & Hardware	2004	2013	1.1	0.04	17.5%
Mablyte	Life Sciences	2013	2013	0.01	-0.1	34.0%
Watertronix	Electronics & Hardware	2013	2013	0.03	-0.1	47.0%
Oxford Genetics	Life Sciences	2011	2013	0.04	-0.12	9.7%
Smart Antenna Technology	Electronics & Hardware	2013	2013	0	-0.4	4.6%
Metric	Digital	2013	2013	0.2	-0.15	7.1%
CYP Design	Life Sciences	2013	2013	0.1	-0.11	10.0%
Kwanji	Digital	2013	2013	0.06	-0.45	4.0%
Inocardia	Life Sciences	2013	2013	0	-0.15	12.0%
DMPortal	Digital	2013	2014	N/A	N/A	8.8%
BioExtraction Wales	Life Sciences	2013	2014	N/A	N/A	8.7%
Dab Gaming	Digital	2013	2014	N/A	N/A	5.5%

MGF2

Investment	Sector	Incorporated	Year first investment made	Last reported turnover (£m)	Last reported EBIDTA (£m)	Percentage ownership
Warwick Audio Technology	Advanced Materials, engineering & Specialised Manufacturing	2002	2014	0.1	-1.1	2.2%
Abzena	Life Sciences	2000	2013	9.4	-2.6	0.3%
Metric	Digital	2013	2013	0.2	-0.15	14.8%
nDreams	Digital	2006	2014	1.1	0.1	7.8%
LM Technologies	Electronics & Hardware	2004		1.1	0.04	8.7%
Oxford Genetics	Life Sciences	2011	2013	0.04	-0.12	9.7%
Smart Antenna Technology	Electronics & Hardware	2013	2013	0	-0.4	4.6%
CYP Design	Life Sciences	2013	2013	0.1	-0.11	10.0%
Kwanji	Digital	2013	2013	0.06	-0.45	4.0%
Inocardia	Life Sciences	2013	2013	0	-0.15	12.0%
DMPortal	Digital	2013	2014	N/A	N/A	8.8%
BioExtraction Wales	Life Sciences	2013	2014	N/A	N/A	8.7%
Dab Gaming	Digital	2013	2014	N/A	N/A	5.5%
Full Circle Commerce	Digital	2013	2014	N/A	N/A	13.3%
Thalia DA	Electronics & Hardware	2012	2014	N/A	N/A	15.8%
VirtTrade	Digital	2012	2013	N/A	N/A	7.2%
Canary Care	Electronics & Hardware	2013	2014	0.46	-0.23	5.4%
No Yetis Allowed	Digital	2013	2014	N/A	N/A	25.0%
Crowd Reactive	Digital	2012	2014	N/A	N/A	14.0%
Torqbac	Digital	2013	2014	N/A	N/A	3.7%
Impression Technologies	Advanced Materials, engineering & Specialised Manufacturing	2012	2014	N/A	N/A	7.1%

MGF3

Investment	Sector	Incorporated	Year first investment made	Last reported turnover (£m)	Last reported EBIDTA (£m)	Percentage ownership
VirtTrade	Digital	2012	2013	N/A	N/A	11.8%
Soccer Manager Limited	Digital	2005	2014	0.74	0.2	10.7%
Canary Care	Electronics & Hardware	2013	2014	0.46	-0.23	7.4%
Torqbac	Digital	2013	2014	N/A	N/A	17.7%
Aston Eyetech	Electronics & Hardware	2014	2014	N/A	N/A	18.1%
Edge Case Games	Digital	2014	2014	N/A	N/A	11.1%
Kwanji	Digital	2013	2013	0.06	-0.45	3.4%
Warwick Audio Technology	Advanced Materials, engineering & Specialised Manufacturing	2002	2014	0.1	-1.1	3.3%

PART 6

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE GROUP

- 2.1 The Company was incorporated in England and Wales on 17 September 2014 with registered number 9223445 as a public company limited by shares under the Act. The Company is domiciled in England and Wales.
- 2.2 The principal place of business and the registered office of the Company is Forward House, 17 High Street, Henley-in-Arden B95 5AA with telephone number 0330 223 1430.
- 2.3 The principal legislation under which the Company operates is the Act. The Company is not regulated as a collective investment scheme by the FCA.
- 2.4 MFM is an FCA authorised and regulated fund manager under FSMA with registration number 524856. MFM is a small authorised UK AIFM for the purposes of the AIFM Regulations. The Company is considered an AIF under the AIFM Regulations and has appointed MFM as its AIFM.
- 2.5 MFM was incorporated in England and Wales on 27 July 2009 with registered number 6973399 as a private company limited by shares under the Act. The principal place of business and the registered office of MFM is Forward House, 17 High Street, Henley-in-Arden B95 5AA with telephone number 0330 223 1430.
- 2.6 The Company's accounting period ends on 31 March of each year. The first accounting period ends on 31 March 2015. The annual report and accounts will be prepared in sterling according to accounting standards laid out under IFRS.
- 2.7 On 26 November 2014, the Company was granted a certificate under Section 761 of the Act entitling it to commence business and to exercise its borrowing powers.
- 2.8 Following completion of the Acquisitions (which will take place shortly before Admission), the Company will be the holding company of the Group and will have the following subsidiaries and subsidiary undertakings:

Subsidiary	Activity	Country of incorporation	Registered office	Percentage of issued share capital directly or indirectly held by the Company
Mercia Investments Limited	Investment services	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.
Mercia Fund Management Limited	Fund management	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.

Subsidiary	Activity	Country of incorporation	Registered office	Percentage of issued share capital directly or indirectly held by the Company
Mercia Fund 1 General Partner Limited	General Partner to MF1	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	98 per cent.
Mercia Fund 2 General Partner Limited	General partner to MF2	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.
Lothian Shelf (582) Limited	Fund management	Scotland	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	100 per cent.
Mercia Fund Management (Nominees) Limited	Fund management	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.
Mercia Growth Nominees Limited	Nominee for MGF 1	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.*
Mercia Growth Nominees 2 Limited	Nominee for MGF 2	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.*
Mercia Growth Nominees 3 Limited	Nominee for MGF 3	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.*
Mercia Digital Nominees Limited	Nominee for MDF	England and Wales	Forward House, 17 High Street, Henley-in-Arden B95 5AA	100 per cent.*

*Mark Payton holds the entire issued share capital as nominee for MFM.

3. SHARE CAPITAL

- 3.1 On incorporation, one ordinary share of one pence in the capital of the Company was issued at £1.00 (unpaid) for the purpose of incorporation to the subscriber to the Memorandum.
- 3.2 On 19 September 2014, the ordinary share was fully paid up and transferred to Mark Payton.
- 3.3 On 13 November 2014, the one ordinary share of one pence in the capital of the Company was sub-divided into 100 ordinary shares of 0.01 pence each in the capital of the Company.
- 3.4 On 17 November 2014, 50,000 Management Shares were issued at par (fully paid) to Ray Chamberlain.
- 3.5 On 8 December 2014, each ordinary share of 0.01 pence each in the capital of the Company was sub-divided into 10 Ordinary Shares.

3.6 On or around 17 December 2014:

- (a) the Vendors will subscribe, in aggregate, for 71,286,139 Vendor Subscription Shares at par (fully paid);
- (b) 712,861 Consideration Shares will be issued at par (fully paid) to the Vendors pursuant to the terms of the Acquisition Agreements; and
- (c) 7,208,000 existing Ordinary Shares will be transferred from Forward Nominees Limited to the Founder Shareholder following the exercise of certain option arrangements.

