learning technologies group

Learning Technologies Group plc
formerly known as In-Deed Online plc

Annual Report 2013

for the year ended 31/12/2013

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> Chairman's Statement

I am delighted to report Learning Technologies Group's ("LTG") maiden results for the financial year ended 31 December 2013.

The learning technologies sector is growing fast globally and is at an exciting stage of development.

LTG was formed by the reverse takeover of In-Deed Online by Epic Group Limited in November 2013. LTG's aim is to create a group of high quality companies, principally by acquisition, focused on the provision of learning technology services to global organisations. The foundation of the group is Epic, a European market leader in the creation of customised learning solutions with a particular expertise in multi-device learning.

The learning technologies sector is growing fast globally and is at an exciting stage of development. This is as a result of the exponential proliferation of mobile devices and a much greater acceptance of digital learning as a high quality and convenient way to learn and support performance.

Epic, the principal operating company within LTG, made good progress throughout 2013 and delivered another strong year of growth with revenue up 9% to £7.56m (excluding our joint venture in Brazil) and adjusted EBITDA up 42% to £1.45m. We won many substantial new contracts in 2013 including the hosting, support and ongoing development of Civil Service Learning's platform which delivers learning to 500,000 civil servants.

We opened our New York office in November 2012 and I am pleased that just 12 months later we began returning a modest monthly operating profit. New contract wins were good in the final few months of 2013 and are especially strong so far in 2014, so I have positive expectations for our US operation this year.

I am delighted to announce the first significant step in the execution of the acquisition strategy outlined in LTG's AIM Admission Document. We have acquired LINE, the highly respected e-learning company founded by Piers Lea, an acknowledged industry thought leader. Both LINE and Epic are regarded as major European players and their combination will immediately create the UK market leader within the learning technologies sector.

The Boards of LINE and Epic have known each other for many years and a lot of careful consideration and planning has enabled us to reach this point. The businesses are very complementary and we are confident that both groups of highly talented and capable people will benefit from working together. We are also hopeful of being able to realise substantial synergy benefits as the integration process progresses.

Our combined size and capabilities will allow us to bid for higher value strategic contracts with global organisations. Furthermore, LTG will benefit from the considerable experience and expertise of Piers Lea who will become Chief Strategy Officer on the Board of LTG shortly.

This all-important first acquisition has shown us how beneficial becoming a public company has been. The learning technologies sector is attracting major interest from financial investors who are competing to acquire high quality companies. Given our sector understanding, LTG is viewed differently – our situation not only gives us access to capital, it also gives sellers the opportunity to participate in the upside of joining us to grow their business and of course LTG.

The Directors have decided not to pay a dividend in respect of the year ended 31 December 2013; however, we expect to initiate the progressive dividend policy outlined in our AIM Admission Document. We expect to pay a maiden dividend at the time of our interim results for the six months to 30 June 2014.

As an expert services business, we are reliant on our highly talented and dedicated staff who deliver exceptional service and solutions to our customers. I'd like to thank them all for their efforts and look forward to another exciting year of growth in 2014.

Andrew Brode
Chairman

> Strategic Report
for the year ended 31 December 2013

Financial results

LTG's only operating sub group during the year ended 31 December 2013 was Epic Group Limited which LTG acquired by way of a reverse takeover on 8 November 2013.

Epic made good progress during 2013 with revenue increasing by 9% to £7.56m (2012:£6.95m) with adjusted EBITDA increasing by 42% to £1.452m (2012:£1.019m). The loss before tax of £0.926m has been caused by the non-trading items deemed cost of listing of £1.108m and acquisition costs of £0.950m. Adjusted earnings per share before deemed cost of listing and acquisition costs has risen to 0.368p (2012: 0.209p).

The reorganisation into Business Units in March 2011 has delivered more benefits than originally envisaged. Most importantly, our consistent approach in striving to 'create a first-class customer experience every time' has been very well received and has caused repeat business to increase to 56%. Furthermore, great customer service is synonymous with high margins as demonstrated by our average gross margin of 60.6% (2012:58.7%).

Through our investment in our tools, increasingly efficient processes and focus on getting our deliverables 'right first time', we believe our margins are substantially higher than our peers and they have now stabilised at an optimum level. We are, however, confident that we can apply our structure and processes to achieve similar improvements in the customer service and margins of businesses that we acquire.

The two main drivers of growth were multi-device learning (present in almost all our content solutions), where Epic is viewed as an innovator and market leader, and platforms, which grew by 42% to £960k revenue. We predict both areas of specialism will continue to drive growth for the foreseeable future.

Epicentre, our software testing division, had a challenging year with revenues down by 17% to £517k. We reduced costs during the summer and appointed a new Business Unit Director in December who is focusing on growing its multi-device testing revenue. We remain confident that it can deliver growth through increasing external revenue from customers as well as acting as the source of consistent, quality assurance for the output of all LTG companies.

Key performance indicators

The Board monitors key performance indicators on a monthly basis. The most important ones for the success of the business are:

- The value of new contracts won. Across the Group this rose by 12% in 2013.
- The level of the order book which is defined as the proportion of contracts won but not yet delivered. The order book at the end of the year grew in all three territories in which the Group operates.
- Gross profit margins based on direct costs attributable to projects. As stated above these improved to 60.6% in 2013. The Board believes this is the optimal level and is not looking to grow gross margins beyond this.
- Utilisation, measured as the proportion of production staff cost charged directly to projects. The utilisation rate increased by 2% in 2013.

> Strategic Report
for the year ended 31 December 2013 *continued*

gomo learning

The growth of smartphone and tablet use over the last few years is an accepted phenomenon. Epic has been at the vanguard of this fast moving segment since it developed mobile learning apps for iOS in 2010. The experience we derived from creating that early mobile learning content was invaluable and we soon recognised that there was a demand for a mobile learning authoring tool to enable customers to create their own learning content that would work across multiple mobile devices.

To meet this demand Epic developed gomo, the learning content authoring tool based on our in-house multi-device content creation software. When it was first launched in June 2011, it was unique in the way it published content from a single source to many devices including native iOS and Android Apps.

Mobile technology has continued to advance at a stunning pace and devices are now virtually ubiquitous across adult workers in the advanced economies (with some developing economies not far behind).

We are, therefore, very excited by the launch of gomo 2.0 in April 2014. Judging by the positive feedback and reviews we've received from prospective corporate customers and industry experts, we are confident that the team has designed an excellent Software as a Service (SaaS) tool which delivers on the multi-device authoring functionality users are seeking.

Mike Alcock, an authoring tool pioneer who founded and led Atlantic Link before it was sold to Kaplan IT in 2010, has joined the Group as Managing Director of gomo Learning Limited. The Board is confident that with the right leadership now in place, gomo will generate significant recurring revenue in the medium term.

We look forward to updating shareholders on its progress in due course.

The business

The foundation business of Learning Technologies Group is Epic, a European market leader in e-learning and multi-device learning solutions.

Founded in 1986, Epic was one of the first companies in Europe to develop training programmes on some of the earliest available PCs. Leading the way in interactive learning, we produced Europe's first ever laser-disc training programme, and have remained at the forefront of e-learning long after the advent of the CD ROM.

While our focus is still on enhancing learning with technology, we have come a long way from being just another e-learning company. We have a great commitment to both the immediate and longer-term strategic needs of our clients, and everything we do is geared towards improving the performance of organisations, their people and their business aims.

Epic's clients

We pride ourselves on our customer service. Our clients come from a wide range of sectors, and include many Fortune 500 and FTSE 100 companies. Epic has forged successful relationships with organisations ranging from county councils, UN organisations and healthcare providers to airlines, banks and high street retailers – and they come back to us time and again.

> Strategic Report
for the year ended 31 December 2013 *continued*

It is this repeat business that underlines our commitment to ensuring we provide the best possible service that we can, irrespective of sectors or budgets.

Epic's awards

Our commitment to quality and our ability to measure the quantifiable effect of our solutions on organisations and their people, have won us over 70 industry awards including gold for 'Mobile learning' at the 2012 International E-learning Awards. To top off a fantastic year for Epic, we also picked up an unprecedented five awards at the 2012 E-learning Age awards, including 'E-learning Development Company of the Year' followed by a further three awards at the 2013 E-learning Age awards. In July 2013 Elearnity, Europe's leading independent talent and learning analysts, rated Epic as a 'Strategic Leader' of our industry – the highest accolade achievable.

Global reach

From our humble beginnings delivering learning solutions from our Brighton office, Epic has since gone on to serve clients not only from the UK, but from 70 countries around the globe. In 2011 we opened our first international office in Rio de Janeiro, Brazil, and in 2012 we opened our first US office in New York.

Our working culture is flavoured by our clients all around the globe. They have head offices in places such as: Brussels (Bridgestone Europe), New York (the UN), San Francisco (Cisco), Tokyo (Sony) and Switzerland (UEFA). As such, our designers don't create solutions for just one audience. For global clients we use non-colloquial language and scenarios that work whether the learner is at a PC in Paris or on the move in Miami. In addition, we are experienced with localisation and can provide translation through partnership with the global translation expert, RWS Group.

We started small, and although we've grown in the last 27 years, we pride ourselves on the same attention to detail that got us where we are today.

Epic's services

We consult carefully with our clients to get to the core of their requirement. If they need support compiling a business case, we can help them conduct a training needs analysis. Following this, we will help them build the perfect solution for their requirements. This could comprise a standalone piece of e-learning or mobile learning app to a full blend including e-learning, mobile, interactive videos, authoring tools, learning portals, hosting, service desk support, classroom workshops and offline materials.

In addition to our broad range of services and products, we can work quickly without compromising on quality. Clients such as Business Link, Civil Service Learning, BBC, British Airways, Diageo, SHL and Deloitte have all benefitted from our expertise. With the right consultancy, stakeholder research and requirements gathering, we ensure that their solution will blend all content in an approach that is best suited to them, their organisation and their learners whilst also providing a great return on investment.

Our work has been recognised by over 70 industry awards and our clients are always driving us to innovate in new and exciting ways.

> Strategic Report
for the year ended 31 December 2013 *continued*

Principal risks

The Directors conducted a thorough review of LTG's risk profile leading up to the AIM admission in November 2013 and have updated it recently. We are satisfied that the principal risks to the business are errors in the provision of the Group's services, attracting and retaining talented staff and successfully integrating acquisitions.

