commercialising tomorrow's technologies

Mercia Technologies PLC / Annual Report and Accounts 2015

mercia technologies

Commercialising tomorrow's technologies
by investing in the...

...future

Mercia Technologies PLC is one of the leading investment businesses in UK technology, providing a complete capital solution for the commercialisation of pioneering businesses across exciting growth sectors, in which deep expertise is held.

2015 highlights

Portfolio

- £8.4million invested since the IPO in 6 portfolio companies during the reporting period with a further £3.0million invested post period end
- £3.3million invested to become the sole limited partner of Mercia Fund 2 ("MF2") – a source of future emerging stars
- 3 exciting new companies added to the portfolio of direct investments: VirtTrade, Crowd Reactive and Soccer Manager, all with significant upside potential
- Material investment into Science Warehouse to scale the business
- Good progress made with Mercia's other direct investments
- 22 investments made by Mercia Fund Management ("MFM"), the Group's wholly owned fund management subsidiary, during the last 12 months – 11 into new businesses as the MFM portfolio of future potential emerging stars continues to build

Financial

- Admission to AIM on 18 December 2014, raising £70.0million gross proceeds
- Pre-tax profit of £2.0million
- Net assets of £80.8million
- Direct investment portfolio of £24.6million
- Net fair value gains of £3.9million
- Cash reserves of £53.6million

People

- Matthew Mead appointed as Chief Investment Officer
- Martin Lamb appointed as an additional Non-executive Director
- Peter Dines appointed as Investment Director, Life Sciences
- Dr Nicola Broughton appointed as Investment Director, University Technology Transfer

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Mercia at a glance

Headquartered in the Midlands, Mercia Technologies PLC ('Mercia' or the 'Group') invests nationally with a focus on the Midlands, the North and Scotland. Mercia takes near to market concepts, nurtures them patiently within our third party funds, managed by our wholly owned subsidiary Mercia Fund Management ("MFM"), and then the Group scales the commercial potential of these emerging stars utilising our own complete capital investment model.

Mercia's focus is commercial innovation; both in regard to our own operations and the businesses we back. We invest across technology sectors in which we employ business builders with deep sector experience and insight.

mercia fund management

40
Companies in the portfolio from 6 months to 8 years old

Stars
Source of future emerging stars

Balanced
Balanced portfolio across our investment sectors

Proprietary
Proprietary deal flow into Mercia Technologies

"We have the team, ambition, capital and resources to address the challenge of matching complete capital to exciting technology-led businesses across the UK"

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14
Companies in the portfolio from 3–15 years old

+300
Employees across the portfolio

c.20%
Of the portfolio is profitable

£15.0m
Portfolio turnover with typical revenue growth of 20-30% pa

The investment case: why Mercia?

From early stage investments to emerging stars.

A Board of proven business builders and industrialists with listed company experience

An experienced executive and senior investment team

National investment business, focused on the Midlands, the North and Scotland

Focused investment strategy on the key technology sectors of Software, Electronics and Hardware, Digital Entertainment, Advanced Materials, Engineering and Specialised Manufacturing, and Life Sciences

£22.0m raised in third party funds for early stage investing to build the MFM portfolio, plus a strong balance sheet from which to invest in emerging stars

Partnership with 9 universities; strong relationships with national incubators and other deal flow sources

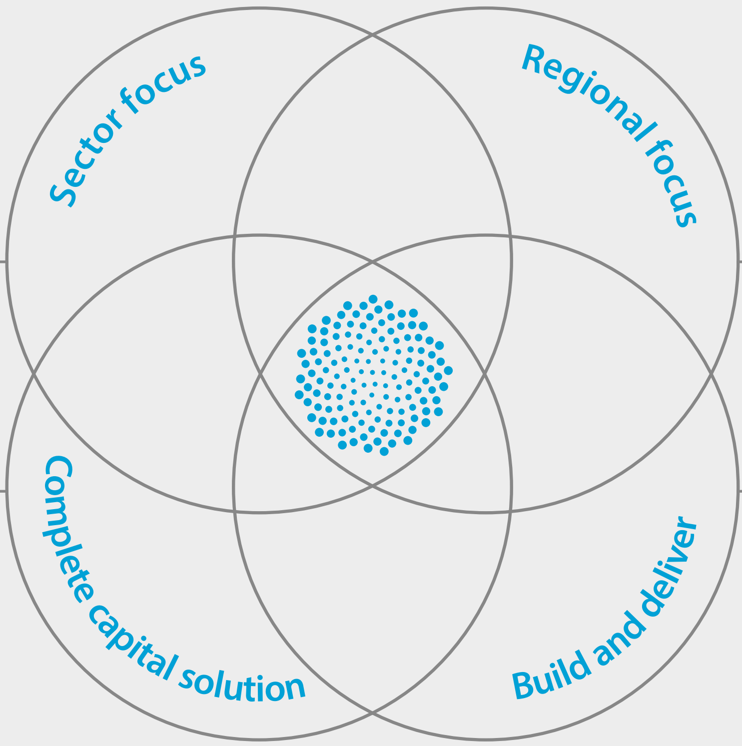
40 companies and growing within the MFM portfolio – our proprietary deal flow

Compelling, growing portfolio of emerging stars

Direct investment portfolio building with 14 direct investments in attractive sectors and sub-sectors

The Mercia model

Our strategy is based on the strict focus of the overlap between our core expertise and offering, being:



Deep industry insight and business acumen in the sectors in which we proactively seek to make investments.

A national investment business, with a strong emphasis on the underserved regions of the Midlands, the North and Scotland.

A differentiated investment model, offering a complete capital solution to young technology businesses.

A team focused on business building and delivery.

Mercia's strategy marries into the surrounding macroeconomic features which include:

- a recovering global economy,
- rapid acceleration of the digital sector,
- an ageing population,
- the acute need for healthcare cost reduction,
- increasingly supportive infrastructure in the UK for start-up and spinout companies.

Sector focus

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

- Software, Electronics and Hardware,
- Digital Entertainment,
- Advanced Materials, Engineering and Specialised Manufacturing, and
- Life Sciences.

We seek early stage opportunities that we can engineer and grow through our investment model with an acute focus on rapidity to revenue and globalisation, which we can then support with further capital to create market leading businesses.

We see technology as the amplifier which by necessity is combined with design and people to create a scalable business model. Our philosophy is balance, diversification and revenue. This requires deep sector knowledge within the team to ensure that we not only pick potential 'winners', but support them fully along their whole journey, to provide the complete solution of capital alignment and sector expertise.

Regional focus

Mercia Technologies' vision is to become a leading national player in the seeding, scaling and development of high-growth businesses ("HGBs") with technology at their core. We believe that significant opportunities exist in the Midlands, the North and Scotland to develop leading technology businesses through the efficient and targeted provision of capital and support, creating substantial value for shareholders over time.