3.7 Set out below is the issued share capital of the Company: (i) at the date of this document; and (ii) immediately following Admission:

		Ordinary Shares		Management Shares	
		Nominal value (£)	Number	Nominal value (£)	Number
(i)	As at the date of this document	0.00001	1,000	50,000	50,000
(ii)	Immediately following Admission*	0.00001	212,000,000	–	–

*The Management Shares will be redeemed immediately following Admission out of the proceeds of the Placing.

3.8 Details of the total number of options under the Mercia CSOP which are outstanding as at the date of this document are as follows:

Date of grant*	Exercise price per Ordinary Share (pence)	Number of Ordinary Shares under Option	Exercise period**
8 December 2014	50	3,050,000	18 December 2017 to 7 December 2024

*The grants become unconditional upon Admission.

**The options will be exercisable as to one-third from 18 December 2017, one-third from 18 December 2018 and the remaining one-third from 18 December 2019.

3.9 By ordinary and special resolutions passed on 13 November 2014:

- (a) the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot Management Shares up to an aggregate nominal amount of £50,000;
- (b) the Directors were generally empowered (pursuant to section 570 of the Act) to allot the Management Shares for cash pursuant to the authority referred to in paragraph 3.8(a) above as if section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- (c) the one issued ordinary share of £0.01 in the capital of the Company be and was subdivided into 100 ordinary shares of £0.0001 each; and
- (d) new articles of association were adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

3.10 By ordinary and special resolutions passed on 8 December 2014:

- (a) the 100 issued ordinary shares of £0.0001 each were subdivided into 1,000 Ordinary Shares, such Ordinary Shares being subject and having the rights attached to the Articles adopted pursuant to in paragraph 3.10(b) below;

- (b) the Articles were adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association;
- (c) the adoption of the CSOP by the Company was approved;
- (d) the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot the New Ordinary Shares, any new Ordinary Shares to be allotted pursuant to the terms of the Mercia Fund 2 Offer and the options awarded under the Mercia CSOP, such authority to expire at the first annual general meeting of the Company save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of the New Ordinary Shares and any new Ordinary Shares to be allotted pursuant to the terms of the Mercia Fund 2 Offer in pursuance of such an offer or agreement as if such authority had not expired;
- (e) the Directors were generally empowered (pursuant to Section 570 of the Act) to allot the New Ordinary Shares, any new Ordinary Shares to be allotted pursuant to the terms of the Mercia Fund 2 Offer and the options awarded under the Mercia CSOP pursuant to the authority referred to in paragraph 3.10(d) above as if Section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the New Ordinary Shares and any new Ordinary Shares to be allotted pursuant to the terms of the Mercia Fund 2 Offer to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- (f) the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £212, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;
- (g) the Directors were generally empowered (pursuant to Sections 570 and 573 of the Act) to allot Ordinary Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in paragraph 3.10(f) above as if Section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- (h) the Company was authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares provided that the maximum number of Ordinary Shares authorised to be purchased is 31,778,800 Ordinary Shares. The minimum price which may be paid for an Ordinary Share is one pence. The maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) five per cent. above the average of the mid market value of the Ordinary Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade and the highest current independent bid for Ordinary Shares. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and 30 September 2015 save that the Company may contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares in pursuance of such contract;
- (i) conditionally upon the issue of Placing Shares by the Company pursuant to the Placing and the payment up in full thereof, it was resolved that £70 million standing to the credit of the share premium account of the Company following completion of the Placing be cancelled.

- 3.11 The Companies Act abolished the requirement for companies incorporated in England and Wales to have an authorised share capital. Furthermore, the Articles do not contain a provision expressly limiting the number of shares that can be issued by the Company.
- 3.12 In accordance with the power granted to the Directors by the Articles, it is expected that the Placing Shares will be allotted (conditionally upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission in accordance with the Companies Act.

4. THE ARTICLES

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

4.1 *Objects/purposes*

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

4.2 *Voting rights*

- (a) Subject to the provisions of the Act, to any special terms as to voting on which any shares may have been issued or may from time-to-time be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting, every member holding Ordinary Shares who is present in person (or, being a corporation, by representative) or by proxy shall, on a show of hands, have one vote and every member holding Ordinary Shares present in person (or, being a corporation, by representative) or by proxy shall, on a poll, have one vote for each share of which he is a holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or vest all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
- (b) Unless the Board otherwise determines, no member shall be entitled to receive any dividends or be present and vote at a general meeting or a separate general meeting of the holders of any class of shares, either in person or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other right or privilege as a member in respect of a share held by him, unless and until he shall have paid all calls for the time being 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) payable by him to the Company or if he, or any other person whom the Company reasonably believes to be interested in such shares, has been issued with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares and has failed in relation to any such shares to give the Company the required information within 14 days.

4.3 *Dividends*

- (a) Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.
- (c) All dividends, interest or other sums payable and unclaimed for a period of twelve months after having become payable may be invested or otherwise used by the Board for the benefit of the

Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of twelve years after having become payable shall, if the Board so resolves, be forfeited and shall cease to remain owing by, and shall become the property of, the Company.

- (d) The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.
- (e) The Board may also, with the prior authority of an ordinary resolution of the Company and subject to the Articles and such terms and conditions as the Board may determine, offer to holders of shares the right to elect to receive shares of the same class, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.
- (f) Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld by the Company if such shares represent at least 0.25 per cent. in nominal value of their class and the holder, or any other person whom the Company reasonably believes to be interested in those shares, has been duly served with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares and has failed to supply the required information within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

4.4 **Winding up**

- (a) If the Company is wound up the liquidator may, with the sanction of a special resolution and any other sanction required by law and subject to the Act, divide among the Shareholders in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he may with the like sanction determine, but no Shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

4.5 **Transfer of shares**

- (a) Subject to such of the restrictions in the Articles as may be applicable, each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members.
- (b) The Board may, in its absolute discretion, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) unless:
 - (i) it is in respect of a share which is fully paid up;
 - (ii) it is in respect of only one class of shares;
 - (iii) it is in favour of a single transferee or not more than four joint transferees;
 - (iv) it is duly stamped (if so required); and
 - (v) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time-to-time determine, accompanied (except in the case of (a) a transfer by a recognised person where a certificate has not been issued (b) a transfer of an uncertificated share or (c) a renunciation) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by

some other person on his behalf, the authority of that person to do so, provided that the Board shall not refuse to register a transfer or renunciation of a partly paid share in certificated form on the grounds that it is partly paid in circumstances where such refusal would prevent dealings in such share from taking place on an open and proper basis on the market on which such share is admitted to trading. The Board may refuse to register a transfer of an uncertificated share in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) and the relevant electronic system.