These risks are mitigated by:

Failings in service provision are almost certainly going to be caused by human error. Epic has refined it's ISO 9001 production processes over the last two decades and constantly reviews and updates them based on 'lessons learnt'. Furthermore, all projects are reviewed weekly for performance against customer expectation, delivery milestones and forecast margins. In addition, the company carries substantial professional indemnity insurance.

LTG is a market leader and we will ensure that all our operating companies are regarded as excellent employers within the e-learning industry. We benchmark ourselves against our peers regularly and are satisfied we offer competitive salaries and outstanding personal development opportunities that are further enhanced by LTG's ambitious growth plans. We have been successful in recruiting and retaining high calibre staff; however, we recognise we must continue our focus as competition for talented people intensifies within the learning technologies sector.

LTG has made it clear that we aim to grow our businesses organically but also consolidate the sector by selective acquisitions of high quality companies. The challenge is to integrate them into the Group, which may require merging them with existing operations, without losing key staff or customers. We will structure the purchase terms to incentivise and retain key staff and ensure that customers receive the 'first class customer experience' that is already a fundamental aspect of LTG's success.

Furthermore, as the industry sees the success of the Group's expansion, organisations will actively seek to be acquired and partake in our ambitious growth path.

Current trading

2014 has started well and is in line with the Board's expectations. The order book has continued to rise, particularly in the US operation and the Board is confident of another strong year.

Jonathan Satchell
Chief Executive Officer

7 April 2014

> Directors' Report
for the period ended 31 December 2013

The Directors present their report on the Group, together with the audited financial statements for the period ended 31 December 2013.

Principal activities

The principal activity of the Group is the provision of e-learning services. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

Results and dividends

As In-Deed Online plc, the principal activity of the company was to provide home buyers/sellers in England and Wales with access to a high quality conveyancing service. During the year, the company disposed of its investment in its subsidiary Xanther Limited, including its wholly owned subsidiary Runnett & Co Limited. The transaction involved a consideration of £1 and effectively the transfer of intellectual property rights over the intangible assets.

The results for the Group for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements. Following the Company's acquisition of Epic Group Limited by way of reverse acquisition on 7 November 2013, the consolidated financial statements for the year ended 31 December 2013 present the results of the Epic Group business up to and including 7 November 2013 and the enlarged group thereafter. The comparative results for the year ended 31 December 2012 represent those of the consolidated Epic Group.

The Directors do not recommend the payment of a final dividend (period ended 31 March 2013: £nil).

Business review and future developments

Details of the business activities and acquisitions made during the year can be found in the Strategic Report on pages 7-10, the Chairman's Statement on pages 4-5 and in Note 11 to the consolidated financial statements respectively.

Political and charitable contributions

The Group continued its Corporate Social Responsibility agenda during the year and supported charitable activities by staff which raised a total of £5,000 (2012: £5,000) and made charitable contributions totalling £14,000 during the year (2012: £12,000).

The Company has, with other leading companies in the industry, set up an industry wide charity foundation, Learn Appeal, www.learnappeal.com.

Financial risk management

Details of the Group's exposure to a variety of financial risks and management programme that seeks to limit the adverse effects on the financial performance of the Group are set out in Note 27 to the consolidated financial statements.

> Directors' Report
for the period ended 31 December 2013 *continued*

Directors

The Directors who served the Company during the period or have been appointed thereafter, are shown below:

- **Peter Gordon**
  Managing Director
  (resigned 8 November 2013)
- **Boris Zhilin**
  Non-Executive
  (resigned 8 November 2013)
- **Philip Williamson**
  Non-Executive
  (resigned 8 November 2013)
- **Andrew Brode**
  Non-Executive Chairman
  (appointed 8 November 2013)
- **Peter Mountford**
  Executive Deputy Chairman
  (appointed 8 November 2013)
- **Jonathan Satchell**
  Chief Executive Officer
  (appointed 8 November 2013)
- **Harry Hill**
  Non-Executive

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Harry Hill will retire by rotation and being eligible, will offer himself for re-election. Andrew Brode, Jonathan Satchell and Peter Mountford, being Directors appointed since the last Annual General Meeting, offer themselves for election.

Directors' remuneration

The remuneration paid to the Directors during the 9 months ended 31 December 2013 was as follows:

	Fees and salaries £'000	*Share based payments £'000*	*Post retirement benefits £'000*	*Total £'000*	*Year to 31 March 2013 Total £'000*
Peter Gordon	31	-	-	31	71
Boris Zhilin	-	-	-	-	20
Philip Williamson	-	-	-	-	20
Andrew Brode	-	-	-	-	-
Peter Mountford	13	24	-	37	-
Jonathan Satchell	18	-	-	18	-
Harry Hill	25	-	-	25	73
	87	**24**	**-**	**111**	**184**

> Directors' Report

for the period ended 31 December 2013 *continued*

Research and development

The main area of research and development has been the continued work on the gomo authoring tool as covered in the Strategic Report on pages 7-10.

Post balance sheet events

As detailed in Note 30 (a) to the consolidated financial statements, on 7 April 2014, the Company completed the acquisition of 100% of the issued share capital of LINE Communications Holdings Limited (LINE), a company incorporated in England and Wales, and its subsidiary undertakings. LINE devises, designs and delivers fully blended learning solutions that incorporate elements such as e-learning, collaborative learning, just-in-time performance support, classroom or e-tutoring. LINE has clients from both the public and private sectors.

The Company has raised £8m through a placing of 50,000,000 new ordinary shares with institutional and other investors at a price of 16p each.

As detailed in Note 30 (b) to the consolidated financial statements, the Company granted share options over the Company's Ordinary Shares of £0.00375 each to certain Executive Directors. These new share options supersede the proposals for Management Incentive Shares which were set out in the Company's AIM Admission Document.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined on the basis of work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Directors' responsibilities statement in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

> Directors' Report

for the period ended 31 December 2013 *continued*

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Substantial interests

The Directors have been notified of the following substantial shareholdings in excess of 3% of the ordinary share capital of the Company as at 31 December 2013.

	No. of ordinary shares	*Percentage %*
Andrew Brode	113,215,005	41.05%
Jonathan Satchell	113,214,995	41.05%
Liontrust Asset Management	10,715,000	3.88%
Hargreave Hale	9,334,677	3.38%

Except as referred to above, the Directors are not aware of any person who was interested in 3.0% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

Independent auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be re-appointed will be proposed at the Annual General Meeting.

Signed by order of the Board

R. A. Jones

Richard Jones
Company Secretary

> Corporate Governance Report

The Board recognises the value of good governance and complies with the provisions of the QCA Guidelines insofar as possible for a company of the size and nature of the Company.

The Company has adopted a share dealing code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company takes steps to ensure compliance by the Board and applicable employees with the terms of such code.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board holds Board meetings at least ten times a year and at other times as and when required.

The Company has established an Audit Committee and a Remuneration Committee with effect from admission. Details of the committees are set out below.

Audit Committee

The Company has established an Audit Committee, comprising Andrew Brode, Harry Hill and Peter Mountford. The Audit Committee is chaired by Peter Mountford and meets at least twice each year. The Audit Committee's responsibilities include ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Company's auditors and reviewing their reports and accounts and the Company's internal controls.

Remuneration Committee

The Company has established a Remuneration Committee, comprising Andrew Brode, Harry Hill and Peter Mountford. The Remuneration Committee is chaired by Andrew Brode and meets at least twice each year. The Remuneration Committee's responsibilities include reviewing the performance of the Executive Directors, setting their remuneration levels, determining the payment of bonuses and considering the grant of options under the share option schemes.

> Independent auditor's report

to the members of Learning Technologies Group plc

We have audited the financial statements of Learning Technologies Group plc for the period ended 31 December 2013 which include: the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated statement of Cash Flows and related Notes numbered 1 to 30, the Parent Company Balance Sheet, the Parent Company Reconciliation of Shareholders' Funds and the related Notes numbered 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

> Independent auditor's report

to the members of Learning Technologies Group plc *continued*

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Leo Malkin

Senior Statutory Auditor

For and on behalf of Crowe Clark Whitehill LLP
Statutory Auditor,
St Bride's House,
10 Salisbury Square
London
EC4Y 8EH

7 April 2014

> Consolidated statement of comprehensive income
for the year ended 31 December 2013

	Note	Proforma Year ended 31 December 2013 £'000	Proforma Year ended 31 December 2012 £'000
Continuing operations			
Revenue	4	7,557	6,945
Cost of sales		(2,978)	(2,869)
Gross profit		4,579	4,076
Administrative expenses		(3,422)	(3,287)
Share of losses of joint venture	13	(32)	(17)
Operating profit*		**1,125**	**772**
Adjusted EBITDA		1,452	1,019
Amortisation of intangibles		(75)	(49)
Depreciation		(79)	(54)
Share based payment costs	28	(173)	(144)
Operating profit		**1,125**	**772**
Deemed cost of listing	11	(1,108)	-
Costs of acquisition		(950)	-
Interest receivable		7	10
(Loss)/profit before taxation	5	(926)	782
Income tax expense	7	(182)	(250)
(Loss)/profit for the year		(1,108)	532
Other comprehensive income:		-	-
Total comprehensive (loss)/income for the year		**(1,108)**	**532**
(Loss)/earnings per share attributable to owners of the Parent:			
Basic, (pence)	8	(0.429)	0.209
Diluted, (pence)	8	(0.429)	0.198
Adjusted earnings per share before deemed cost of listing and acquisition costs:			
Basic, (pence)	8	0.368	0.209
Diluted, (pence)	8	0.335	0.198

**Operating profit before costs of acquisition and deemed cost of listing.*

All amounts stated above are attributable to the equity owners of Learning Technologies Group plc.

The Notes on pages 24 to 67 form an integral part of these consolidated financial statements.