When investing in young businesses and playing a hands-on supporting role, there is an absolute requirement to be close to the investee company. With the growth of the financial services industry focused primarily in the South East, capital availability has grown for this region's businesses. However, the further one moves north from London, the more difficult it is to obtain investment capital.

Mercia aims to build on 2 key insights:

- Of the 29,800 high-growth businesses nationally, 11,870 (circa 40%) are in the regions where Mercia focuses – the Midlands, the North and Scotland (see figure 1 below).
- When considering the provision of venture capital across the UK, the further a business is located away from the South East, the more difficult it is to access capital (see figure 2 below).

This is brought into sharp focus by the circa £2billion venture capital accessed during 2013 in the South East, versus less than £50million in the whole of Scotland.

This demonstrates a significant near-term opportunity for Mercia to make investments in regions across the UK where there is a significant venture capital under-supply, leading to a reduction in competition for deal flow.

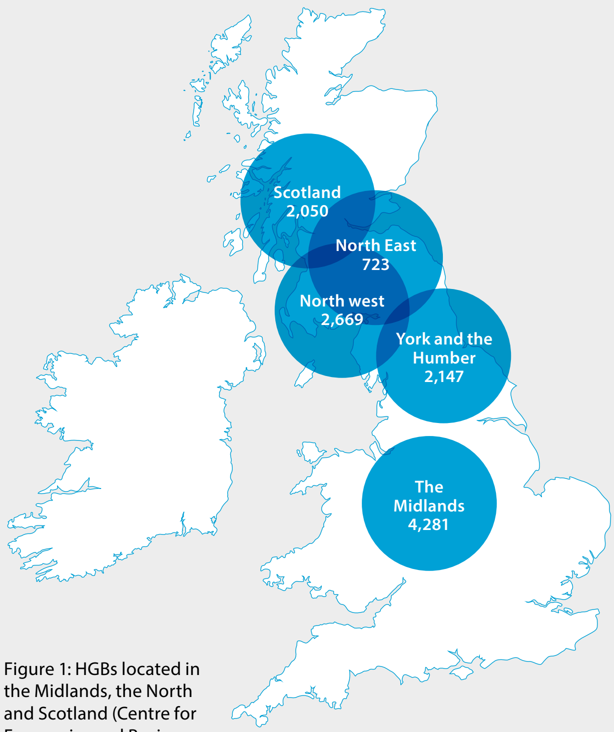


Figure 1: HGBs located in the Midlands, the North and Scotland (Centre for Economics and Business Research 2013)

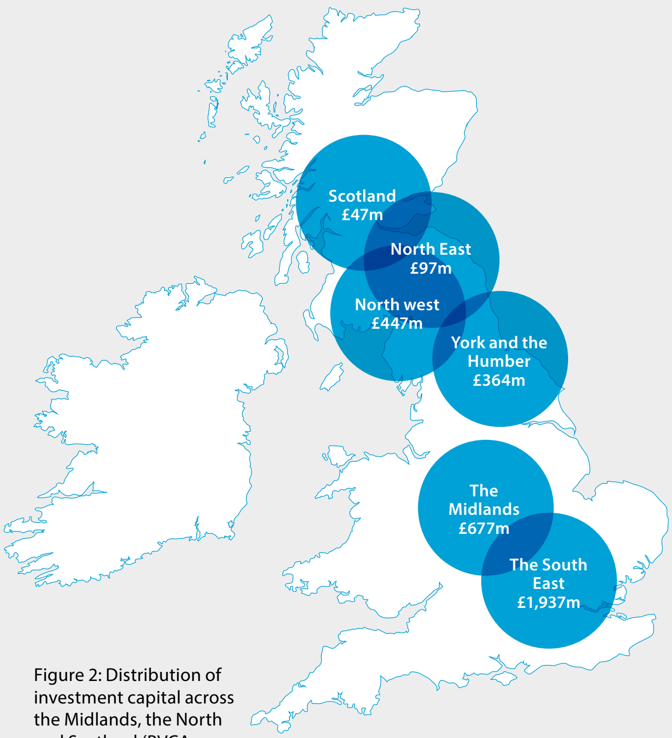


Figure 2: Distribution of investment capital across the Midlands, the North and Scotland (BVCA, Investment Activity 2013)

The Mercia model

At Mercia we build

- Portfolio management teams
- Portfolio balance
- Efficiently financed businesses with high growth potential
- Our own presence across the Midlands, the North and Scotland
- Accelerated value within our direct holdings

Within MFM we actively balance the investment portfolio as we seek to create the emerging stars of the future for our direct investment activity. We work to build management teams around potentially disruptive technologies whilst mitigating risk prior to the company becoming a direct investment, to provide a strong portfolio of direct investments from which to maximise shareholder returns.

At Mercia we deliver

- Above industry returns
- Industry insight through our experienced team of business builders
- Appropriate levels of risk-adjusted capital for our direct investment portfolio as it grows
- A new, more efficient investment model

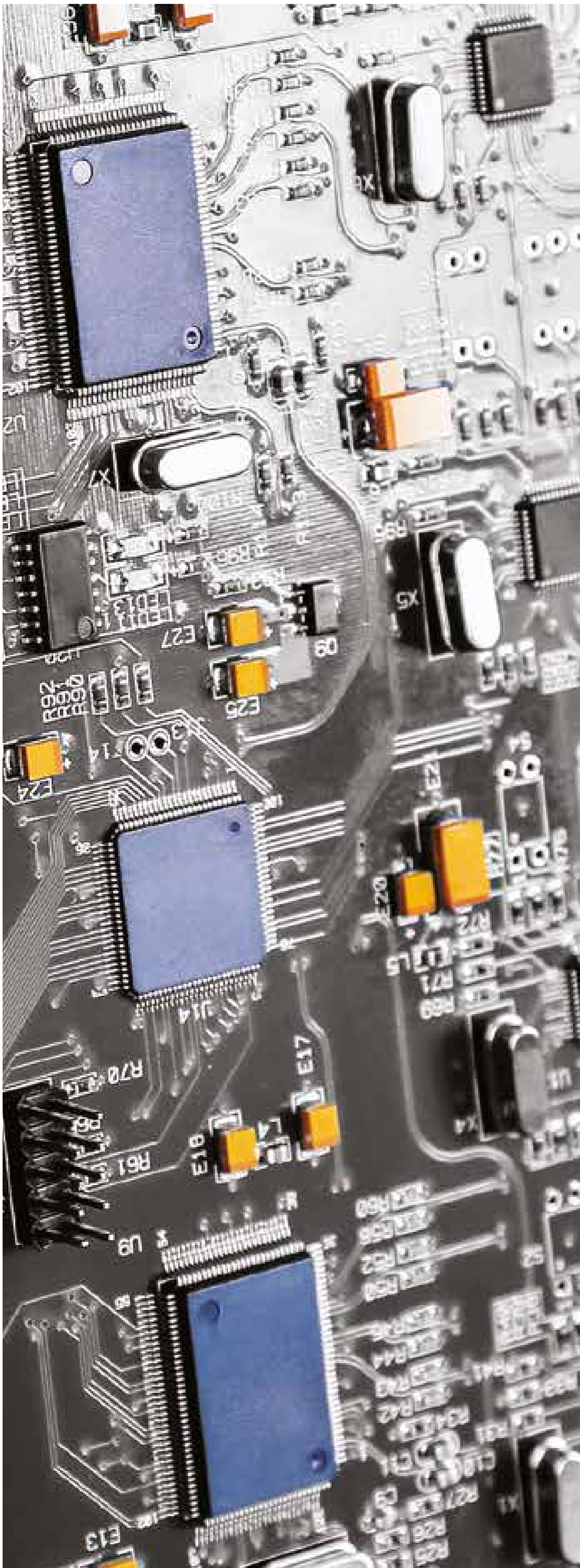
Over the last year:

1. In MFM:

- We have made 11 investments from the MFM funds under management into:
  - 3 new university spinouts from our partners: Medherant (University of Warwick), MIPs (Leicester University) and Aston Eyetech (Aston University)
  - 8 investments into new start-up businesses
- These 11 start-ups and spinouts span (i) Digital Entertainment, (ii) Software, Electronics and Hardware, and (iii) Life Sciences
- In addition, we invested into 11 existing MFM portfolio companies
- In total, approximately £5million was invested into seed and early stage companies

2. Via direct investment into our emerging stars:

- Including Soccer Manager, VirtTrade, Science Warehouse and Crowd Reactive
- We invested £8.4million



Strategy in action

Seeding the MFM portfolio

£5.0m

was invested into seed and early stage companies

The following are examples of investments made via our third party funds into MFM portfolio companies.

Medherant: Life Sciences (Medical Device)

Based in Warwick, Medherant (www.medherant.co.uk) is a spinout from the University of Warwick. Partnered with Bostik, Medherant is commercialising novel adhesive transdermal patch-based products and solutions with generic and novel drugs, to provide improved patient experience, enhanced safety, increased efficacy and economic benefits to the healthcare system.

Love Me Beauty: Software (Internet)

Love Me Beauty (https://www.lovemebeauty.com) is a business to consumer platform that allows customers to sample a variety of beauty products. The service is a cost-effective solution for cosmetic brands of all sizes to target specific consumers, build brand awareness and acquire valuable insights into their target audience.

Edge Case Games: Digital Entertainment (Games)

Edge Case Games (http://www.edgecasegames.net), formed by two gaming industry veterans, James Brooksby and Chris Mehers, and supported by an experienced creative team, is moving into the 'free to play' games as a service model, focusing on the core PC gaming audience. The title has been successfully launched through the Steam 'early access' programme and is unique within the science fiction genre.

Impression Technologies: Specialised Manufacturing

Based in the West Midlands, Impression Technologies provides advanced high-temperature metal forming technologies which enable cost-effective lightweight components to be manufactured.

Scaling emerging stars

£8.4m

was invested into direct investments

The following are new emerging stars from the MFM portfolio which have benefitted from direct investment during the period since the IPO.

nDreams: Digital Entertainment (Virtual Reality)

nDreams (http://www.ndreams.com) was formed in 2006 by former Eidos creative director, Patrick O'Luanaigh. nDreams has been focusing heavily on virtual reality ("VR"), partnering with most providers of VR hardware including Oculus's Rift, Samsung's Gear VR, Sony's Project Morpheus and HTC's Vive. nDreams specialise in experiences and games – and a combination of the two (https://www.youtube.com/watch?v=Wuc9Y811Pkk).

VirtTrade: Digital Entertainment (Trading Cards)

VirtTrade (https://www.youtube.com/watch?v=foE-XHioxcQ) delivers all the fun mechanics of physical card and sticker collecting and trading, using digital technology to make the experience more interactive and engaging. The unique selling proposition of VirtTrade's trading engine is that the trader's cards are 'live' with data changing on demand.

Soccer Manager: Digital Entertainment (Games)

Soccer Manager (www.soccermanager.com) has been trading successfully for nearly 10 years, having developed and published one of the market's most popular multi-player football management games. Mercia has invested in the company to enable them to launch and market their single player, multi-platform version of Soccer Manager, which is available on iOS, Android and PC platforms and has been translated into 15 different languages.

Crowd Reactive: Software (Social Engagement)

Crowd Reactive (http://crowdreactive.com) allows event organisers to broadcast, on large event screens, photographs, video and social content from a variety of different social media platforms including Instagram, Twitter, Vines, Facebook and Yammer (https://www.youtube.com/watch?v=WwtHWAiD4-Q).

The Mercia model

The Mercia complete capital solution

Our investment model is being successfully deployed and scaled through:

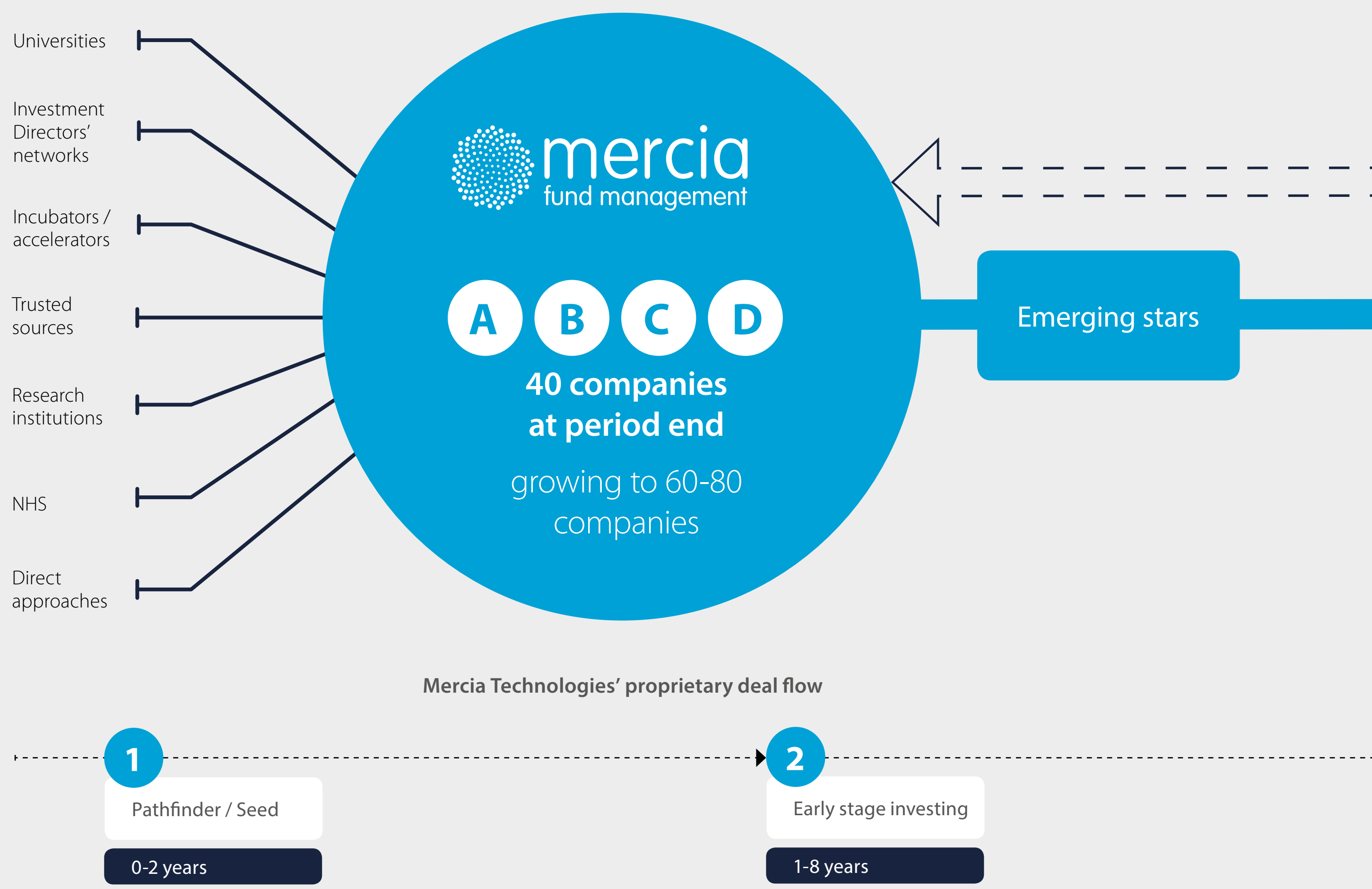
1 Pathfinder / Seed → 2 Early stage investing → 3 Series A+ funding

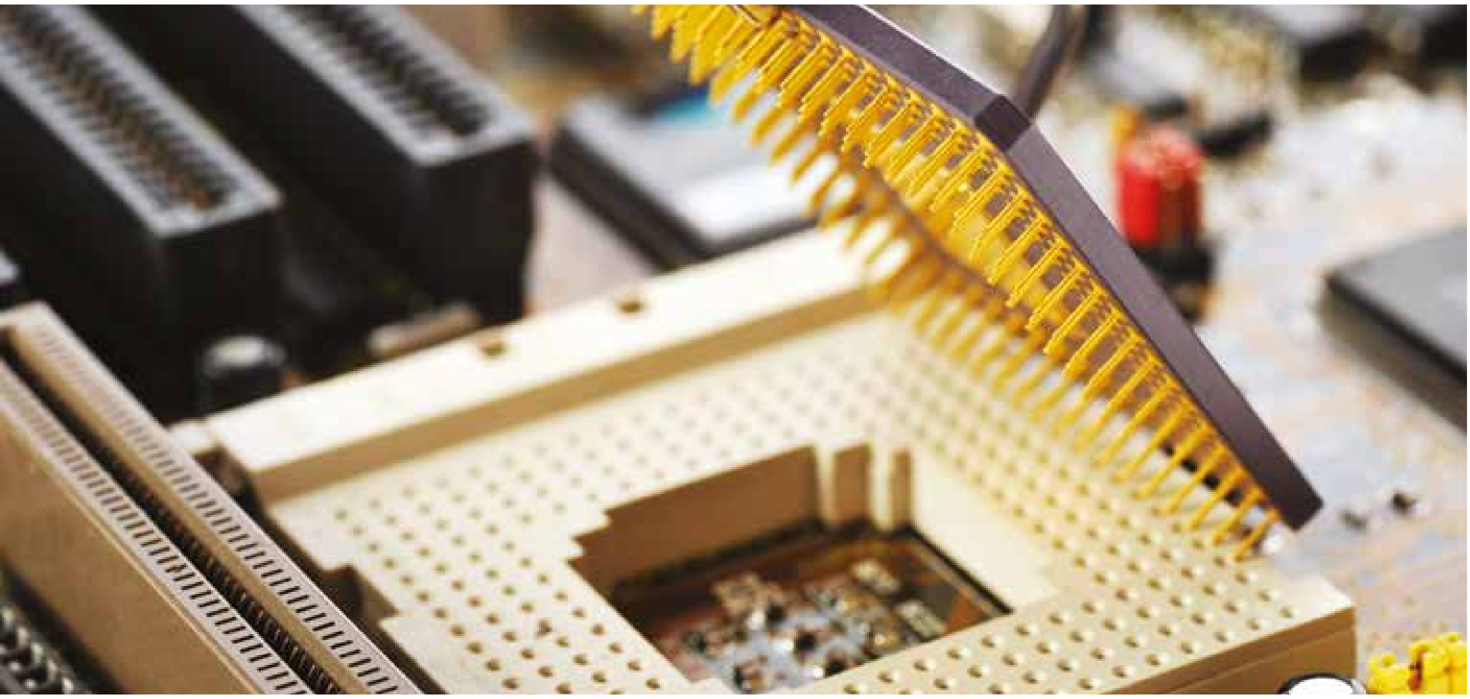
MFM allows Mercia to take the pragmatic approach of investing early in promising new university spinouts or start-ups, with the intention of creating businesses that can be scaled and over time, channelled into our direct investment strategy. Mercia adopts a 'fail fast' attitude to the businesses within the MFM portfolio that do not reach commercial traction within an agreed timetable. Historically, approximately 25% of portfolio companies within MFM fail.

This in part mitigates much of the early stage risk which is embraced by the tax efficient MFM funds. Furthermore, with the ability to provide follow-on capital to emerging stars within the MFM portfolio, a significant element of follow-on financial risk is removed due to the integrated investment model offered by the whole Group.

At the period end there were 40 portfolio companies under development by MFM as a result of investment of circa £19million to date via its third party funds under management – a number of these portfolio companies have already been identified as near to medium term emerging stars for direct investment. We anticipate that this portfolio will grow to between 60 to 80 companies at any one time.