- (c) Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares, has failed to supply the required information within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised investment exchange or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded or is in consequence of a bona fide sale to an unconnected party.
- (d) If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal, together with its reasons for refusal, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company.
- (e) No fee shall be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any shares.
- (f) If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors (i) would cause the assets of the Company to be treated as "plan assets" of any benefit plan investor under Section 3(42) of ERISA or the U.S. Code; or (ii) would or might result in the Company and/or its shares being required to register or qualify under the U.S. Investment Company Act and/or the U.S. Securities Act and/or the U.S. Securities Exchange Act 1934 and/or any laws of any state of the U.S. that regulate the offering and sale of securities; or (iii) may cause the Company not to be considered a "Foreign Private Issuer" under the U.S. Securities Exchange Act 1934; or (iv) may cause the Company to be a "controlled foreign corporation" for the purpose of the U.S. Code; or (v) creates a significant legal or regulatory issue for the Company under the U.S. Bank Holding Company Act of 1956 (as amended) or regulations or interpretations thereunder, then any shares which the Directors decide are shares which are so held or beneficially owned ("**Prohibited Shares**") must be dealt with in accordance with paragraph 4.5 (g) below. The Directors may at any time give notice in writing to the holder of a share requiring him to make a declaration as to whether or not the share is a Prohibited Share.
- (g) The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) such share to another person so that it will cease to be a Prohibited Share. From the date of such notice until registration for such a transfer or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at a general meeting of the Company and of any class of shareholder and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion. If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale (after payment of the Company's costs of sale and together with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).

- (h) Upon transfer of a share the transferee of such share shall be deemed to have represented and warranted to the Company that such transferee is acquiring shares in an offshore transaction meeting the requirements of Regulation S and is not, nor is acting on behalf of:
 - (i) a benefit plan investor and no portion of the assets used by such transferee to acquire or hold an interest in such share constitutes or will be treated as “plan assets” of any benefit plan investor under Section 3(42) of ERISA; and/or
 - (ii) a U.S. Person.

4.6 ***Variation of rights***

- (a) If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any shares (whether or not the Company may be or is about to be wound up) may from time-to-time be varied or abrogated in such manner (if any) as may be provided in the Articles by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the class duly convened and held in accordance with the Act.
- (b) The quorum at every such meeting shall be not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the relevant class or his proxy.

4.7 ***Alteration of share capital***

The Company may, from time to time, by ordinary resolution:

- (a) authorise the Directors to increase its share capital by allotting new shares;
- (b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (c) subject to the provisions of the Act, sub-divide its shares or any of them, into shares of smaller nominal amount and may by such resolution determine that, as between the shares resulting from such a sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to new shares; and
- (d) redenominate its share capital by converting shares from having a fixed nominal value in one currency to having a fixed nominal value in another currency.

4.8 ***General meetings***

- (a) The Board may convene a general meeting (which is not an annual general meeting) whenever it thinks fit.
- (b) A general meeting shall be convened by such notice as may be required by law from time to time.
- (c) The notice of any general meeting shall include such statements as are required by the Act and shall in any event specify:
 - (i) whether the meeting is convened as an annual general meeting or any other general meeting;
 - (ii) the place, the day, and the time of the meeting;
 - (iii) the general nature of the business to be transacted at the meeting;
 - (iv) if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such; and
 - (v) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or (provided each proxy is appointed to exercise the rights attached to a different share held by the member) more proxies to attend and to speak and vote instead of the member and that a proxy need not also be a member.

- (d) The notice shall be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the auditors and to any other person who may be entitled to receive it. The accidental omission to give or send notice of any meeting, or, in cases where it is intended that it be given or sent out with the notice, any other document relating to the meeting including an appointment of proxy to, or the non-receipt of either by, any person entitled to receive the same, shall not invalidate the proceedings at that meeting.
- (e) The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote, be represented by a proxy or proxies and have access to all documents which are required by the Act or the Articles to be made available at the meeting.
- (f) A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company. The Chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.
- (g) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Subject to the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum. If, at any time, there is only one person entitled to attend and to vote on the business to be transacted, such person being the sole member so entitled or a proxy for such sole member so entitled or a duly authorised representative of a corporation which is such sole member so entitled, shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time-to-time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.
- (h) A resolution put to a vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result on a show of hands) a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by:
 - (i) the chairman of the meeting;
 - (ii) at least five members having the right to vote on the resolution;
 - (iii) a member or members representing not less than five per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to shares held as treasury shares); or
 - (iv) member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to shares in the Company conferring a right to vote on the resolution held as treasury shares).

4.9 **Borrowing powers**

Subject to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.10 **Issue of shares**

- (a) Subject to the provisions of the Act, and to any relevant authority of the Company required by the Act, the Board may allot, grant options over, offer or otherwise deal with or dispose of any

new shares or rights to subscribe for or convert any security into shares, at such times and generally on such terms and conditions as the Board may decide.

- (b) Subject to the provisions of the Act and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time-to-time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the Articles or as the Directors may determine.
- (c) The business of the Company shall be managed by the Directors who, subject to the provisions of the Act, the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company, whether relating to the management of the business or not. Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

4.11 ***Directors' fees***

- (a) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time-to-time determine (not exceeding in aggregate £250,000 per annum or such other sum as the Company in general meeting shall from time-to-time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provision of the Articles or otherwise and shall accrue from day-to-day.
- (b) The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

4.12 ***Directors' interests***

- (a) The Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under the Act, including any matter which relates to a situation in which a Director has or can have an interest which conflicts, or possibly may conflict, with the interest of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. Any authorisation will only be effective if any quorum requirement at any meeting at which the matter was considered is met without counting the Director in question or any other interested Director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.
- (b) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person. In particular, a Director shall not be in breach of the general duties he owes to the Company under the Act because he fails to disclose any such information to the Board or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict, of interest is discussed and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.

- (c) Provided that his interest is disclosed at a meeting of the Board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Act, a Director, notwithstanding his office:
 - (i) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (ii) may hold any other office or place of profit under the Company (except that of auditor of the Company or any of its subsidiaries);
 - (iii) may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
 - (iv) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
 - (v) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction or arrangement or from any interest in any body corporate. No such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.
- (d) A Director need not declare an interest in the case of a transaction or arrangement with the Company if the other Directors are already aware, or ought reasonably to be aware, of the interest or it concerns the terms of his service contract that have been or are to be considered at a meeting of the Directors or if the interest consists of him being a director, officer or employee of a company in which the Company is interested.

4.13 ***Restrictions on Directors voting***

- (a) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any transaction or arrangement in which he has an interest which is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:
 - (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
 - (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
 - (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iv) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
 - (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusively of any shares of that class in that company held as treasury shares) nor to his knowledge holds one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;

- (vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;
 - (ix) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure; or
 - (x) any transaction or arrangement in respect of which his interest, or the interest of Directors generally has been authorised by ordinary resolution.
- (b) A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

4.14 **Number of Directors**

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall be not less than two and the number is not subject to a maximum.

4.15 **Directors' appointment and retirement**

- (a) Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director shall hold office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.
- (b) At each annual general meeting of the Company, any Directors appointed by the Board since the last annual general meeting shall retire. In addition one-third of the remaining Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire from office by rotation. If there are fewer than three such Directors, one Director shall retire from office.
- (c) At each annual general meeting, any Director who was last elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. If the number of Directors so retiring is less than the minimum number of Directors who are required to retire by rotation, additional Directors up to that number shall retire (namely, those Directors who are subject to rotation but who wish to retire and not offer themselves for re-election and those Directors who have been Directors longest since their appointment or last reappointment (and, as between those who have been in office an equal length of time, those to retire shall, unless they otherwise agree, be determined by lot)).
- (d) Any Director who would not otherwise be required to retire shall also retire if he has been with the Company for a continuous period of nine years or more at the date of the meeting and shall not be taken into account when deciding which and how many Directors should retire by rotation at the annual general meeting.