> Consolidated statement of financial position

	Note	31 December 2013 £'000	Proforma 31 December 2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	250	266
Intangible assets	10	150	148
Investments	13	-	32
		400	**446**
Current assets			
Trade receivables	14	1,237	809
Other receivables, deposits and pre-payments	15	86	31
Amounts recoverable on contracts	16	947	702
Deferred tax assets	17	1	-
Fixed deposits with licensed banks	18	-	1,000
Cash and bank balances		1,170	692
		3,441	**3,234**
Total assets		**3,841**	**3,680**
Equity and liabilities			
Share capital	19	1,034	77
Share premium account	20	1,159	1,218
Capital redemption reserve	20	-	28
Merger relief reserve	20	22,269	275
Reverse acquisition reserve	20	(22,933)	(524)
Share-based payment reserve	20	547	144
(Accumulated losses)/retained profits		(588)	695
Total equity attributable to the owners of the Parent		**1,488**	**1,913**
Current liabilities			
Trade and other payables	21	2,206	1,555
Corporation tax		87	74
Amount owing to related parties	22	30	30
Deferred tax liabilities	17	-	22
Provisions	23	30	86
		2,353	**1,767**
Total liabilities		**2,353**	**1,767**
Total equity and liabilities		**3,841**	**3,680**

The Notes on pages 24 to 67 form an integral part of these consolidated financial statements. The financial statements on pages 19 to 67 were authorised for issue by the Board of Directors on 7 April 2014 and were signed on its behalf by Jonathan Satchell, Chief Executive Officer.

> Consolidated statement of changes in equity

for the year ended 31 December 2013

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Share based payments reserve £'000	Retained profits/ (accumulated losses) £'000	Profoma total equity £'000
Balance at 01/01/2012		**77**	**1,218**	**28**	**275**	**(524)**	**-**	**563**	**1,637**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**532**	**532**
Total comprehensive income for the year		-	-	-	-	-	-	532	532
Share based payment charge credited to equity		-	-	-	-	-	144	-	144
Dividend paid prior to group reconstruction		-	-	-	-	-	-	(400)	(400)
Balance at 31/12/2012		**77**	**1,218**	**28**	**275**	**(524)**	**144**	**695**	**1,913**
Group reconstruction		957	23	(28)	21,994	(22,409)	-	-	537
Costs of issuing shares		-	(82)	-	-	-	-	-	(82)
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(1,108)**	**(1,108)**
Total comprehensive (loss) for the year		-	-	-	-	-	-	(1,108)	(1,108)
Dividend paid prior to group reconstruction	24		-	-	-	-		(300)	(300)
Share based payment charge credited to equity	28	-	-	-	-	-	528	-	528
Transfer on exercise and lapse of options							(125)	125	-
Balance at 31/12/2013		**1,034**	**1,159**	**-**	**22,269**	**(22,933)**	**547**	**(588)**	**1,488**

For the purpose of preparing the consolidated financial statements of the Group, the share capital represents the nominal value of the issued share capital of 0.0375p per share. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue.

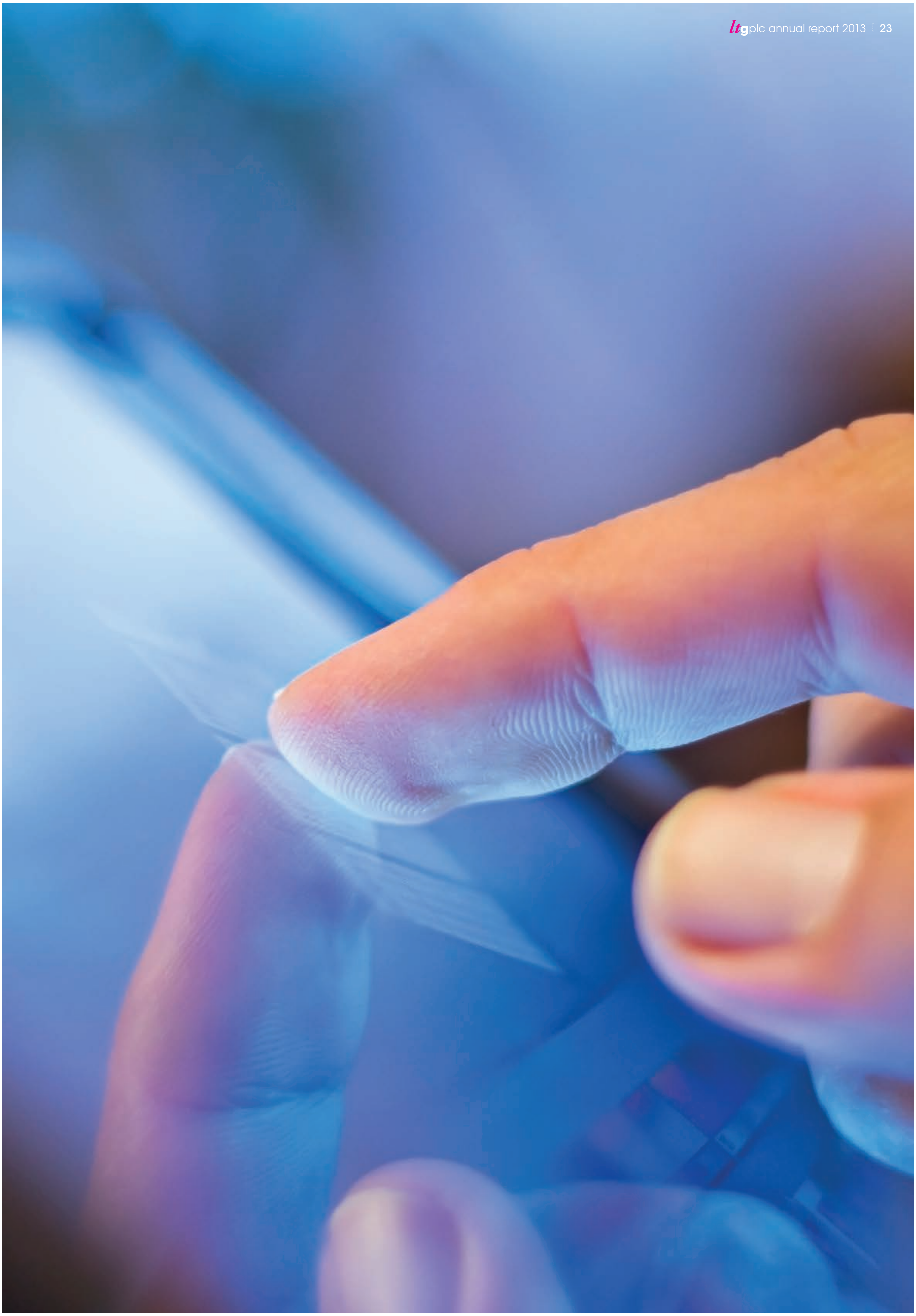
The reverse acquisition reserve relates to the reverse acquisition between Learning Technologies Group plc and Epic Group Limited on 7 November 2013.

The Notes on pages 24 to 67 form an integral part of these consolidated financial statements.

> Consolidated statement of cash flows

	Note	Proforma Year ended 31 December 2013 £'000	Proforma Year ended 31 December 2012 £'000
Cash flow from operating activities			
(Loss)/profit before taxation		(926)	782
Adjustments for:			
Share option charge		173	144
Deemed cost of listing		1,108	-
Non-cash costs of acquisition		950	-
Amortisation of intangible assets		75	49
Depreciation of plant and equipment		79	54
Share of loss of joint venture		32	17
Interest income		(7)	(10)
Operating cash flow before working capital changes		**1,484**	**1,036**
Increase in trade and other receivables		(444)	(226)
Increase in amount recoverable on contracts		(245)	(156)
Increase in payables		578	362
		1,373	**1,016**
Interest received		7	10
Income tax paid		(192)	(127)
Net cash flow from operating activities		**1,188**	**899**
Cash flow used in investing activities			
Purchase of property, plant and equipment		(63)	(254)
Development of intangible assets		(77)	(109)
Cash acquired on reverse acquisition		705	-
Cash costs of acquisition		(652)	
Cash consideration on reverse acquisition		(1,323)	-
Investment in joint venture		-	(30)
Net cash flow used in investing activities		**(1,410)**	**(393)**
Dividends paid prior to group reconstruction		(300)	(400)
Net cash flow used in financing activities		**(300)**	**(400)**
Net (decrease)/increase in cash and cash equivalents		(522)	106
Cash and cash equivalents at beginning of the year		1,692	1,586
Cash and cash equivalents at end of the year	25	**1,170**	**1,692**

The Notes on pages 24 to 67 form an integral part of these consolidated financial statements.



> Notes to the consolidated financial statements
for the year ended 31 December 2013

1. General information

Learning Technologies Group plc ("the Company") and its subsidiaries (together, "the Group") provide a range of e-learning services and technologies to corporate clients. The principal activity of the Company is that of a holding company for the Group as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company is a public limited company, which is listed on the AIM Market of the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 52 Old Steine, Brighton, East Sussex, BN1 1NH. The registered number of the Company is 07176993.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of Learning Technologies Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The consolidated financial statements of Learning Technologies Group plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements. The functional currency of each of the group entities is the local currency of each individual entity as disclosed in Note 12 and figures have been rounded to the nearest thousand.

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

On 8 November 2013 the Company, then named In-Deed Online plc, became the legal parent of Epic Group Limited. The consolidated financial statements are presented as proforma to present the substance of the transaction. The comparative results to 31 December 2012 represent the consolidated position of Epic Group Limited prior to the reverse acquisition.

This transaction is deemed outside the scope of IFRS 3 (Revised 2008) and not considered a business combination because the Directors have made a judgement that prior to the transaction, In-Deed Online plc was not a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3.B7-B12 due to In-Deed Online plc being a shell company that had no processes or capability for outputs (IFRS 3.B7).

On this basis, the Directors have developed an accounting policy for this transaction, applying the principles set out in IAS 8.10-12, in that the policy adopted is:

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

- relevant to the users of the financial information;
- more representative of the financial position, performance and cash flows of the Group;
- reflects the economic substance of the transaction, not merely the legal form; and
- free from bias, prudent and complete in all material aspects.

The accounting policy adopted by the Directors applies the principles of IFRS 3 in identifying the accounting acquirer and the presentation of the consolidated financial statements of the legal parent (Learning Technologies Group plc) as a continuation of the accounting acquirer's financial statements (Epic Group Limited). This policy reflects the commercial substance of this transaction as follows:

- the original shareholders of the subsidiary undertakings are the most significant shareholders post initial public offering, owning 92.45 per cent of the issued share capital; and
- the cash consideration paid as part of the initial public offering returned equity to the original shareholders of the legal subsidiary undertaking and as a consequence diluted their shareholding.