1-2-3: Complete capital solution overview





A Software, Electronics and Hardware
B Digital Entertainment
C Advanced Materials, Engineering and Specialised Manufacturing
D Life Sciences

Early liquidity for private investors

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A B C D

14 companies at period end

growing to 25-35 companies

Focus on core assets

3 Series A+ funding

3-7 years

The Mercia model

The complete capital solution

1: Deal flow sourcing

In the 3½ month post IPO period to 31 March 2015, MFM received over 160 approaches for investment. We now receive in excess of 70 requests for funding per month and this pipeline continues to grow. Deal flow requests come into MFM from our university partners, regional incubators, trusted intermediaries and our Investment Directors' personal networks. These funding requests are filtered against the sub-sectors into which we are currently investing.

Entrepreneurship and business support

The Global Entrepreneurship Index is used to measure the entrepreneurial ecosystems of 130 countries against 14 measurements from start-up numbers, through finance provision to availability of trained staff. In 2014, the UK came first in Europe and fourth in the world (behind the US, Canada and Australia). This is the best performance by the UK in the 5 years since this index started. Furthermore, according to new data from the Centre for Entrepreneurs' StartUp Britain tracker, 2014 was another record-breaking year for the UK in new company registrations. In December 2013, the UK reached the 500,000 start-up mark for the first time. In 2014, this same milestone was achieved by early November. Successive governments have created an environment now seen as one of the best in the world for supporting young businesses and fostering growth.

Government initiatives include the centralisation of grant availability through InnovateUK and tax rebates (in the form of research and development ("R&D") tax credits) available for research-intensive industries in science and technology (now extended to the digital sector). Supportive investment structures offering legitimate tax efficient benefits for private investors prepared to invest into early stage businesses also exist, including Enterprise Investment Schemes ("EIS") (30% income tax relief, tax free capital gains tax ("CGT") returns if the investment is held for at least 3 years, inheritance tax ("IHT") relief and loss relief) and Seed EIS (50% income tax relief, CGT-free gains if the investment is held for at least 3 years, CGT exemption, IHT relief and loss relief). In addition, there is the patent box regime, where corporation tax may be reduced when revenue is associated with a proprietary patent-protected product developed in the UK. The continued provision of such a supportive ecosystem for young technology businesses with high growth potential continues to support the investment model operated by Mercia.

University partners

Mercia has collaborative relationships, on a non-exclusive basis, with the following 9 universities (5 of whom invested in Mercia Technologies PLC at or shortly after our IPO) and research centres in the UK to access their flow of spinout opportunities. All but Leicester University have previously invested directly into the Mercia funds.

MFM works on a regular basis with each university's Technology Transfer Office ("TTO") or similar department, the primary purpose of which is to connect academia with a commercial endpoint. Following regular meetings with individual faculty TTOs and collective meetings with all TTOs within a university, disclosed projects which are progressed are first funded via Mercia Fund 1, with a 'pathfinder' investment (typically a convertible loan) which can convert into equity or a royalty return if it becomes a licence. The pathfinder investment is intended to fund the assessment (including from third party experts) of the product's technical and commercial viability and the funding required.

Aston University | The University of Warwick | Birmingham City University
Coventry University | Keele University | Staffordshire University
University of Birmingham | University of Leicester | University of Wolverhampton

Incubators and personal networks

We work proactively with leading incubators and business start-up support services across the UK, whose focus reflects our own technology sector investment preferences. With the decades of industry experience and insight provided by our Investment Directors, many of our new MFM fund investments have come through the investment team's personal networks.

2: Early stage investing (Mercia Fund Management)

Mercia Fund Management is an FCA-authorised fund management business, wholly owned by Mercia Technologies. This is the primary source of deal flow, referred to as 'emerging stars', from which the Group makes its direct investments. MFM does not operate the traditional 10 year fund structures. Instead it manages an evergreen fund (Mercia Fund 1, £9.8million in committed capital to date) linked to 8 of its 9 university partners, to provide early-stage support alongside the university TTOs, enabling the evaluation and development of new spinout businesses through modest pathfinder and seed investment.

Coupled with this fund, MFM raises and invests circa £5-8million per annum from its increasing suite of growth funds. These growth funds comprise private investor capital utilising schemes introduced by the Government to encourage the support of early stage companies, namely the Enterprise Investment Scheme ("EIS") and Seed EIS.

Via these funds MFM is able to work with its partner deal flow sources, to build and scale early stage businesses, typically over a 2 to 8 year period, and then those emerging stars move across to the Group for direct investment. Investment decisions within MFM are determined by an external investment panel and investment decisions taken by the Group require unanimous approval by the Board of Directors. The membership and decision-making process in respect of MFM and the Group for investment decisions do not overlap. When a direct investment by the Group is approved there may well also be an opportunity to acquire the equity stakes held by the private investors within the MFM growth funds, at a discount to the price that the Group is investing into the emerging star portfolio company. The private investor may elect to sell part, all or none of their holding if such an offer is made, through a closed and password protected investor portal and share exchange, managed by MFM. This innovative facility allows limited liquidity for private investors, thus creating an ecosystem of mutual benefit that permits the time necessary to develop the valuable investment assets of the Group.

Revenues generated from the management of the MFM funds and associated investment activity contribute to the costs of its own operations and to the overall cost base of the Group.

3: Scaled direct investment (Mercia Technologies)

Integrating deal flow sourcing and early stage business support within our fund management operation yields a highly patient and selective approach to produce over time (potentially up to 10 years from deal sourcing and MFM investing) 'emerging stars' as direct investment opportunities, which then drive the growth and value of Mercia Technologies PLC.

At the period end the group held 14 direct investments and was the sole limited partner of Mercia Fund 2. We anticipate that this portfolio will grow to between 25 to 35 companies at any one time.

difference

Our team's successful entrepreneurial track record underpins its experience and expertise.

At the heart of all successful businesses are strong teams. At Mercia Technologies, we have a Board including Non-executive Directors with exceptional listed company and corporate growth success, combining corporate governance with shareholder value creation at their core. Mercia's Executive Directors have a highly complementary skill set, which is essential to realise the growth ambitions of the twin elements of the Mercia model. The Group's investment team is being built around the investment sectors in which we believe there exists high growth opportunities.

Board of Directors

The Group has an exemplary Board of Non-executive Directors, with Ray Chamberlain having founded the successful international technology business Forward Group PLC, via its own public flotation and then acquisition; with Susan Searle, whose exceptional track record in business building includes being the former CEO of Imperial Innovations Group plc; with the guidance and corporate governance oversight from Ian Metcalfe, the former managing partner of international law firm Wragge & Co; and with the strategic direction and operational insight from Martin Lamb, the former chief executive of Midlands-based FTSE100 group, IMI plc.

Ray Chamberlain
(Non-executive Chair)

"Mercia Technologies offers a unique model from seed investment through to IPO or trade sale and has both the resources and finance to achieve its objectives"

Ray is an entrepreneur with an established track record of shareholder value creation. Until 1997, Ray was executive chairman of and the principal shareholder in Forward Group PLC, which he grew from a start-up company in 1978 to become one of Europe's leading high technology printed circuit board manufacturers, listed on the Main Market of the London Stock Exchange. In 1997, Forward Group accepted a £129million offer from PCB Investments plc, a company established by Hicks, Muse, Tate & Furst. Subsequently, Ray diversified his interests in a number of areas, which included setting up the Forward Innovation Fund, a trust focused on investing in university spinouts and other technology-led start-ups.