4.16 **Notice requiring disclosure of interest in shares**

- (a) The Company may, by notice in writing, require a person whom the Company knows to be, or has reasonable cause to believe is interested in any shares or at any time during the three years immediately preceding the date on which the notice is issued to have been interested in any shares, to confirm that fact or (as the case may be) to indicate whether or not this is the case and to give such further information as may be required by the Directors. Such information may include, without limitation, particulars of the person's identity, particulars of the person's own past or present interest in any shares and to disclose the identity of any other person who has a present interest in the shares held by him, where the interest is a present interest and any other interest, in any shares, which subsisted during that three year period at any time

when his own interest subsisted to give (so far as is within his knowledge) such particulars with respect to that other interest as may be required and where a person's interest is a past interest to give (so far as is within his knowledge) like particulars for the person who held that interest immediately upon his ceasing to hold it.

- (b) If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 14 days after service of the notice), or such other reasonable period as the Directors may determine, the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “**default shares**”) the Shareholder shall not be entitled to vote in general meetings or class meetings where the default shares represent at least 0.25 per cent. in nominal value of the class of shares concerned, the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

4.17 **Untraced shareholders**

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for twelve years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

4.18 **Indemnity of officers**

Subject to the provisions of the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every past or present Director (including an alternate Director) or officer of the Company or a director or officer of an associated company (except the auditors or the auditors of an associated company) may at the discretion of the Board be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, or as a trustee of an occupational pension scheme (as defined in Section 235(6) of the Act). In addition the Board may purchase and maintain insurance at the expense of the Company for the benefit of any such person indemnifying him against any liability or expenditure incurred by him for acts or omissions as a Director or officer of the Company (or of an associated company).

4.19 **Management Shares**

The Management Shares can be redeemed at any time (subject to the provisions of the Act) by the Company for an amount equal to their nominal value and carry the right to receive a fixed annual dividend equal to 0.01 per cent. of the nominal amount of each of the shares payable on demand. The holders of the Management Shares will not have any right to receive notice of or vote at any general meeting of the Company.

5. **CITY CODE ON TAKEOVERS AND MERGERS, THE CONCERT PARTY AND SHAREHOLDER DISCLOSURES**

5.1 **Mandatory bid**

- (a) The City Code applies to the Company. Under Rule 9 of the City Code, if:
- (i) a person acquires an interest in Ordinary Shares which, when taken together with Ordinary Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
 - (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Ordinary Shares which increase the percentage of Ordinary Shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous twelve months.

Following Admission, members of the Concert Party will hold, in aggregate, 64,997,573 Ordinary Shares, representing approximately 30.66 per cent. of the issued Ordinary Share capital of the Company. As described in paragraph 14.14 of Part 1 of this document, Mark Payton holds options under the Mercia CSOP to acquire 1,000,000 new Ordinary Shares which if exercised in full (and assuming that there are no other changes to the Company's issued share capital), would result in the members of the Concert Party holding, in aggregate, 65,997,573 Ordinary Shares, representing approximately 30.98 per cent. of the issued Ordinary Share capital of the Company immediately following Admission. As these options were in existence prior to Admission, the Panel has confirmed that any exercise of these options will not result in the Concert Party incurring an obligation to make an offer under Rule 9 of the City Code.

However, should any member of the Concert Party acquire any interest in Ordinary Shares apart from pursuant to the exercise of these Options (or should any individual member of the Concert Party acquire any interest in Ordinary Shares such that they are interested in 30 per cent. of more of the voting rights of the Company), the Panel may regard this as giving rise to an obligation upon that member of the Concert Party to make an offer for the entire issued share capital of the Company at a price no less than the highest price paid by the individual member of the Concert Party or any other member of the Concert Party in the previous 12 months.

5.2 ***Compulsory acquisition***

Under Sections 974 – 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to Section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises its rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

5.3 ***Shareholder notification and disclosure requirements***

Shareholders are obliged to comply, from Admission, with the shareholding notification and disclosure requirements set out in Chapter 5 of the DTRs. A Shareholder is required pursuant to Chapter 5 of the DTRs to notify the Company if, as a result of an acquisition or disposal of shares or financial instruments, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below, three per cent. of the Company's voting rights or any one per cent. threshold above that.

6. **CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares are eligible for settlement in CREST in accordance with the CREST Regulations. The Company has applied for the Enlarged Share Capital to be admitted to CREST.

7. DIRECTORS' AND OTHER INTERESTS

- 7.1 The interests of the Directors and, so far as is known to the Directors (having made appropriate enquiries) persons connected with them, which expression shall be construed in accordance with the AIM Rules (all of which are beneficial except as shown), in the existing Ordinary Share capital of the Company as at 12 December 2014 (being the last practicable date prior to the publication of this document) and as expected to be immediately following Admission, are as follows:-

Name	As at the date of this document		Following Admission	
	Ordinary Shares	per cent.	Ordinary Shares	per cent.
Ray Chamberlain	–	–	58,374,710 ⁽¹⁾	27.54
Mark Payton	1,000	100	6,622,863 ⁽²⁾	3.12
Martin Glanfield	–	–	260,760	0.12
Susan Searle	–	–	1,043,040	0.49
Ian Metcalfe	–	–	100,000	0.05

(1) Ray Chamberlain will be personally interested in 6,149,752 Ordinary Shares at Admission. The remaining 52,224,958 Ordinary Shares are held by Forward Innovation Fund (31,622,280 Ordinary Shares), Croftdawn Limited (3,994,786 Ordinary Shares), Mercia Growth Nominees Limited (126,436 Ordinary Shares) and Forward Nominees Limited (as nominee for certain members of the Chamberlain family (including Ray Chamberlain)) (16,481,456 Ordinary Shares).

(2) Mark Payton holds 1,000 Ordinary Shares and will: (i) receive 51,621 Ordinary Shares in consideration for the sale of his interest in MFM to the Company pursuant to the terms of the MFM Acquisition Agreement and 2,862,000 Ordinary Shares in his role as a Founder Shareholder; (ii) will subscribe for 5,162,138 new Ordinary Shares; and (iii) sell 1,453,896 Ordinary Shares under the Placing.

- 7.2 On Admission, the Directors will hold, in aggregate, 66,401,373 Ordinary Shares representing 31.32 per cent. of the issued share capital of the Company.

- 7.3 Details of the total number of options granted to the Directors under the Mercia CSOP which are outstanding as at the date of this document are as follows:

Name	Date of grant*	Exercise price per Ordinary Share (pence)	Number of Ordinary Shares under option	Exercise period**
Mark Payton	8 December 2014	50	1,000,000	18 December 2017 to 7 December 2024
Martin Glanfield	8 December 2014	50	1,000,000	18 December 2017 to 7 December 2024

*The grants become unconditional upon Admission.

**The options will be exercisable as to one-third from 18 December 2017, one-third from 18 December 2018 and the remaining one-third from 18 December 2019.