Accordingly, the following accounting treatment and terminology has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiary Epic Group Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts, without reinstatement to fair value;
- the retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of Epic Group Limited immediately before the business combination, and the results of the year from 1 January 2013 to the date of the business combination are those of Epic Group Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination; the cost of the combination has been determined from the perspective of Epic Group Limited.

The fair value of the shares in Epic Group Limited has been determined from the admission price of Learning Technologies Group plc shares on re-admission to trading on AIM for 9 pence per share. The value of the consideration shares was £22,950,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is 7.41 per cent of the market value of the shares after issues, being £1,836,000. The difference between the notional consideration paid by Learning Technologies Group plc for Epic Group Limited and the Learning Technologies Group plc net assets acquired of £728,000 has been charged to the Consolidated Statement of Comprehensive Income as a deemed cost of listing amounting to £1,108,000 with a corresponding entry to the reverse acquisition reserve.

Transaction costs of equity transactions relating to the issue and re-admission of the Company's shares are accounted for as a deduction from equity where they relate to the issue of new shares and listing costs are charged to the Group Income Statement.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

The consolidated financial statements are presented as proforma to present the substance of the transaction. The comparative results to 31 December 2012 represent the consolidated position of Epic Group Limited prior to the reverse acquisition.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial information of the Group is presented in Pounds Sterling, which is the presentation currency for the Group. The functional currency of each of the group entities is the local currency of each individual entity.

Adoption of new and revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the presentation and disclosures reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on presentation or disclosures reported are set out in (ii) below.

(i) Standards and interpretations affecting the presentation and disclosure in the financial statements

IFRS 11 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement.

(ii) Standards and interpretations adopted with no effect on the financial statements

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income – The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

(iii) Standards, amendments and interpretations to published standards not yet effective

At the date of approval of the consolidated financial statements, the following standards and interpretations which have not been applied in the consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The transfer to these new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements of the Group in future periods.

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting (effective from 1 January 2014) – These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to IFRS 10, 12 and IAS27 on consolidation for investment entities (effective from 1 January 2014 although early adoption could be applied) – These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective from 1 January 2014) – This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Financial instruments: Recognition and Measurement Amendment to IAS 39 'Novation of derivatives' (effective from 1 January 2014) – This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

IFRIC 21, 'Levies' (effective from 1 January 2014) – This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). This interpretation clarifies that the obligating event that gives to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

IFRS 9, 'Financial instruments' (effective date left open pending the finalisation of the impairment and classification and measurement requirements) – IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IAS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

(b) Basis of consolidation

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The basis of consolidation of the acquisition of Epic Group Limited by the Company is described in the basis of preparation above in Note 2(a). The substance of the share for share acquisition of Epic Performance Improvement Limited and its subsidiary companies by Epic Group Limited on 10 May 1996 was that of a re-organisation of entities which were under common control. As such, that combination also falls outside the scope of IFRS 3 'Business Combinations' (Revised 2008). The Directors have, therefore, decided that it is appropriate to reflect the combination using the merger basis of accounting in order to give a true and fair view. No fair value adjustments were made as a result of that combination.

Business combinations other than noted above are accounted for under the acquisition method.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures which are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Intangible assets

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure is amortised on a straight-line method over a period of 3 years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

(e) Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(f) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

Financial assets are de-recognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Loans and receivables financial assets

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

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

immaterial. The Group's loans and receivables financial assets comprise 'trade and other receivables' and cash and cash equivalents included in the consolidated statement of financial position.

- Financial assets at fair value through profit or loss

There were no financial assets classified under this category.

- Held-to-maturity investments

There were no financial assets classified under this category.

- Available-for-sale financial assets

There were no financial assets classified under this category.

ii) Financial liabilities

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

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Computer equipment	33.33%
Furniture and fittings	20%
Office equipment	20%
Leasehold improvements	over the remaining life of the lease

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the income statement within "other income/(expenses)". Any revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

(h) Long term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those amounts transferred to profit or loss, after deducting foreseeable losses and payments on account not matched with revenue.

Amounts recoverable on contracts are included in current assets and represent revenue recognised in excess of payments on account.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

(i) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of assets, other than those to which IAS 36 – 'Impairment of Assets' does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(j) Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate.

(m) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(n) Related parties

A party is related to an entity if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(o) Revenue and other income

(i) Services

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

(ii) Interest income

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

(r) 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.

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

There were no leases classified under the category of finance leases.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, 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.

Basis of consolidation

The Directors consider that the share for share exchange between Indeed-Online plc and Epic Group Limited to be a reverse acquisition as Epic Group is considered to be the acquirer. Further details of the basis of consolidation and how the Directors developed the most appropriate accounting policy are outlined in the basis of consolidation within accounting policy Note 2(b). The difference between the consideration shares transferred in the combination ("Consideration Shares") and the fair value of the net assets acquired has been charged to the consolidated statement of income as a deemed cost of listing.

Revenue recognition

The Group recognises revenue from service contracts to customers.

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are considered to be recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18 'Revenue'. The Directors are satisfied that the significant risks and rewards are transferred and that the recognition of revenue over the duration of a contract is appropriate.

Amounts recoverable on contracts

Amounts recoverable on contracts are stated at costs incurred, less those transferred to profit or loss, after deducting foreseeable losses and payments on account not matched with revenue. The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

In making its judgement, management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments to underlying assumptions if this indicates it is appropriate.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Recovery of development expenditure

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

In making its judgement, management considered the detailed criteria set out in IAS 38 'Intangible Assets'. Management considers estimates of anticipated revenues from the asset and monitors the need for any impairment adjustments arising from changes to underlying assumptions if future market activity indicates this is appropriate.

4. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors of the Company) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The Directors of the Company consider the principal activity of the Group to be the production of interactive multimedia programmes, and to consummate one reportable segment, that of the production of interactive multimedia programmes. A majority of sales were generated by the operations in the United Kingdom in each of the two years ended 31 December 2013.

All other segments primarily comprise income and expenses relating to the Group's administrative functions. Interest income and interest expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Accordingly, this information is not separately reported to the Board of Directors.

Geographical information

All revenues of the Group are derived from its principal activity, the production of interactive multimedia programmes. The Group's revenue from external customers and net assets by geographical location are detailed below.

Information about major customers

In the year ended 31 December 2013, one customer generated revenues of £760,000 and in the year ended 31 December 2012, one customer generated revenues of £973,000. No other customers accounted for more than 10 per cent of reported revenues.

	UK £'000	Europe £'000	America £'000	Other £'000	Proforma Total £'000
31 December 2013 Revenue	6,534	808	215	-	7,557
Net assets	**1,365**	**-**	**123**	**-**	**1,488**
31 December 2012 Revenue	6,665	248	26	6	6,945
Net assets	**1,857**	**-**	**24**	**32**	**1,913**

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

5. Loss/(profit) before taxation

Loss/(profit) before taxation is arrived at after charging/(crediting):

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Reverse acquisition transaction costs	950	-
Deemed cost of listing	1,108	-
Amortisation of intangible assets	55	49
Auditors' remuneration	20	11
Other fees payable to auditors:		
- Reverse acquisition costs	47	2
- Taxation	8	-
Bad debts written off	(9)	2
Depreciation of property, plant and equipment	99	54
Directors' fees	228	262
Directors' pension contributions	2	2
Staff costs (including Directors):		
- salaries, allowances and bonuses	4,099	3,224
- social security costs	423	385
- defined contribution pension plan costs	65	74
Rental of office	126	138
Rental of equipment	-	-
Interest income	(7)	(10)

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

6. Staff costs

	Proforma Year ended 31 December 2013	Proforma Year ended 31 December 2012
The average monthly number of employees was:	107	100
	31 December 2013 £'000	31 December 2012 £'000
Aggregate remuneration (including Directors):		
Short-term employee benefits	4,164	3,298
Share-based payments	528	144
Social security costs	423	385
	5,115	**3,827**

7. Income tax

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Current tax expense:		
- for the financial year	205	200
- under/(over)provision in the previous financial year	-	-
	205	**200**
Deferred tax assets: (Note 17):		
- for the financial year	(28)	28
Deferred tax liabilities: (Note 17):		
- for the financial year	5	22
Deferred tax (release)/expense	(23)	50
Income tax expense	**182**	**250**

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

7. Income tax *continued*

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
(Loss)/profit before taxation	(926)	782
Tax at the applicable statutory tax rates of 23% and 24% (2012: 24%)	(215)	188
Tax effects of:		
Non-deductible expenses	489	(16)
Capital allowances and other short term differences not recognised for tax purposes	(18)	(10)
Share-based payments not recognised for tax purposes	40	35
Other permanent differences	(120)	(21)
Overseas losses not subject to UK tax relief	22	20
Results of joint venture	7	4
Income tax expense for the financial year	**205**	**200**

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

8. Earnings per share

Basic earnings per share is calculated by dividing the loss/profit after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. The calculation of earnings per share is based on the following earnings and number of shares.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) during the period in which the reverse occurs:

(a) The number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be computed, on the basis of the weighted average number of ordinary shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement; and

(b) The number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal acquirer (the accounting acquiree) outstanding during that period.

The basic earnings per share for each comparative period before the acquisition date presented in the consolidated financial statements following a reverse acquisition shall be calculated by dividing:

(a) The profit or loss of the legal acquiree attributable to ordinary shareholders in each of those periods by

(b) The legal acquiree's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

A reconciliation is set out on page 45.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
(Loss)/profit after tax attributable to owners of the Group:	(1,108)	532
Weighted average number of shares:		
- Basic	258,138,014	255,000,000
- Diluted	258,138,014	268,766,765
Basic earnings per share (pence)	**(0.429)**	**0.209**
Diluted earnings per share (pence)	**(0.429)**	**0.198**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options that are dilutive potential ordinary shares. The share options in issue during the year to 31 December 2013 are anti-dilutive and, therefore, are not included in the above calculation.