Mark Payton
(Chief Executive Officer)

"With increasing third party funds under management to build deal flow and a growing direct investment portfolio, Mercia is well placed to continue its momentum"

Mark is the co-founder of Mercia Fund Management Limited ("MFM"). Mark has made in excess of 30 venture investments and led the sale of Hybrid Systems (to Myotec), Warwick Effect Polymers (to Polytherics) and was on the board of Abzena plc until its listing on AIM in July 2014. Prior to MFM, Mark was at the Department of Pharmacology, University of Oxford, and played leading roles within Isis Innovation (the technology transfer operation of the University of Oxford), spinning out BioAnalab, Oxford Immunotec, Oxitec and Natural Motion – two of which were latterly sold and one listed successfully on NASDAQ. Mark was vice president corporate development at Oxxon Therapeutics Inc, prior to its sale to Oxford BioMedica PLC. Mark benefits from over 15 years' experience in technology commercialisation and investment and led the management buyout which created MFM. Mark gained his PhD jointly between the University of Oxford (Worcester College) and the University of London (King's College). He also has an MBA from the University of Warwick, has IMC parts I and II, and is FCA accredited.

Board of Directors continued

Martin Glanfield
(Chief Financial Officer)

"Mercia's successful IPO now enables us to offer our complete capital solution to a growing number of dynamic, technology-led businesses"

Martin is a KPMG qualified chartered accountant with more than 20 years' experience as chief financial officer of listed, private equity backed and privately owned technology-led businesses. Martin joined Forward Group PLC in 1993 and was group financial director from 1995 until its sale for £129million in 1997. In 1999, as deputy chief executive of Symonds plc, Martin led the public to private of this listed technology group, backed by NatWest Equity Partners. The group was successfully restructured and sold within 12 months to a NASDAQ listed US electronics group, whereupon he became a vice president, working frequently in Silicon Valley. Martin was chief executive of Forward Group plc from 2003 to 2005 and since then has been group finance director of both a large international food processing group and a private equity backed building services business. He holds an honours degree in business from Aston University.

Matt Mead
(Chief Investment Officer)

"The MFM portfolio contains an exciting mix of future potential emerging stars"

Matthew has over 20 years' experience in the investment industry and is a seasoned board executive, having been a non-executive director and non-executive chairman of over 15 early stage and growth businesses. He worked at 3i from 1995 to 2009 where he managed the disposal of 3i's venture portfolio, realising £200million of proceeds through sales, and its pan-European venture portfolio, returning over £180million of cash in 2 years. He subsequently joined NESTA as managing director investments to run its £30million venture capital fund and in 2010 was appointed CIO, managing all investment activity at NESTA, including its £350million trust assets and its venture portfolio. Matthew qualified as a chartered accountant with Ernst & Young and holds a degree in economics and geography from the University of Reading.

Susan Searle
(Deputy Chair)

"In an industry I know well, Mercia's model is smart and differentiated with access to some great companies"

Susan served as the chief executive officer of Imperial Innovations Group plc from January 2002 to July 2013. At Imperial Innovations, Susan led funding rounds totalling circa £250million and during her tenure Imperial Innovations invested £121million in a portfolio of healthcare, engineering and software businesses. Previously, Susan worked at Montech in Australia (science commercialisation), Signet Group PLC, Bank of Nova Scotia and Shell Chemicals, in a variety of business development and commercial roles. She currently serves as a non-executive director of Benchmark Holdings plc, Horizon Discovery plc and QinetiQ Group plc, and has recently been appointed chairman of Woodford Patient Capital Trust plc. Susan is a trustee of UK charity Fight for Sight, also serves as a member of the international advisory board of PTT Global Chemicals and is adviser to the Emerging Technologies and Industries Group at Innovate UK. Susan has an MA in chemistry from Oxford University.

Ian Metcalfe

(Non-executive Director)

"An entrepreneurial culture, framed by strong corporate governance, drives shareholder value creation"

Ian is a qualified solicitor who retired as managing partner of international law firm Wragge & Co on 30 April 2014, after 8 years in post. Prior to managing the business, Ian was a corporate partner at the firm for 14 years, acting for a number of substantial public and private companies and private equity houses, on a wide range of transactions. Ian is a director and chair of Commonwealth Games England and is chairman of the Professional Game Board of the Rugby Football Union ("RFU"). He is also a non-executive director of the RFU and of England Rugby 2015 Limited, the organising body of the 2015 Rugby World Cup. A double rugby blue, Ian represents Cambridge University on the RFU Council. He is a governor of the Foundation of King Edward VI Schools in Birmingham, as well as a governor of King Edward VI School for Boys and King Edward VI High School for Girls. Ian has an MA in law from Cambridge University.

Martin Lamb

(Non-executive Director)

"The global commercialisation of innovative technology has been a prime focus for me in my business career, and I hope to share that experience with Mercia to maximum effect"

Martin retired from IMI plc ("IMI") at the end of 2013 after 33 years with the company, the last 13 as chief executive. He oversaw a fundamental reshaping of IMI, moving it from a largely European-based conglomerate with a heavy building materials content, to a highly differentiated and global engineering group, focused on the precise control of fluids and gases in critical applications. As a result, IMI sold and acquired over 30 companies and more than doubled its operating margins under his leadership. Martin is the senior independent director of Severn Trent plc and chairman of Rotork plc. In addition, he is chairman of privately owned Evoqua Water Technologies LLC and a member of the European Advisory Board of AEA Investors (UK) Limited. Martin holds a degree in mechanical engineering from Imperial College London and has an MBA from Cranfield Business School.

Our people

Senior management team

Operating across the Group, the senior management team benefits from many decades of business building and operational excellence, from fund raising and management through to running multi-billion dollar organisations.

Mike Hayes

(Investment Director, Digital Entertainment)

Mike brings over 23 years' experience in interactive businesses. At multinational games company SEGA, he was CEO for Europe and America presiding over turnover in excess of £400million. He was responsible for the re-birth of SEGA as a multi-platform software company and managed the acquisition of several development studios including Sports Interactive (maker of the Football Manager series) and Creative Assembly (maker of the Total War series). Mike led the team that successfully transferred Sonic onto digital platforms and launched one of the first ever games for the iPhone – Super Monkey Ball. Previously Mike had been a senior director at Nintendo and UK games developer and publisher Codemasters.