- 7.4 As at the date of this document, none of the Directors have been granted any options over Ordinary Shares.
- 7.5 Save as disclosed in paragraphs 7.1 to 7.3 above, none of the Directors has any interests in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of sections 820 to 825 of the Act) have any such interests, whether beneficial or non-beneficial.
- 7.6 In addition to their directorships in the Group, the Directors have held the following directorships and/or been a partner in the following partnerships within the period of five years prior to the date of this document:

Ray Chamberlain**Current Directorships/Partnerships**

Henley Golf & Country Club Limited
 Forward Technology Fund Limited
 Forward Venture Management Limited
 Lucy's Mill Limited
 Mill Management (Stratford) Limited
 H-Ware Limited
 Fleet Hire Limited
 Forward Group PLC
 Croftdawn Limited
 Science Warehouse Limited
 Multifleet Vehicle Management Limited
 Mercia Fund Management Limited
 Forward Midland LLP

Past Directorships/Partnerships

Beaudesert Park Limited
 Victoria Travel Group Limited
 ATM Consulting Limited

Mark Payton**Current Directorships/Partnerships**

Mercia Fund Management (Nominees) Limited
 Mercia Fund Management Limited
 Lothian Shelf (582) Limited
 Mercia Fund 2 General Partner Limited
 Mercia Growth Nominees Limited
 Mercia Growth Nominees 2 Limited
 Mercia Growth Nominees 3 Limited
 Mercia Investment Management Limited
 Mercia Investments Limited
 Mercia Business Services Limited
 Mercia Digital Nominees Limited

Past Directorships/Partnerships

Mablyte Limited

Martin Glanfield**Current Directorships/Partnerships**

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Past Directorships/Partnerships

EIC Group Holdings Limited
 EIC Bidco Limited
 EIC (Holdings) Limited
 E.I.C. Limited
 EIC (Properties) Limited
 Group Management Electrical Survey Limited
 Premier League Tickets Limited

Susan Searle**Current Directorships/Partnerships**

SS Business Limited
 Horizon Discovery Group plc
 Qinetiq Group plc
 Benchmark Holdings plc

Past Directorships/Partnerships

Imperial Innovations Limited
 Imperial College Company Maker Limited
 Imperial Innovations Group PLC
 Imperial Innovations Investments Limited
 Evo Electric Limited
 Plaxica Limited
 Macsco 21 Limited

Ian Metcalfe**Current Directorships/Partnerships**

England Rugby 2015 Limited
 Rugby Football Union
 Ian R Metcalfe & Associates Limited
 Commonwealth Games England

Past Directorships/Partnerships

Wragge Lawrence Graham & Co LLP
 Ingleby Holdings Limited
 Ingleby Nominees Limited
 Ingleby Services

7.7 Save as disclosed in paragraph 7.8 below, no Director:

- (a) has any unspent convictions in relation to indictable offences; or
- (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
- (c) has been a director of any company which, while he or she was a director or within twelve months after he or she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (d) has been a partner of any partnership which, while he or she was a partner or within twelve months after he or she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.8 In relation to 7.7(c) above, Susan Searle was previously a director of Adaptive Profiling Limited (which went into creditors' voluntary liquidation in 2004).

7.9 Save as set out below, the Directors are not aware of any person who, directly or indirectly had an interest in three per cent. or more of the voting rights of the Company which is notifiable to the Company under the Disclosure and Transparency Rules as at the date of the publication of this document and immediately following completion of Admission:

Name	As at the date of this document		Following Admission	
	Ordinary Shares	per cent.	Ordinary Shares	per cent.
Forward Innovation Fund	–	–	31,622,280	14.92
Forward Nominees Limited ⁽¹⁾	–	–	16,481,456	7.77
Mark Payton	1,000	100	6,622,863	3.12
Invesco	–	–	62,540,000	29.50
Woodford Investment Management	–	–	42,188,000	19.90
Baillie Gifford	–	–	16,000,000	7.55
NFU	–	–	10,600,000	5.00

(1) As nominee for certain members of the Chamberlain family (including Ray Chamberlain).

7.10 None of the Company's major Shareholders (as detailed in the table at paragraph 7.9 above) have any different voting rights from other Shareholders.

8. DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS AND THE MERCIA CSOP

8.1 The following service agreements have been entered into by the Company with the Executive Directors:

(a) **Mark Payton**

In anticipation of Admission, Mark Payton has entered into a service agreement with the Company dated 15 December 2014 in respect of his role as Chief Executive Officer of the Company and as a Director of the Company, terminable upon 6 months' notice by either party. The agreement provides for an annual base salary of £185,000 and a holiday entitlement of 25 days per annum. Mark is also entitled to participate in an executive bonus scheme with potential to be granted a discretionary bonus of up to 25 per cent. of his base salary subject to targets to be agreed with the Remuneration Committee after Admission, to a pension contribution into a personal pension scheme of an amount equal to 11 per cent. of his base salary per annum and a car allowance of an amount equal to 10 per cent. of his base salary (up to a maximum of £7,500). The agreement contains a pay in lieu of notice clause. There are no provisions for benefits to be provided on termination.

(b) **Martin Glanfield**

In anticipation of Admission, Martin Glanfield has entered into a service agreement with the Company dated 15 December 2014 in respect of his role as Chief Financial Officer of the Company and as a Director of the Company, terminable upon 6 months' notice by either party. The agreement, which took effect from 1 October 2014, provides for an annual base salary of £175,000 and a holiday entitlement of 25 days per annum. Martin is also entitled to participate in an executive bonus scheme with potential to be granted a discretionary bonus of up to 25 per cent. of his base salary subject to targets to be agreed with the Remuneration Committee after Admission, to a pension contribution into a personal pension scheme of an amount equal to 11 per cent. of his base salary per annum and a car allowance of an amount equal to 10 per cent. of his base salary (up to a maximum of £7,500). The agreement contains a pay in lieu of notice clause. There are no provisions for benefits to be provided on termination.

8.2 The following appointment letters been entered into by the Company with the Non-executive Directors:

(a) **Ray Chamberlain**

Ray Chamberlain was appointed as Non-executive Chair of the Company by letter of appointment dated 15 December 2014. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Ray. The fee payable to Ray for his roles as Non-executive Chair and his role as a member of the Remuneration Committee and as Chairman of the Nominations Committee is £65,000 per annum and is subject to annual review.

(b) **Susan Searle (née Price)**

Susan Searle was appointed as a Non-executive Director and Deputy Chair of the Company by letter of appointment dated 15 December 2014. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Susan. The fee payable to Susan for her role as Non-executive Director and her roles as Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominations Committee is £45,000 per annum and is subject to annual review.

(c) **Ian Metcalfe**

Ian Metcalfe was appointed a Non-executive Director of the Company by letter of appointment dated 15 December 2014. The appointment, which took effect from 1 October 2014, is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Ian. The fee payable to Ian for his role as a Non-executive Director and his roles as Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominations Committee is £40,000 per annum and is subject to annual review.

8.3 Save as set out in this paragraph 8, there are no existing or proposed service agreements or appointment letters between the Directors and any member of the Group.

8.4 **The Mercia CSOP**

The Company has adopted the Mercia CSOP. Part I of the Mercia CSOP satisfies the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 so that options granted under it are subject to favourable tax treatment. Part II of the Mercia CSOP will be used to grant options which cannot be granted within the limit prescribed by the applicable tax legislation and which will not, therefore, benefit from favourable tax treatment.

(i) *Eligibility*

All executive Directors and all employees of the Group will be eligible to participate in the Mercia CSOP ("**eligible employees**") at the discretion of the Remuneration Committee.

(ii) *Grant of options*

The Mercia CSOP provides that options may be granted to eligible employees selected by the Remuneration Committee, during the period of 42 days following the date on which the Mercia CSOP or any amendment to it takes effect, or the period of 42 days following the announcement of the Company's final or interim results for any financial period, or within 42 days following the occurrence of an event which the Board considers to be an exceptional event or within 42 days following any changes to relevant legislation or within 42 days of an eligible employee commencing employment with the Group. If any of the above periods is a 'close period' as a result of the application of the AIM Rules or the Company's internal share dealing code, then options may be granted within 42 days of the end of the close period.