Adjusted earnings per share before deemed cost of listing and costs of acquisition (pence):		
(Loss)/profit after tax attributable to owners of the Group:	(1,108)	532
Adjustments for: Deemed cost of listing Costs of acquisition	 1,108 950	 - -
Adjusted earnings	950	532
Weighted average number of shares:		
- Basic	258,138,014	255,000,000
- Diluted	283,746,935	268,766,765
Adjusted basic earnings per share (pence)	**0.368**	**0.209**
Adjusted diluted earnings per share (pence)	**0.335**	**0.198**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

9. Property, plant and equipment

	Computer equipment £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 January 2012 (proforma)	726	39	76	841
Additions (proforma)	109	145	-	254
At 31 December 2012 (proforma)	835	184	76	1,095
Additions	32	17	14	63
At 31 December 2013	**867**	**201**	**90**	**1,158**
Accumulated depreciation				
At 1 January 2012 (proforma)	669	37	69	775
Charge for the year (proforma)	39	8	7	54
At 31 December 2012 (proforma)	708	45	76	829
Charge for the year (proforma)	10	66	3	79
At 31 December 2013	**718**	**111**	**79**	**908**
Net book value				
At 31 December 2012 (proforma)	127	139	-	266
At 31 December 2013	**149**	**90**	**11**	**250**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

10. Intangible assets – development expenditure

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Cost		
At 1 January – brought forward	290	181
Additions	77	109
At 31 December	**367**	**290**
Accumulated amortisation:		
At 1 January – brought forward	142	93
Charge for the year	75	49
At 31 December	**217**	**142**
Net book value		
At 31 December	**150**	**148**

Development costs

Development costs principally comprise expenditure incurred on major software development projects where it is reasonably anticipated that the costs will be recovered through future commercial activity.

Amortisation

Capitalised development costs are amortised over the estimated useful life of 3 years. The amortisation charge is recognised in administrative expenses.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

11. Business combinations

On 7 November 2013 In-Deed Online plc became the legal parent of Epic Group Limited by way of reverse acquisition. The cost of the acquisition is deemed to have been incurred by Epic Group Limited, the legal subsidiary in the form of cash and equity instruments issued to the owners of the legal parent. This acquisition has been accounted for as a reverse acquisition as described in Note 2(a), Basis of Preparation.

The fair value of the shares in Epic Group Limited has been determined from the admission price of the Learning Technologies Group plc shares on re-admission to trading on AIM for 9 pence per share. The value of the consideration shares was £22,950,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is 7.41 per cent of the market value of the shares after issues, being £1,836,000. The difference between the notional consideration paid by Learning Technologies Group plc for Epic Group Limited and the Learning Technologies Group plc net assets acquired of £728,000 has been charged to the Consolidated Statement of Comprehensive Income as a deemed cost of listing amounting to £1,108,000 with a corresponding entry to the reverse acquisition reserve.

Details of net assets acquired and the deemed cost of listing are as follows:

	£'000
Consideration effectively transferred	1,836
Less net assets acquired:	
Trade and other receivables	35
Cash and cash equivalents	705
Trade and other payables	(12)
Total net assets acquired	**728**
Deemed cost of listing	**1,108**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

12. Subsidiaries of the Group

The principal subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2013 are as follows:

	Country of Registration or Incorporation	Principal activity	Percentage of ordinary shares held by Company
Epic Group Limited	England and Wales	Holding company	100%
Epic Mobile Learning Limited	England and Wales	Mobile e-learning	100%
Epic Performance Improvement Limited	England and Wales	Bespoke e-learning	100%
Epic Learning Inc	USA	Bespoke e-learning	100%

The accounting reference date of each of the subsidiaries is co-terminus with that of the Company.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

13. Investments accounted for using the equity method

	31 December 2013 £000	Proforma 31 December 2012 £000
Investment in joint venture:		
Cost of investment	49	49
Share of accumulated losses	(49)	(17)
	-	32

Joint venture

Epic Group Limited acquired a 50% interest in Epic Brasil Tecnologia Educacional Ltda in November 2011, for a total consideration of 150,000 Brazilian Real (BRL) payable in two instalments of 50,000 BRL (approximately £19,000) and 100,000 BRL (approximately £30,000) respectively. The joint venture is a private company and there is no quoted market price available for its shares.

The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group. The nature of the investment at 31 December 2012 and 31 December 2013 is listed below.

Name of entity	Country of Registration or Incorporation	Principal activity	Percentage of ordinary shares held by Group
Epic Brasil Tecnologia Educacional Ltda	Brazil	Bespoke e-learning	50%

The accounting reference date of the joint venture is co-terminous with that of the Company.

There are no contingent liabilities or commitments relating to the Group's interest in the joint venture.

Summarised financial information for the joint venture

Set out below is summarised financial information for Epic Brasil Tecnologia Educacional Ltda which is accounted for using the equity method. The information reflects the amounts presented in the financial statements of the joint venture [adjusted for differences in accounting policies between the Group and the joint venture where appropriate] and not the Group's share of those amounts.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Summarised statement of financial position:

	31 December 2013 £'000	31 December 2012 £'000
Non-current assets	**36**	**-**
Current assets		
Cash and cash equivalents	117	18
Other current assets	189	74
Total current assets	306	92
Current liabilities		
Financial liabilities (excluding trade payables)	-	-
Other current liabilities (including trade payables)	(404)	(28)
	(404)	64
Net (liabilities)/assets	**(62)**	**64**

Summarised statement of comprehensive income:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Revenue	404	114
Depreciation and amortisation	-	-
Interest expense	(2)	-
Loss from continuing operations	**(134)**	**(34)**
Income tax release	-	-
(Loss) for the year	(134)	(34)
Other comprehensive (expense)/income	-	-
Total comprehensive (loss) for the year	**(134)**	**(34)**
Dividends received from joint venture	-	-

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Where the Group's share of losses in a joint venture exceeds its interests in the joint venture, the Group does not recognise further losses as it has no further obligation to make payments on behalf of the joint venture. Such losses not recognised in the year ended 31 December 2013 totalled £35,000 (year ended 31 December 2012: £nil).

Reconciliation of summarised financial information:

	31 December 2013 £'000	31 December 2012 £'000
Opening net assets at 1 January	64	98
(Loss) for the year	(134)	(34)
Foreign exchange differences	8	-
Closing net assets/(liabilities)	**(62)**	**64**
Interest in joint venture at 50%	(31)	32
Carrying value	**-**	**32**

14. Trade receivables

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Trade receivables	1,247	819
Allowance for impairment losses	(10)	(10)
	1,237	**809**
Impairment losses:		
At 1 January	10	10
Additions	-	-
Amounts written-back	-	-
At year end	**10**	**10**

The Group's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case by case basis.

The fair value of trade receivables approximates their carrying amount as the impact of discounting is not significant. No interest is charged on overdue receivables.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

15. Other receivables, deposits and prepayments

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Sundry receivables	-	7
Prepayments	86	24
	86	**31**

16. Amount recoverable on contracts

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Cost incurred to date	1,478	1,425
Attributable profits	2,038	1,730
Progress billings	(2,569)	(2,453)
	947	**702**
Represented by: Amount owing by contract customers	947	702
Amount of contract revenue recognised as revenue (Note 3)	7,557	6,945
Amount of contract costs recognised as expenses	2,978	2,869

17. Deferred tax assets (liabilities)

	31 December 2013 £'000	Proforma 31 December 2012 £'000
At 1 January – brought forward	(22)	28
Recognised in profit or loss (Note 7)	23	(50)
At 31 December	**1**	**(22)**

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

18. Fixed deposits with licensed banks

The weighted average effective interest rates and the maturity periods of the fixed deposits at the end of reporting periods are as follows:

	31 December 2013	Proforma 31 December 2012
Weighted average effective interest rates	-	0.62%
Maturity periods	**-**	**100 days**

19. Share capital

The called-up and fully paid share capital of the Company is as follows:

	31 December 2013 £'000	31 December 2012 £'000
Allotted, called-up and fully paid: 275,825,000 (2012: 20,400,000) Ordinary shares of £0.00375 each	1,034	77

On 22 October 2013, the Company announced that it had agreed to acquire the entire issued and to be issued share capital of Epic Group Limited. The consideration for the Acquisition was £24,273,254 comprising the issue on 7 November 2013, credited as fully paid, of 255,000,000 Consideration Shares to the Epic Shareholders at a price of 9 pence per ordinary share (amounting to £22,950,000 in total) and a payment to the Epic Shareholders and to holders of Epic Shares who acquired those shares following the exercise of options issued to them pursuant to the Epic Share Option Scheme of an aggregate cash consideration of £1,323,254.

The Acquisition, resulted in In-Deed Online becoming an operating company instead of an investing company, and constituted a reverse takeover under the AIM Rules for Companies. On the same date, the Company issued a further 425,000 ordinary shares at 5.882353 per share to satisfy the payment of certain fees amounting to £25,000 in connection with the acquisition. A summary of the shares issued is as follows:

Description	Number of shares	Share capital £'000	Share Premium £'000	Total £'000
Issues of shares to acquire Epic Group Limited	255,000,000	956	21,994	22,950
Shares issued to satisfy payment of fees	425,000	1	24	25
Total shares issued	**255,425,000**	**957**	**22,018**	**22,975**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

A reconciliation of share capital is set out below:

	Number of shares	Allotted, called up and fully paid £'000
At 1 January 2012	20,400,000	77
At 31 December 2012 and 1 January 2013	20,400,000	77
Shares issued during the year	255,425,000	957
At 31 December 2013	**275,825,000**	**1,034**

20. Reserves

The foreign exchange reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

The merger relief reserve arose on the acquisition of Epic Performance Improvement Limited by Epic Group Limited in 1996, and the Company's reverse acquisition of Epic Group Limited.

The share-based payment reserve arises from the requirement to value share options in existence at the year end at fair value. Further details of share options are included at Note 29.

The capital redemption reserve represented the aggregate nominal value of all the ordinary shares repurchased and cancelled by Epic Group Limited and was eliminated on reverse acquisition.