Rob Johnson

(Investment Director, Software, Electronics and Hardware)

Rob has had an extensive career in the digital and e-commerce sector, holding numerous high profile positions in leading organisations, most recently as managing director at Buyagift PLC which he helped grow from £3.2million turnover to over £20million prior to the sale of the company to Smart&Co. Prior to this Rob was managing director at iLion plc, a publicly quoted company on the Main Market, and was responsible for the turnaround of the fortunes of the UK business. When Rob joined the company the share price was 52p. The entire share capital was sold to Landis at 160p per share.

Tim Hazell

(Investment Director, Advanced Materials, Engineering and Specialised Manufacturing)

Tim has been involved in investment work since 1985, first with UBS Phillips and Drew and thereafter with 3i plc, WM Enterprise and the Baring English Growth Fund, where he headed up the Central England team. Tim has been extensively involved in actively appraising and executing venture capital investment opportunities for many years (including start-ups, buy-outs and acquisition funding), making over 30 investments. Tim was one of the original founders of Mercia Fund Management.

Peter Dines

(Investment Director, Life Sciences)

As a highly successful entrepreneur and investor, Peter brings 20 years' experience in the healthcare sector, holding numerous directorships across a wide range of life science businesses. Over this period, Peter has been involved in a number of high profile investments and exits within the sector, including the acquisition of Surgicraft's business where, as managing director, sales quadrupled within 3 years and the business was subsequently sold to Living Bridge. Other key healthcare positions held, both previously and currently, include Bridges Ventures, Cisiv, Diagnostic World, Spring Active and Newtech Ortho.

Dr Nicola Broughton

(Investment Director, University Technology Transfer)

Nicola specialises in identifying university spinout opportunities at Mercia, her background being in IP commercialisation, university spinouts and licensing, primarily within the university and small and medium sized enterprises ("SME") sectors. Since starting to work in technology transfer in 2000, Nicola has fulfilled a number of commercial roles. Her experience includes sourcing and identifying commercial opportunities, IP protection, strategy and management (managing a patent portfolio to global protection), 'freedom to operate', licensing, cross licensing, due diligence and raising finance in both the public and private sectors, as well as writing business plans.

Ian Scott

(MFM Finance Director, Human Resources and Financial Conduct Authority ("FCA") compliance)

As MFM Finance Director and Compliance Officer, Ian has been involved with venture capital fund accounting and reporting since 2008 at West Midlands Enterprise Limited. During that time Ian has been involved with a number of venture funds (including SEIS, EIS and institutional funds) in respect of all financial matters and ensuring full compliance with FCA regulations. Ian is FCA authorised in relation to the controlled functions of compliance oversight, money laundering reporting and systems and controls.

Talon Golding

(Head of Fund Relations and Sales)

Prior to joining Mercia, Talon was sales manager at Scion Investment Group, successfully leading the fund raising for their tax efficient investment offering. Preceding that, Talon was a broker with Welbeck Wealth Management, building and managing an investor base of high net worth individuals. He brings considerable experience across the tax efficient investment market at client and provider level.

Chairman's statement

Ray Chamberlain
Non-executive Chair

> Mercia Technologies' immediate post IPO investment momentum has continued into the new financial year

Introduction

A warm welcome to all Mercia Technologies PLC shareholders ('Mercia', 'Mercia Technologies', 'the Group') reading our first Annual Report, following our successful admission to the Alternative Investment Market of the London Stock Exchange ("AIM") on 18 December 2014. Our Initial Public Offering ("IPO") has received a positive response from many quarters, including leading institutional investors, research analysts, the financial media and our university partners, several of whom have become shareholders.

Our £70.0million IPO fundraising has provided Mercia Technologies with significant capital to invest in those young technology companies which commercially emerge from a portfolio of over 40 investments held by the Enterprise Investment Schemes ("EIS") and Seed Enterprise Investment Schemes ("SEIS") funds, which are managed by our wholly owned subsidiary, Mercia Fund Management Limited. In the short period which has elapsed since the IPO, the Group has already put almost £15.0million of the IPO proceeds to work in new and existing direct investments as at the date of this Annual Report. The Chief Executive Officer and Chief Financial Officer reviews contained within this Annual Report, provide detailed information on the 'Mercia model' and on the progress that has been made thus far.

Group Board and staff

Since the IPO we have further strengthened our Board with two new important appointments. In January 2015 Martin Lamb, the former chief executive of IMI plc, joined as a Non-executive Director and member of the Audit Committee and in May 2015, Matthew Mead joined as Chief Investment Officer. Whilst Martin brings both strong corporate governance and business building skills from his 13 years leading IMI into the FTSE100, Matthew brings a successful investment track record from his former senior roles at 3i plc and NESTA. Both new Directors are already actively contributing to the leadership and development of Mercia Technologies.

The Board is committed to ensuring that a robust corporate governance structure and ethos exists. The combination of three Executive Directors and four Non-executive Directors, the latter all being former leaders of substantial and successful businesses, strikes an effective balance for a group of Mercia's current size and complexity. I am grateful to all Directors and our corporate advisers for their valued contributions, both in the run up to and since the IPO, in driving the Group forward.

In addition to our Board, Mercia is building a team of highly capable investment and support professionals, to enable the Group to achieve its medium term strategic objectives. I should like to record my thanks to all of them for their dedication and total commitment during this period of exciting and rapid development.

Outlook

Mercia Technologies' immediate post IPO investment momentum has continued into the new financial year, with an exciting pipeline of young technology companies approaching the requisite commercial milestones, which satisfy Mercia Technologies' direct investment criteria.

I therefore look forward to reporting on further positive progress at our next reporting date.

Ray Chamberlain
Non-executive Chair
9 July 2015

Chief executive officer review

Dr Mark Payton
Chief Executive Officer

"For our first trading period (17 December 2014 to 31 March 2015), the Group raised £70.0m gross and has invested £11.7m"

The arrival of Mercia Technologies PLC on AIM in December 2014 heralds the scaling of our 'complete capital solution'. The Mercia model is one of patiently nurturing businesses though its tax efficient third party funds under management, and then scaling them with direct investment at the point of commercial traction. We came to the market with an established portfolio of growing companies within Mercia Fund Management, offering the promise of becoming emerging stars in the near to medium term, combined with 11 existing direct investments. The main purpose of our listing on AIM was to scale the Mercia model, as demonstrated by our investment activities and growth in staff since the IPO.

Whilst there are inherent risks associated with business creation and early stage investment, at Mercia we believe we have developed a model that mitigates an element of this risk. Mercia has an acute focus on the commercialisation of the product or service, being careful to back and support the business model with the technology base being regarded as the amplifier of success, rather than the success generator per se.