The Mercia CSOP provides that options may be granted (at the discretion of the Remuneration Committee) on terms that their exercise is subject to the satisfaction of performance conditions. No options may be granted more than ten years after the adoption date of the Mercia CSOP.

(iii) *Exercise price*

The price at which an option holder may acquire Ordinary Shares on the exercise of an option shall be the market value of an Ordinary Share at the time of grant.

(iv) *Vesting*

The Mercia CSOP provides for options to vest and become exercisable on a date determined by the Remuneration Committee, which will not usually be earlier than the third anniversary of the date of grant. It is proposed that the initial options to be granted under the Mercia CSOP will vest as to one third on each of the third, fourth and fifth anniversaries of grant.

(v) *Lapse*

Options will normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons such as redundancy, retirement or ill health and in other circumstances at the discretion of the Remuneration Committee.

In the event of an amalgamation, takeover or winding up of the Company, options may be exercised within certain time limits. There are also provisions for the exchange of options in limited circumstances. Options immediately lapse on the tenth anniversary of the date of grant and in the event of the participant's bankruptcy.

(vi) *Adjustments*

The number of shares comprised in an Option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs, provided the legislative requirements are met.

(vii) *Amendments*

The Remuneration Committee may, at any time, amend the Mercia CSOP provided that the prior approval of the Company in general meeting is obtained for amendments to the material advantage of participants relating to eligibility, share capital and individual limited and the

variation or adjustment of options. However, such prior approval will not be required in relation to any amendment which is made to comply with the provision of any existing or proposed legislation or to obtain or maintain favourable taxation treatment of any participating company or participant.

(viii) *Scheme limit*

The number of Ordinary Shares over which options may be granted under the Mercia CSOP on any date shall be limited so that the total number of Ordinary Shares issued and issuable pursuant to rights granted under any employee share scheme operated by the Company in any ten year period is restricted to ten per cent. of the issued Ordinary Shares from time to time.

No option may be granted to an eligible employee under the Mercia CSOP which would result in the aggregate exercise price of options granted to that person in respect of any calendar year exceeding 200 per cent. of his or her annual salary. The Remuneration Committee has the discretion to waive this limit for one or more specific awards if it believes such waiver(s) is/are merited in the particular circumstances. No option may be granted to an eligible employee under part I of the proposed Mercia CSOP which would result in the aggregate exercise prices of outstanding options granted to him under part I and under any other share option scheme which satisfies the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 exceeding £30,000 (or such other limit as may be specified by the relevant tax legislation from time to time).

9. MATERIAL CONTRACTS OF THE GROUP

The following are all of the contracts, not being contracts entered into in the ordinary course of business that have been entered into by members of the Group (i) within the period of two years immediately preceding the date of this document and are, or may be, material or contain any provision under which any member of the Group has any obligation or entitlement which is or may be material to it as at the date of this document:

9.1 *The MFM Acquisition Agreement*

The MFM Acquisition Agreement dated 15 December 2014 between the Company and the MFM Vendors pursuant to which the Company has agreed to acquire the entire issued share capital of Mercia Fund Management, conditional on certain conditions precedent occurring no later than 31 December 2014. The consideration for the MFM Acquisition is the issue of 160,386 Consideration Shares to the MFM Vendors. The MFM Vendors have each given certain warranties customary for a transaction of this type which concern the business, assets and affairs of Mercia Fund Management. Claims for breach of warranty are subject to certain *de minimis* and threshold provisions and a total aggregate cap of £2.65 million.

The MFM Acquisition Agreement is governed by the laws of England and Wales.

9.2 *The MI Acquisition Agreement*

The MI Acquisition Agreement dated 15 December 2014 between the Company and the MI Vendors pursuant to which the Company has agreed to acquire the entire issued share capital of Mercia Investments, conditional on certain conditions precedent occurring no later than 31 December 2014. The consideration for the MI Acquisition is the issue of 552,475 Consideration Shares to the MI Vendors. The MI Vendors have each given certain warranties customary for a transaction of this type which concern the business, assets and affairs of Mercia Investments and the Mercia Direct Investments. Claims for breach of warranty are subject to certain *de minimis* and threshold provisions and a total aggregate cap of £9.00 million.

The MI Acquisition Agreement is governed by the laws of England and Wales.

9.3 *Acquisition agreement relating to the acquisition of the Mercia Direct Investments*

The acquisition agreement dated 15 December 2014 between Mercia Investments and the MI Vendors pursuant to which Mercia Investments has agreed to acquire the Mercia Direct

Investments, conditional on certain conditions precedent occurring no later than 31 December 2014. The consideration for the acquisitions is the issue of 552,475 Mercia Investments ordinary shares to the MI Vendors. The MI Vendors have each given certain warranties customary for a transaction of this type concerning the Mercia Direct Investments they are transferring to Mercia Investments.

The acquisition agreements are governed by the laws of England and Wales.

9.4 ***AIFM agreement***

An AIFM agreement dated 4 December 2014 between Mercia Technologies, Mercia Investments and MFM pursuant to which Mercia Technologies and Mercia Investments have agreed to appoint MFM as their AIFM.

The AIFM agreement is terminable upon 3 months' written notice and at any time in the event of the insolvency of Mercia Technologies, Mercia Investments or MFM. MFM will not, in the absence of fraud, negligence or wilful default on its part or on the part of its employees, be liable for any loss, damage, cost, claim or expenses sustained or suffered by Mercia Technologies or Mercia Investments as a result, or in the course of, the discharge of its duties pursuant to the AIFM agreement. In addition, Mercia Technologies and Mercia Investments have agreed to indemnify MFM and its employees from and against any and all liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from fraud, negligence, or wilful default on the part of MFM or its employees) incurred in performing their obligations or duties pursuant to the AIFM agreement.

9.5 ***Mercia Fund 2 Offer documents***

Letters from Mercia Technologies and Mercia Investments to each of the persons who shall continue to be limited partners of MF2 on Admission dated between 13 November 2014 and 8 December 2014 pursuant to which, inter alia, the Company has agreed, subject to Admission, to make an offer to each limited partner in MF2 to purchase their respective interests in MF2 for cash, based on an aggregate valuation of £4,119,990. The limited partners have 25 business days to accept the offer. Furthermore, each limited partner may elect, at their discretion, to receive such number of new Ordinary Shares as equals their proportionate interest of the valuation in MF2 divided by the prevailing five day weighted volume average of an Ordinary Share.

The Mercia Fund 2 Offer documents are governed by the laws of England and Wales.

9.6 ***The Placing Agreement***

The Placing Agreement dated 15 December 2014 between the Company, the Directors, the Founder Shareholders and Cenkos, pursuant to which, subject to certain conditions, Cenkos has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement may be terminated by Cenkos in certain customary circumstances prior to Admission. The Company has appointed Cenkos as Nominated Adviser and Broker to the Company in connection with the Placing.

The obligation of the Company to issue 140 million Placing Shares, the obligation of the Founder Shareholders to sell 3,661,664 Placing Shareholder Shares and the obligation of Cenkos to use its reasonable endeavours to procure subscribers for such Ordinary Shares are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 18 December 2014 (or such later time and/or date, not being later than 6 January 2015, as the Company and Cenkos may agree); (ii) the Placing Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Placing and conditional upon completion of the Placing, Cenkos will be paid a corporate finance fee of £250,000, a commission of three per cent. of the aggregate value of the Placing Shares at the Placing Price issued to certain cornerstone investors, a commission of 3.75 per cent. of the gross proceeds of the aggregate value of the Placing Shares at the Placing Price issued to the other Placees and a further £200,000 commission. Cenkos has

agreed to apply £699,832 of its commission to the subscription of 1,399,664 new Ordinary Shares pursuant to the Placing.