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The reverse acquisition reserve was created in accordance with IFRS3 'Business Combinations'. The reserve arises due to the elimination of the Company's investment in Epic Group Limited. Since the shareholders of Epic Group Limited became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

21. Trade and other payables

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Trade payables	281	183
Payments received on account	1,217	689
Tax and social security	429	436
Accruals and others	279	247
	2,206	**1,555**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

22. Amounts owing to related parties

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Amount owing to joint venture:		
Current		
Non-trade balances	**30**	**30**

The amounts owing to related parties are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

23. Provisions

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Property costs		
At 1 January – brought forward	86	94
Paid in the year	(62)	(37)
Recognised in profit or loss	6	29
At 31 December	**30**	**86**

The provision relates to the Group's share of dilapidation costs in respect of costs to be incurred at the end of property leases.

24. Dividends paid prior to group reconstruction

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Interim dividend paid prior to group reconstruction	**300**	**400**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

25. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Fixed deposits with licensed banks (Note 18)	-	1,000
Cash and bank balances	1,170	692
	1,170	**1,692**

26. Related party disclosures

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this Note. Balances and transactions between the Group and other related parties are disclosed below.

Remuneration of Directors and key management personnel

The remuneration of the senior Executive Management Committee members, 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'.

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Short-term employee benefits	467	504
Share-based payments	470	72
Post-retirement benefits	2	2
	939	**578**

Share-based payments include an amount of £355,000 (year ended 31 December 2012: £nil) which has been charged as a cost of the reverse acquisition described in Note 11. Further details relating to the remuneration of each member of key management can be found at page 13 of the Directors' Report.

Other transactions

During the normal course of business, the Group purchased translation and accommodation services from RWS Group Limited totalling £169,000 in the year ended 31 December 2013 (2012: £84,000). Andrew Brode is the Chairman of RWS Group Limited. The amount due to RWS Group Limited at 31 December 2013 was £82,000 (31 December 2012: £12,238).

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

In November 2011, Epic acquired a 50% interest in Epic Brasil Tecnologia Educacional Ltda for a total consideration of 150,000 Brazilian Real (BRL) payable in two instalments of 50,000 BRL (approximately £19,000) and 100,000 BRL (approximately £30,000) respectively. The first tranche was payable to the joint venture within three months of acquisition and the second tranche was due within two years of acquisition. This latter amount is included in amounts owing to related parties as at 31 December 2012 and 31 December 2013 (Note 22).

27.Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar and the Brazilian Real. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of year were as follows:

	United States Dollar £'000	Brazilian Real £'000	Total £'000
31 December 2013			
Financial assets	122	-	122
Financial liabilities	**11**	**30**	**41**
31 December 2012 Proforma:			
Financial assets	34	-	34
Financial liabilities	**5**	**30**	**35**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant:

	Proforma 31 December 2013 increase/(decrease) £'000	Proforma 31 December 2012 increase/(decrease) £'000
United States Dollar		
- strengthened by 10%	(10)	(8)
- weakened by 10%	10	8
Brazilian Real:		
- strengthened by 10%	7	(2)
- weakened by 10%	(7)	2

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

A 100 basis points strengthening/weakening of the interest rate as at the end of each year would have immaterial impact on profit after taxation and/or equity. This assumes that all other variables remain constant.

(ii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

Credit risk concentration profile

Apart from one customer at 31 December 2013, which constituted approximately 20% of the Group's trade receivables at that date, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines major credit risk as exposure to a concentration exceeding 10% of a total class of such asset.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	31 December 2013 £'000	Proforma 31 December 2012 £'000
United Kingdom	1,136	793
United States	55	9
Europe	56	17
Allowance for impairment losses	(10)	(10)
	1,237	**809**

Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Not past due	797	538
Past due:		
- less than 3 months	427	281
- 3 to 6 months	23	-
Gross amount	**1,247**	**819**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

Trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Collective impairment allowances, are determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired:

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The maturity profile of the financial liabilities of the Group is short term, all amounts falling due within 12 months.

(b) Capital risk management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. It also ensures that distributions to shareholders do not exceed working capital requirements.

The Group has no external debt finance and is not subject to any external capital requirements.

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

(c) Classification of financial instruments

	31 December 2013 £'000	Proforma 31 December 2012 £'000
Financial assets		
Loans and receivables financial assets		
Trade receivables	1,237	809
Amounts recoverable on contracts	947	702
Other receivables, deposits and prepayments	86	31
Deferred tax assets	1	-
Fixed deposits with licensed banks	-	1,000
Cash and bank balances	1,170	692
	3,441	**3,234**
Financial liabilities		
At amortised cost		
Trade and other payables	2,206	1,555
Corporation tax	87	74
Amount owing to related parties	30	30
Deferred tax liabilities	-	22
Provisions	30	86
	2,353	**1,767**

(d) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Group had no financial assets or liabilities carried at fair values at the end of each reporting date.

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

28. Share-based payment transactions

The Group's share-based payment arrangements are summarised below.

(a) EMI Share option plan

	Number of options	Year ended 31 December 2013 Weighted average exercise price (pence)	Number of options	Year ended 31 December 2012 Weighted average exercise price (pence)
Epic Share Option Scheme:				
Balance at beginning of year	2,312,341	17.8227	-	-
Granted	272,020	25.7315	2,312,341	17.8227
Lapsed during the year	(124,685)	17.8227	-	-
Exercised	(1,117,555)	17.8227	-	-
Options modified to new scheme (see Note below)	(1,342,121)	19.4257	-	-
Balance at end of year	**-**	**-**	**2,312,341**	**17.8227**

	Number of options	Year ended 31 December 2013 Weighted average exercise price (pence)	Number of options	Year ended 31 December 2012 Weighted average exercise price (pence)
New share option scheme:				
Balance at beginning of year	-	-	-	-
Options modified from Epic scheme	13,207,724	2.05	-	-
Options granted by Company	11,032,999	5.88	-	-
Balance at end of year	**24,240,723**	**5.88**	**-**	**-**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

(b) Unapproved share option plan

	Number of options	Year ended 31 December 2013 Weighted average exercise price (pence)	Number of options	Year ended 31 December 2012 Weighted average exercise price (pence)
Epic Share Option Scheme:				
Balance at beginning of year	136,020	17.8227	-	-
Granted	-	-	136,020	17.8227
Options modified to new scheme (see Note below)	(136,020)	17.8227	-	-
Balance at end of year	**-**	**-**	**136,020**	**17.8227**

	Number of options	Year ended 31 December 2013 Weighted average exercise price (pence)	Number of options	Year ended 31 December 2012 Weighted average exercise price (pence)
New share option scheme:				
Balance at beginning of year	-	-	-	-
Options modified from Epic scheme (see Note below)	787,952	1.88	-	-
Granted by Company	3,282,317	5.88	-	-
Balance at end of year	**4,070,269**	**5.88**	**-**	**-**

As part of its strategy for executive and key employee remuneration, the Company established on admission to AIM the new share option scheme under which share options may be granted to officers and employees or members of the Group. Under the rules of the new share option scheme, the Company may grant EMI Options and/or unapproved options.

There is no limit on the number of shares, or the percentage of issued share capital, that can be used by the Company for share options. The rules of the new share option scheme do not comply with the ABI's guidelines on policies and practices in respect of executive remuneration.

The Company previously had in place the In-Deed Online Share Option Scheme which was adopted on 9 June 2011. However, all options granted under that scheme have either been waived or lapsed.

Epic Group Limited previously had in place the Epic Share Option Scheme which was adopted on 22 May 2012 under which options to subscribe for 2,595,716 Epic Shares had been granted. Option holders in the Epic Share Option Scheme agreed either to exercise a proportion of their options under that scheme or to roll over their options. Epic Option holders holding options over a total of 1,117,555 Epic shares elected to exercise their options and the Epic shares issued pursuant to the exercise of those

> Notes to the consolidated financial statements

for the year ended 31 December 2013 *continued*

options were sold to the Company pursuant to the terms of the Acquisition Agreement for a cash sum of £423,254 in aggregate.

The remaining options granted under the Epic Share Option Scheme over 1,478,161 Epic Shares were modified so that, to exercise, the holders of such options now have the right to subscribe instead for an aggregate of 13,995,676 shares in the Company. The number of such options and the exercise price of such options were determined by reference to the closing mid-market price of the Ordinary Shares on the day of Admission of 9.0 pence. The modification of these options as described had a neutral affect on the option holders immediately before and after the amendment of the options.

In addition, on Admission, 4,247,705 share options equating to 1.54 per cent of the Enlarged Share Capital of the Company were granted to Peter Mountford (Executive Deputy Chairman), 3,392,647 Share Options equating to 1.23 per cent. of the Enlarged Share Capital were granted to Dale Solomon (Commercial Director, Epic Group Limited) and 3,392,647 Share Options equating to 1.23 per cent of the Enlarged Share Capital were granted to Richard Jones (Company Secretary) under the New Share Option Scheme, subject to certain performance criteria in the case of Peter Mountford and Dale Solomon.

In addition, options over 3,282,317 Ordinary Shares equating to 1.19 per cent of the Enlarged Share Capital were granted to Richard Jones on Admission. Such options are subject to the New Share Option Scheme but are unapproved options for tax purposes.

The 3,392,647 share options issued to Richard Jones were exercisable immediately on grant at a price of 5.88 pence per Ordinary Share. All other options granted under the New Share Option Scheme are exercisable at a price of 5.88p per Ordinary Share and are exercisable following the third anniversary of Admission which was on 7 November 2013.

An option-holder has no voting or dividend rights in the Company before the exercise of a Share Option.

The estimated fair value of each share option granted in the New Share Option Scheme was £0.1046.

This estimated fair value was calculated by applying a Black-Scholes option pricing model. In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore, the Directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The model inputs were:

- share prices at grant date of £0.14;
- exercise prices of £0.0588;
- expected volatility of 45%;
- contractual life of 10 years; and
- a risk-free interest rate of 1.78%.

The expense and equity reserve arising from share based payment transactions recognised in the year ended 31 December 2013 was £528,000 (year ended 31 December 2012: £144,000), summarised as follows:

	Proforma 31 December 2013 £'000	Proforma 31 December 2012 £'000
Recognised within:		
Reverse acquisition transaction costs	355	-
Other expenses	173	144
	528	**144**

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

29. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December 2013 Land and buildings £000	At 31 December 2012 Land and buildings £000
Operating leases which expire:		
Within one year	145	133
In the second to fifth years inclusive	363	508
Over five years	-	-
	508	641
Aggregate amounts payable	508	641

Payments recognised as an expense under these operating leases were as follows:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Minimum lease payments	126	138

> Notes to the consolidated financial statements
for the year ended 31 December 2013 *continued*

30. Subsequent events

(a) Acquisition of LINE Communications Holdings Limited

On 7 April 2014, the Company completed the acquisition of 100% of the issued share capital of LINE Communications Holdings Limited (LINE), a company incorporated in England and Wales, and its subsidiary undertakings. LINE devises, designs and delivers fully blended learning solutions that incorporate elements such as e-learning, collaborative learning, just-in-time performance support, classroom or e-tutoring. LINE has clients from both the public and private sectors. Consideration for the acquisition was as follows:

- £5,130,000 payable in cash at completion;
- £3,870,000 by way of an issue and allotment of ordinary shares in the Company on completion; and
- additional cash consideration equal to any excess working capital (including cash) in the LINE Group as determined by completion accounts.

The acquisition of LINE is the first step in the Company's stated aim to consolidate the e-learning sector, will add considerable critical mass to the Company's activities, enable the combined entities to leverage their activities and commercial contacts across a broad range of sectors and achieve revenue and cost synergies.

An estimate of the financial effect of the acquisition has not been included as the initial accounting for the business combination was incomplete at the time the financial statements were authorised for issue.

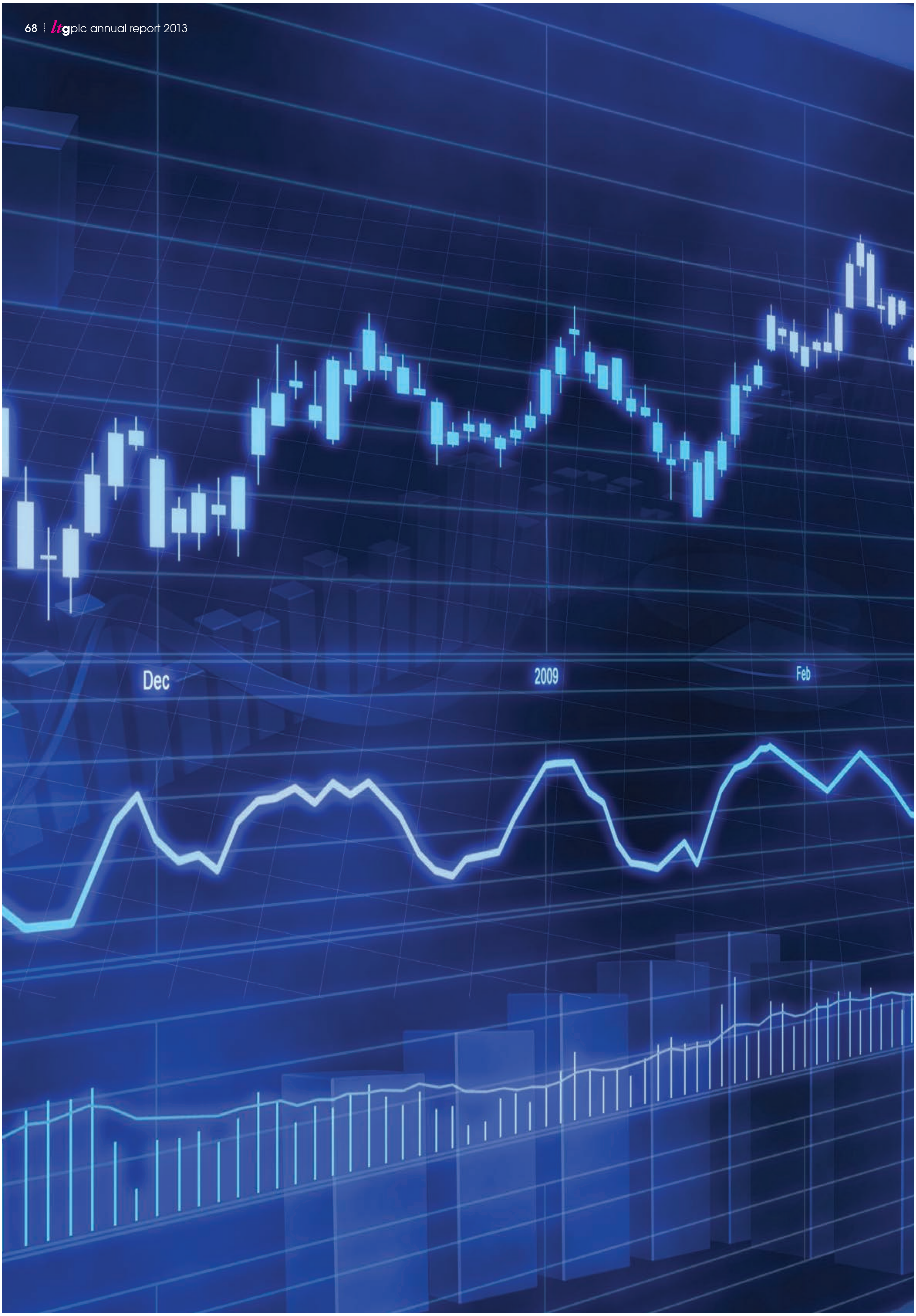
The Company has raised £8m through a placing of 50,000,000 new ordinary shares with institutional and other investors at a price of 16p each. Following this placement, the Company's issued share capital is increased to 325,825,000 ordinary shares of 0.375p.

(b) Grant of share options

On 17 February 2014, the Company granted the following share options over the Company's Ordinary Shares of £0.00375 each to certain Executive Directors. These new share options supersede the proposals for Management Incentive Shares which were set out in the Company's AIM Admission Document.

Dale Solomon, Commercial Director of Epic Group Limited, was granted 16,002,451 new share options at an exercise price of 5.88p per share. Peter Mountford, Executive Deputy Chairman of the Company was granted 6,785,295 new share options at an exercise price of 5.88p per share.

The new share options are subject to the achievement of demanding performance criteria based upon significant share price increases.


Dec
2009
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> Company statement of financial position as at 31 December 2013
Registered number: 07176993

	Note	31 December 2013 £'000	31 March 2013 £'000
Assets			
Fixed assets			
Tangible assets	5	-	7
Intangible assets	4	-	-
Investment in subsidiaries	3	3,901	-
		3,901	**7**
Current assets			
Debtors	6	6	37
Cash and bank balances		59	1,362
		65	**1,399**
Creditors: amounts falling due within one year			
Trade and other creditors	9	94	76
Amount owing to subsidiary undertaking	10	1,573	-
		1,667	**76**
Net current (liabilities)/assets		(1,602)	1,323
Net assets		**2,299**	**1,330**
Capital and reserves			
Share capital	7	1,034	77
Share premium account		1,159	1,218
Share based payments reserve		547	-
(Accumulated losses)/retained profits		(441)	35
Shareholders' funds		**2,299**	**1,330**

The Notes on pages 71 to 80 form an integral part of these financial statements.

The financial statements on pages 69 to 80 were authorised for issue by the board of directors on 7 April 2014 and were signed on its behalf by Jonathan Satchell, Chief Executive Officer.

> Company reconciliation of shareholders' funds

For the period ended 31 December 2013

	Note	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained profits £'000	Total shareholders' funds £'000
Balance at 1 April 2012		**77**	**1,218**	**94**	**2,054**	**3,443**
Loss for the year		-	-	-	(2,113)	(2,113)
Impairment of reserve		-	-	(94)	94	-
Balance at 31 March 2013		**77**	**1,218**	**-**	**35**	**1,330**
Loss for the period		-	-	-	(601)	(601)
Issue of shares	7	957	23	-	-	980
Costs of issuing shares		-	(82)	-	-	(82)
Share based payment charge credited to equity	11	-	-	672	-	672
Transfer on exercise and lapse of warrants		-	-	(125)	125	-
Balance at 31 December 2013		**1,034**	**1,159**	**547**	**(441)**	**2,299**

Statement of total recognised gains and losses

A statement of total recognised gains and losses is not included in these financial statements as there are no recognised gains or losses in either the current financial year or previous financial period other than the results reported above.

There is no difference between the profit as disclosed in the profit and loss account and the profit on a historical cost basis.

The Notes on pages 71 to 80 form an integral part of these financial statements.

> Notes to the Company financial statements
for the period ended 31 December 2013

1. Summary of significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Company's financial statements were previously prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Following the Company's acquisition of Epic Group Limited, the directors have continued to apply IFRS in the preparation of the consolidated financial statements of the Group but adopted Generally Accepted Accounting Practice in the United Kingdom for the preparation of the Company's financial statements. This change has had an impact on share premium whereby the reverse acquisition of Epic Group Limited has been accounted for at par value with no share premium. Under IFRS the acquisition is accounted for at the fair value of the consideration paid as described in Note 11 to the consolidated financial statements.

The directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC Going Concern and Liquidity Risk guidance (October 2009). It is considered appropriate to continue to prepare the financial statements on a going concern basis.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the period ended 31 December 2013 is £601,000 (year ended 31 March 2013: loss of £2,113,000).

(b) Revenue recognition

Revenue is stated net of Value Added Tax and net of any applicable discounts or rebates. Revenue is recognised for the rendering of services when all the following conditions are satisfies:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company.

(c) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

(d) Intangible fixed assets

Research expenditure is recognised as an expense when it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the Company can demonstrate all of the following:

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

> Notes to the Company financial statements

for the period ended 31 December 2013 *continued*

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the asset first meets the recognition criteria listed above. When no internally generated asset can be recognised, development expenditure is recognised in profit or loss in the year in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. Expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

Capitalised expenditure is amortised on a straight-line when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the capitalised development expenditure is written down to its recoverable amount.

The amortisation rates applicable are:

Website development costs – 25% straight line

The amortisation charge is included within administrative expenses within the statement of comprehensive income.

(e) Fixed asset investments

Fixed asset investments in group undertakings are carried at cost less any provision for impairment.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Computer equipment	25%
Fixtures and fittings	25%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

(g) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

> Notes to the Company financial statements

for the period ended 31 December 2013 *continued*

(i) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(j) Pensions

Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate.

(k) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

(l) Related parties

A party is related to the Company if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(ii) the party is an associate of the Company;

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Company.

(m) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate

> Notes to the Company financial statements

for the period ended 31 December 2013 *continued*

of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

2. Segment reporting

The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group. The Directors consider this to consummate one reportable segment.