Each of the Directors and the Founder Shareholders have covenanted not to dispose of any of the Ordinary Shares held by them at Admission, or subsequently acquired, for a period of twelve months from Admission (in respect of the Directors who are not Founder Shareholders) and for a period of 24 months from Admission (in respect of the Founder Shareholders) except with the consent of Cenkos Securities (or any future broker engaged by the Company) or in other limited circumstances (including a sale pursuant to a court order, death, acceptance of a takeover offer which is open to all Shareholders or, in respect of Ray Chamberlain, in certain limited circumstances, to the other entities set out at footnote (1) of paragraph 7.1 of this Part 6 in which Ray Chamberlain is interested). For the period from 12 months to 24 months after Admission (in respect of the Directors who are not Founder Shareholders) and for the period from 24 months to 36 months after Admission (in respect of the Founder Shareholders), each Director and Founder Shareholder has also agreed that (except in certain limited circumstances), he or she will only sell such Ordinary Shares through Cenkos Securities (or any future broker engaged by the Company).

The Company and the Directors have given warranties to Cenkos concerning, inter alia, the accuracy of the information contained in this document. The Company has also given indemnities to Cenkos. The warranties and indemnities given by the Company and the Directors are standard for an agreement of this nature.

The Placing Agreement is governed by the laws of England and Wales.

9.7 ***Nominated adviser and broker letter***

A nominated adviser and broker letter dated 15 December 2014 from Cenkos Securities to the Company pursuant to which the Company has appointed Cenkos Securities to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies.

The Company has agreed to pay Cenkos Securities a fee of £50,000 plus VAT per annum for its services as nominated adviser and broker under the letter. The letter contains certain undertakings, warranties and indemnities given by the Company to Cenkos Securities. The letter is for a fixed term of twelve months from the date of Admission and thereafter is terminable upon not less than 3 months' prior written notice by either the Company or Cenkos Securities.

The nominated adviser and broker letter is governed by the laws of England and Wales.

9.8 ***Lock-In Agreements***

Lock-In Agreements dated 15 December 2014 entered into between the Company, Cenkos Securities and each of Forward Innovation Fund, Forward Nominees Limited, Croftdawn Limited, Mercia Growth Nominees and Tim Hazel pursuant to the terms of which each of Forward Innovation Fund, Forward Nominees Limited, Mercia Growth Nominees and Tim Hazel have covenanted not to dispose of any of the Ordinary Shares held by them at Admission, or subsequently acquired for a period of twelve months from Admission except with the consent of Cenkos Securities (or any future broker engaged by the Company) or in other limited circumstances (including a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders or, in respect of Croftdawn Limited, up to 628,000 Ordinary Shares to the remaining limited partners of Mercia Fund 2 following an acceptance by them of the Mercia Fund 2 Offer or any other third party). For the period from twelve months to 24 months after Admission each of Forward Innovation Fund, Forward Nominees Limited and Tim Hazel have also agreed that (except in certain limited circumstances), he will only sell such Ordinary Shares through Cenkos Securities (or any future broker engaged by the Company).

9.9 ***The Relationship Agreement***

The Relationship Agreement dated 15 December 2014 between the Company, Ray Chamberlain, the Forward Innovation Fund, Forward Nominees Limited and Croftdawn Limited (together the **"Significant Shareholder Group"**) and Cenkos pursuant to which the Company and the Significant Shareholder Group have agreed to regulate the relationship between them in respect of the Ordinary Shares held in the Company following Admission.

The Relationship Agreement, which provides for the autonomous operation of Mercia by the Board independently of the Significant Shareholder Group, will take effect on Admission and will be binding on the Significant Shareholder Group until it ceases, directly or indirectly, to exercise control over at least 15 per cent. of the voting rights in respect of the entire issued share capital of the Company. Pursuant to the Relationship Agreement, the Significant Shareholder Group also undertakes, amongst other things, that it will (and, in relation to its associates, will procure that each of its associates will): (i) conduct all transactions, agreements, relationships and arrangements with the Group on an arm's length basis and on normal commercial terms; (ii) ensure that no contract or arrangement between it and any member of the Group is entered into or varied without the prior approval of a majority of independent Directors; and (iii) exercise its voting rights to procure in so far as Significant Shareholder Group is able that the Company is able at all times to carry on its business independently of the Significant Shareholder Group.

Forward Innovation Fund also has the right under the Relationship Agreement to appoint one director to the Board for so long as Ray Chamberlain and his associates hold 15 per cent. or more of the issued Ordinary Share capital of the Company.

The Relationship Agreement is governed by the laws of England and Wales.

9.10 **The Registrar Agreement**

The Registrar Agreement dated 26 November 2014 between the Company and SLC Registrars, a division of Equiniti David Venus Limited pursuant to which the Registrar has agreed to act as registrar to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £2.50 per Shareholder account per annum, subject to a minimum fee of £1,200.00 per annum (exclusive of VAT) during the first twelve months. The fee is subject to increase in line with RPI. The Registrar is also entitled to activity fees under the Registrar Agreement.

The Registrar Agreement may be terminated on 3 months' notice, such notice not to expire prior to the end of the first year of appointment.

The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registrar Agreement.

The Registrar's liability under the Registrar Agreement is limited (with certain exceptions) to the lesser of (a) £1,000,000 and (b) an amount equal to four times the annual fee paid to the Registrar thereunder.

The Registrar Agreement is governed by the laws of England and Wales.

9.11 **Co-investment letter**

A co-investment letter dated 15 December 2014 from Forward Nominees Limited to the Company and Mercia Investments pursuant to which Forward Nominees Limited, conditional upon Admission, has agreed that where Forward Nominees Limited, in its capacity as a party to a shareholders' agreement dated 7 February 2006 (as amended by a variation agreement on 21 November 2014) relating to Science Warehouse Limited (the "**Shareholders' Agreement**") or as a shareholder of Science Warehouse Limited, has the right to give consent to, or the right to vote on, any matter in respect of Science Warehouse Limited, which is set out in the articles of association of Science Warehouse Limited or the Shareholders' Agreement, Forward Nominees Limited will first consult with the Company and Mercia Investments as soon as reasonably practicable with the aim of agreeing a common approach to the matter and shall not exercise any rights in respect of such matter while that consultation continues. In the event that the parties cannot reach agreement as to the action that Forward Nominees Limited should take in relation to the matter within 14 days of such consultation, Forward Nominees Limited agrees that it will not give its consent to the matter or vote on the matter (as appropriate).

The co-investment letter is governed by the laws of England and Wales.

10. LITIGATION

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, nor of any such proceedings having been pending or threatened at any time preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company and the Group is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

12. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Company since the date of its incorporation.

13. PREMISES

The Company and Forward Midland LLP, a limited liability partnership controlled by Ray Chamberlain, will enter into a lease on Admission whereby Forward Midland LLP (as landlord) will grant a lease, *inter alia*, of the majority of the Second Floor of Foward House, 17 High Street Henley-in-Arden B95 5AA. The term of the lease will be ten years from 18 December 2014, with an aggregate annual rent and service charge of £186,472. The lease will contain a mutual break clause, exercisable on the third anniversary of the lease, and provision for an upwards only open market rent review on the fifth anniversary of the lease. The lease will provide that the Company is responsible for full internal repairs (subject to a schedule of condition).