3. Investment in subsidiaries

On 14 May 2012, the Company acquired 100% of the issued share capital of Xanther Limited in exchange for an initial consideration of £225,000. Xanther Limited owned 100% of the issued share capital of Runnett & Co Limited, a company engaged in the provision of conveyancing services. Both companies were incorporated in England and Wales.

The investment was made to enable the Company to carry out conveyancing in-house as well as expanding its distribution to the estate agency network.

A contingent consideration of £1,300,000 required the Company to pay 5 times post tax profit to the vendors of Xanther Limited. The total value of payments was capped at £4,000,000.

Both subsidiaries were disposed of during the period for a consideration of £1 and effectively the transfer of intellectual property rights over the intangible assets. The contingent consideration was not payable and full provision for impairment was made at 31 March 2013.

Details of the Company's subsidiaries as at 31 December 2013 are set out in Note 12 to the consolidated financial statements.

	31 December 2013 £'000	31 March 2013 £'000
Cost		
Brought forward	1,525	-
Additions	3,901	1,525
Disposals	(1,525)	-
Carried forward	3,901	1,525
Amortisation/impairment:		
Brought forward	1,525	-
Provision for impairment	-	1,525
Disposals	(1,525)	-
Carried forward	**-**	**1,525**
Net Book Value	**3,901**	**-**

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

4. Intangible assets

	31 December 2013 £'000
Cost	
Brought forward	372
Disposals	(372)
Carried forward	**-**
Amortisation/impairment:	
Brought forward	372
Charge for the period/year	-
Provision for impairment	-
Disposals	(372)
Carried forward	-
Net Book Value	**-**

Intangible assets relate to costs incurred in the development and implementation of the Company's web portal. Amortisation was charged on a straight-line basis over the estimated useful life of 4 years.

As described Note 3, all rights over the intangible assets were disposed of during the period.

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

5. Tangible fixed assets

	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost			
At 1 April 2012	3	5	8
Additions	-	4	4
At 31 March 2013	3	9	12
Disposals	(3)	(9)	(12)
At 31 December 2013	-	-	-
Accumulated depreciation			
At 1 April 2012	1	2	3
Charge for year	1	1	2
At 31 March 2013	2	3	5
Charge for the period	-	-	
Disposals	(2)	(3)	(5)
At 31 December 2013	-	-	-
Net book value			
At 31 March 2013	1	6	7
At 31 December 2013	-	-	-

6. Trade and other debtors

	31 December 2013 £'000	31 March 2013 £'000
Trade debtors	-	4
Other debtors	6	18
Prepayments and accrued income	-	13
Amounts owed by related parties	-	2
	6	**37**

The amounts owing by related parties are unsecured, interest-free and repayable on demand.

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

7. Share capital

Details of The Company's authorised, called-up and fully paid share capital are set out in Note 19 to the consolidated financial statements.

The Ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

8. Reserves

The share-based payment reserve arises from the requirement to value share options in existence at the year end at fair value.

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable. In relation to the Company's reverse acquisition of Epic Group Limited, as the Company secured more than a 90% equity holding in Epic Group Limited on terms that the consideration for the shares allotted was provided by the transfer to the Company of equity shares in the Epic Group Limited, section 610 of the Companies Act 2006 does not apply to the premium on those shares. Accordingly, the share issue has been accounted for at par value with no share premium.

9. Trade and other creditors

	31 December 2013 £'000	31 March 2013 £'000
Trade creditors	8	13
Other creditors and accruals	86	37
Other taxes and social security	-	26
	94	**76**

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

10. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in the Note 26 to the consolidated financial statements.

The following transactions with subsidiaries occurred in the period:

	31 December 2013 £'000	31 March 2013 £'000
Opening amount due from related parties	2	-
Amounts advanced by/(repaid) from related parties	(1,575)	2
Closing amount due (to)/from related parties	**(1,573)**	**2**

The amounts owing to/from related parties are unsecured, interest-free and repayable on demand.

11. Share based payments

The Company previously had in place the In-Deed Online Share Option Scheme which was adopted on 9 June 2011. However, all options granted under the scheme have either been waived or lapsed, as set out below. The Company established, on Admission to AIM, the New Share Option Scheme, details of which are disclosed in Note 28 to the consolidated financial statements.

The In-Deed Online Share Option Scheme, which has now lapsed, is summarised below:

	Number of options	Expiry date	Weighted average exercise price £	Fair value at grant date £
(a) Granted 6 October 2010	1,500,000	6 Oct 2020	0.125	0.036
(b) Granted 21 January 2011	200,000	21 Jan 2021	0.125	0.036
(c) Granted 15 June 2011	2,538,000	15 June 2018	0.420	0.036
Lapsed during the year	(4,238,000)		0.302	0.0036
Balance at end of year	-			

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

The estimated fair value in respect of the In-Deed Online Share Option Scheme was calculated by applying a Black-Scholes option pricing model. The Directors considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The model inputs were:

- share prices at grant date of £0.125 (a) and (b)) and £0.420 in respect of (c);
- exercise prices of £0.125 ((a) and (b)) and £0.420 in respect of (c);
- expected volatility of 20 % ((a) and (b)) and 30% in respect of (c);
- contractual life of 10 years ((a) and (b)) and 7 years in respect of (c);
- a risk-free interest rate of 1.0%
- dividend yield of 0%.

The expense and equity reserve arising from the In-Deed Online Share Option Scheme recognised in the period ended 31 December 2013 was £nil (year ended 31 March 2013: £nil).

> Notes to the Company financial statements
for the period ended 31 December 2013 *continued*

12. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December 2013 Land and buildings £000	At 31 March 2013 Land and buildings £000
Operating leases which expire:		
Within one year	-	6
In the second to fifth years inclusive	-	-
Over five years	-	-
	-	6
Aggregate amounts payable	**-**	**6**

Payments recognised as an expense under these operating leases were as follows:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Minimum lease payments	6	18

13. Subsequent events

Disclosures in relation to events subsequent to 31 December 2013 are shown in Note 30 to the consolidated financial statements.

> Company information

Directors

Andrew Brode
Non-Executive Chairman

Peter Mountford
Executive Deputy Chairman

Jonathan Satchell
Chief Executive Officer

Harry Hill
Non-Executive

Company secretary

Richard Jones

Company number

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Registered address

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Communications consultancy

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The Registry
Royal Mint Court
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Nominated adviser and broker

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Legal advisers

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DWF LLP
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Registrars

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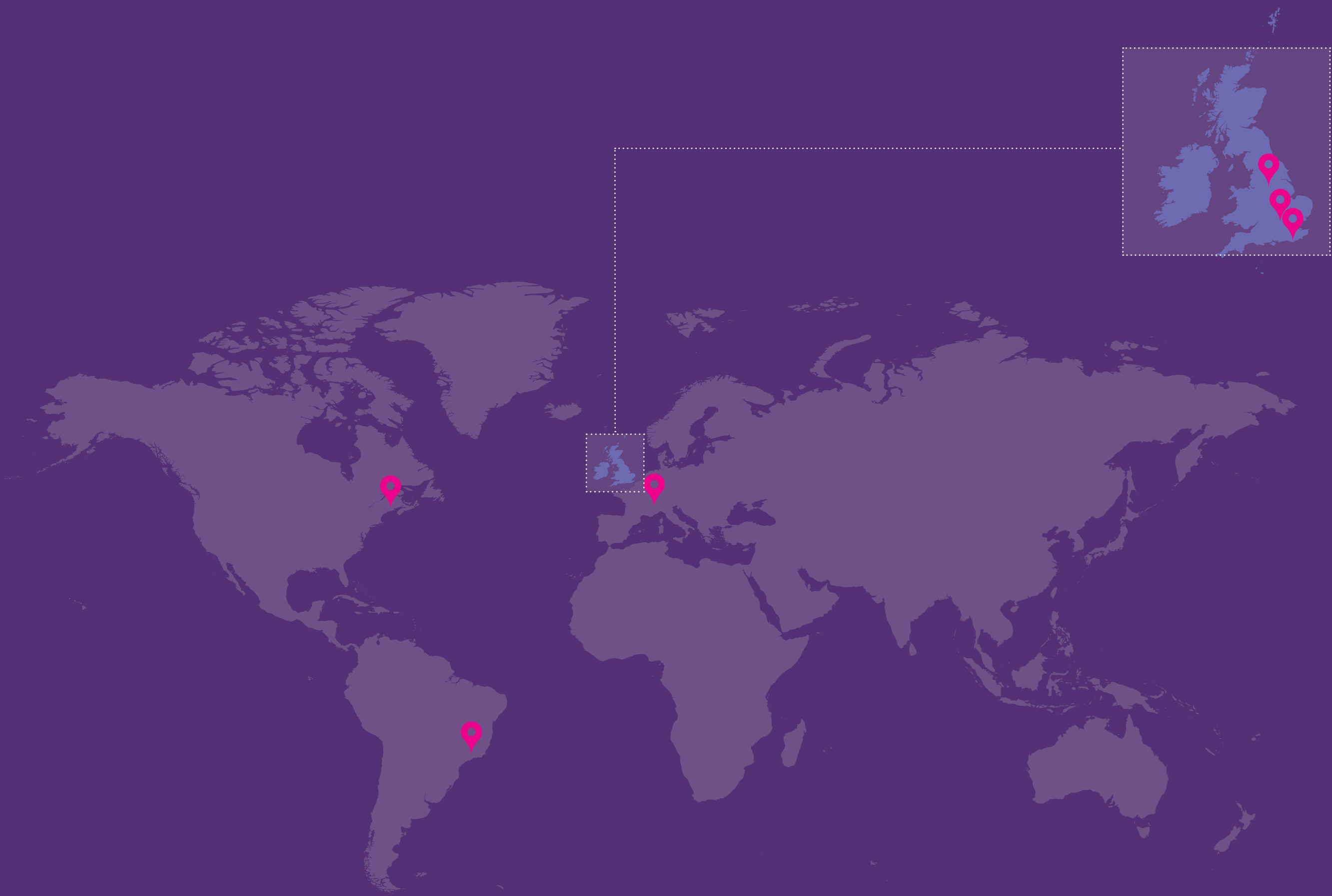

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