14. EMPLOYEES

The Group will have, as at Admission, eleven employees (which includes part time employees).

15. RELATED PARTY TRANSACTIONS

Save as described in Note 20 to the MFM Group's historical financial information set out in section B of Part 3 of this document, the Acquisition Agreements, the acquisition agreements set out at paragraph 9.3 of this Part 6, the Relationship Agreement and the lease set out at paragraph 13 of this Part 6, there are no material 'related party transactions' (within the meaning of the AIM Rules) required to be disclosed under the accounting standards applicable to the Company, to which any member of the Group was a party during the period of the historical financial information and up to the date of this document.

16. CONSENTS

- 16.1 Deloitte is a member of the Institute of Chartered Accountants in England and Wales. Deloitte has given and not withdrawn its written consent to the inclusion of its report in Part 3 of this document in the form and context in which it appears and has authorised the contents of its report for the purpose of Schedule Two to the AIM Rules.
- 16.2 Cenkos Securities is a company incorporated in England and Wales with registered number 05210733 and having its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS. Cenkos Securities is authorised and regulated by the FCA. Cenkos Securities has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

17. THIRD PARTY INFORMATION

Where information in this document has been sourced from a third party, this information has been accurately reproduced and, so far as the Company and the Directors are aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

18. TAXATION

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HMRC practice. Any prospective subscriber for, or purchaser of, Ordinary Shares 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.

18.1 The Company

The Company will be regarded as resident in the United Kingdom for United Kingdom corporation tax purposes. Accordingly, the Company will be liable to account for United Kingdom corporation tax on its income and/or chargeable gains, as appropriate.

18.2 Taxation on dividends

Under current UK tax legislation, no amounts in respect of tax will be withheld at source from dividend payments made by the Company.

A dividend paid to a non-corporate Shareholder is treated as being paid with a tax credit equal to one ninth of the net dividend. Thus there will be a tax credit of ten per cent. on the gross dividend, that gross dividend being equal to the sum of the net dividend and the accompanying tax credit. Individual Shareholders whose income is within the basic rate band will be liable to tax at ten per cent. on their gross dividend income and the tax credit will therefore satisfy their income tax liability on UK dividends.

Individual Shareholders who are liable to income tax at the higher rate will be charged to tax at 32.5 per cent. on their gross dividend income. After taking account of the ten per cent. tax credit, this will represent additional tax of 25 per cent. of the net dividend received.

Individual Shareholders who are liable to income tax at the additional rate, and the trustees of UK trusts, will be charged to tax at 37.5 per cent. on their gross dividend income. After taking account of the ten per cent. tax credit, this will represent additional tax of circa 30.6 per cent. of the net dividend received.

Subject to certain exceptions for certain insurance companies and companies which hold shares as trading stock, a UK resident corporate Shareholder that receives a dividend paid by the Company will not be taxed on the dividend.

Persons who are not resident in the UK should consult their own tax advisers on whether or not they can benefit from all or part of any tax credit and what relief or credit may be claimed in the jurisdiction in which they are resident.

18.3 Taxation on chargeable gains

If a Shareholder who is a UK individual or a trustee of a UK trust disposes of all or some of his Ordinary Shares, a liability to UK capital gains tax may arise. The extent of the tax liability on any gains which may arise will depend on the availability of the annual capital gains tax exemption and any other tax relief such as existing capital losses.

A UK resident corporate Shareholder holding shares as an investment will be subject to corporation tax on any gain arising, subject to potential mitigation by indexation allowance and losses available for relief.

Shareholders who are not normally resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency with which their Ordinary Shares are connected). Individual Shareholders who are temporarily not UK resident may also be liable to UK capital gains tax on chargeable gains realised on their return to the UK. Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their personal circumstances.

18.4 ***Inheritance tax (“IHT”)***

The value of the shareholding will be subject to IHT in the event of death or a chargeable lifetime transfer at rates up to 40 per cent., subject to any available exemptions or other reliefs.

18.5 ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

Under current law, no stamp duty or SDRT will be payable on the issue of Ordinary Shares pursuant to the Placing.

Since 28 April 2014, neither stamp duty nor SDRT will apply to trades in Ordinary Shares made on a recognised growth market, such as AIM. Accordingly, no stamp duty or SDRT will be payable on the transfer of the 3,661,664 Founder Shares to Placees pursuant to the Placing.

If you are in any doubt as to your position, or are subject to taxation in a jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser without delay.

19. TYPICAL INVESTOR

An investment in the Ordinary Shares is only suitable for institutional investors and professionally advised or financially sophisticated non-advised private investors (including retail investors) who understand and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) which may result from an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Placing. Furthermore, an investment in the Ordinary Shares should constitute part of a diversified investment portfolio. It should be remembered that the price of securities and the income from them can down as well as up.

20. GENERAL

- 20.1 The expenses of Admission are estimated to be £3.98 million and are payable by the Company.
- 20.2 The Remuneration Committee has agreed to award the Executive Directors and other employees one-off cash bonuses of up to, in aggregate £150,000 in recognition of their contribution to the Placing and Admission, such bonuses to be paid shortly after Admission.
- 20.3 Save as set out in this document and except for fees payable to the professional advisers whose names are set out on page 6 above, the one-off bonuses referred to in paragraph 20.2 of this Part 6 and any payments to trade suppliers, 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 twelve months preceding the date of this document, 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.
- 20.4 The Company is not dependent on patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be of fundamental importance to the Company's business.
- 20.5 The Directors are not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.
- 20.6 The Directors are not aware of any environmental issues which may affect the Company's utilisation of its tangible fixed assets.
- 20.7 Neither the Company nor any of the Directors are aware of the existence of any public takeover offer in respect of the share capital of the Company since its incorporation.
- 20.8 Since the date of its incorporation, the Company has not yet commenced operations and has no material assets or liabilities. Therefore, no financial statements in respect of the Company, have been prepared as at the date of this document.

20.9 The financial information presented in this document is reviewed but unaudited and does not constitute statutory accounts within the meaning of section 435 of the Act.

21. THE FOUNDER SHAREHOLDERS

The names of the Founder Shareholders (who are all Directors and/or employees of Mercia), the number of Founder Shares immediately prior to Admission, the number of Founder Shares being sold as part of the Placing and the number of Founder Shares as at Admission are set out below:

Founder Shareholder	No. of Founder Shares immediately prior to Admission	No of Founder Shares being sold as part of the Placing	No. of Founder Shares at Admission
Mark Payton	2,862,000	1,453,896	1,408,104*
Susan Searle	2,120,000	1,076,960	1,043,040
Mike Hayes	848,000	430,784	417,216
Martin Glanfield	530,000	269,240	260,760
Rob Johnson	424,000	215,392	208,608
Ian Scott	212,000	107,696	104,304
Josh Levy	106,000	53,848	52,152
Talon Golding	106,000	53,848	52,152
Total	7,208,000	3,661,664	3,546,336

*Mark Payton will hold a further 5,214,759 Ordinary Shares at Admission. Please see footnote (2) to paragraph 7.1 of this Part 6 for further details.

22. AVAILABILITY OF DOCUMENT

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the registered office of the Company at Forward House, 17 High Street, Henley-in-Arden B95 5AA and at the registered office of Cenkos Securities plc at 6.7.8 Tokenhouse Yard, London EC2R 7AS for a period of one month from the date of Admission and also for download on the Company's website at www.merciatechnologies.com in accordance with Rule 26 of the AIM Rules.

Dated: 15 December 2014