For our first trading period (17 December 2014 to 31 March 2015), the Group raised £70.0million gross, has invested £8.4million into 6 companies (3 new emerging stars and 3 existing direct holdings) and acquired for £3.3million the remaining 80% interest in Mercia Fund 2 ("MF2") from its limited partners (the only traditional 10 year fund under management by MFM), with the intent of unwinding MF2's holdings over time to become additional direct investments. Following the period end valuation of the Group's direct holdings and the fund value of MF2, we are pleased to report a fair value write up of £3.6million for the Group's direct holdings and £0.3million for MF2. Through our investment activities across the Group during this initial trading period, £0.5million of revenue was generated from fund management, initial management, portfolio director and business service fees to partially offset the Group's operating costs. Overall this has resulted in a profit for the period of £2.0million (which also includes costs associated with Mercia's IPO) and a net asset value for the Group of £80.8million.

Looking forward

As part of our diversified and balanced portfolio of companies, Mercia benefits from a growing position in Digital Entertainment and its related sub-sectors. This plays to our approach of proactively seeking investment prospects without being tied in an exclusive manner to any one source or type of deal flow. This sector also complements our investment strategy across our other key technology sectors, with many of our Life Sciences opportunities deriving from our network of university and NHS partnerships. Furthermore, Mercia continues to benefit from an ability to source exceptional, high quality deal flow across the Midlands, the North and now into Scotland with relatively limited competition. Taken together, our portfolio of over 40 companies (and growing) within the MFM funds, a continued ability to raise tax efficient third party funds, an improving global economy (the UK now being regarded as the most entrepreneurial country in Europe and fourth in the world) and support structures within the UK beneficial to young enterprises, set a positive backdrop for Mercia's investment model.

With more capital under management via MFM for deployment over the next 12 months to expand the MFM portfolio of companies, our proactive expansion from the Midlands to the North and into Scotland, and with our growing portfolio of direct investments, I believe Mercia is well placed to continue its early successes to date, steadily building towards achieving attractive medium to long term returns for its valued shareholders. As at the date of this Annual Report, Mercia has invested a further £3.0million, increasing its direct investment portfolio to 18, from the 14 held at the period end. The MFM portfolio has also grown from 40 to 44 companies.

Following the valuation of the Group's direct holdings and the fund value of Mercia Fund 2, we are pleased to report a write up of £3.6m for the Group's direct holdings and a write up of £0.3m for Mercia Fund 2.

As part of our diversified portfolio of companies, Mercia benefits from an enviable position in Digital Entertainment and its related sub-sectors.

This is an area often poorly served and understood by the investment community and in terms of deal flow sourcing, rarely comes from the university base. It therefore plays to our approach of proactively seeking investment prospects without being tied in an exclusive manner to any one source or type of deal flow.

£70.0m
raised

£11.7m
invested

Chief executive officer review

Portfolio review

The current direct portfolio comprises investments acquired just prior to Mercia's listing and businesses where we have subsequently made direct investments in the post IPO period. There were 14 direct holdings as at 31 March 2015, up from 11 at listing, and we expect to add significantly to this portfolio during the current trading period. We have already made further direct investments in the period since 31 March 2015 in both new and existing direct investment portfolio companies.

The direct investments and holdings currently within MF2 are held at a combined value of £24.6million, which is up from £9.0million at our listing on 18 December 2014. This movement in value is driven by £11.7million of new capital invested and £3.9million of net upward fair value movements.

Currently, the 8 leading direct investments discussed in more detail within the portfolio update section of this report account for £20.7million (84.1%) of the carrying value of the entire direct investment portfolio of companies (including the holdings currently within MF2), with £15.1million (61.4%) being in the Software, Electronics and Hardware sector and a further £4.7million (19.1%) in Digital Entertainment. The active balancing of the direct investments portfolio (by value and number) to ensure that no one company, or in time, sector, over weights the portfolio will continue during the next trading period, so as to ensure that risk mitigation is optimised.

During the period, the Group became the sole Limited Partner in MF2 and thus in effect acquired the full fund assets. Within this fund are additional investments which could become emerging stars in the near to medium term. In addition, there are certain investments within MF2 in which we have concurrent holdings with our existing direct investments. These include Allinea Software, The Native Antigen Company, Nightingale-EOS and Warwick Audio Technologies. A limited number of investments acquired through MF2 are outside of our sector focus, so over the medium term will be subject to an 'accelerated exit', to ensure that our core focus is maintained across the Group.

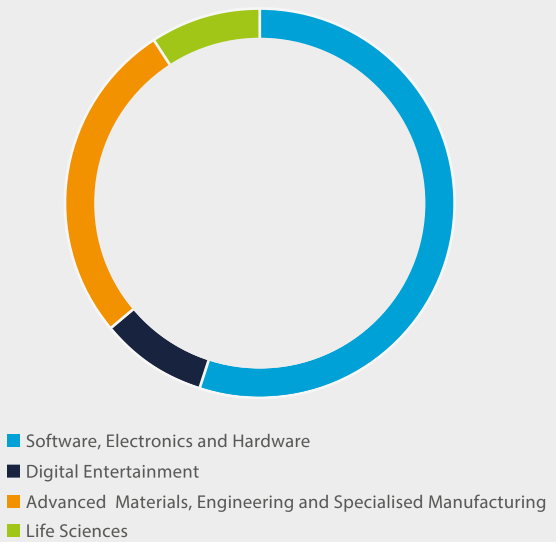
The Group reports the progress of its direct holdings by categorising them into the 4 sectors of Software, Electronics and Hardware, Digital Entertainment, Advanced Materials, Engineering and Specialised Manufacturing and Life Sciences, to allow a clearer understanding of the rationale for the investments made. However, the Board also monitors all investments as one portfolio.

It remains the Board's intent to build a balanced portfolio across the Group's technology sectors, in which Mercia has both technical expertise and the hands-on experience within the team of creating, growing and exiting businesses.

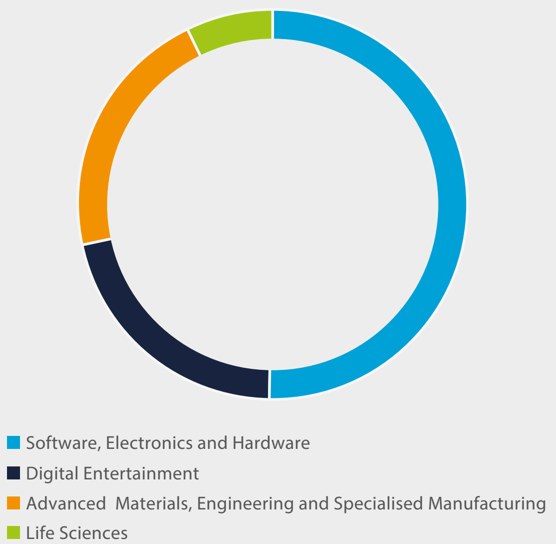
Portfolio balance and summary

The feeder into our direct investment strategy, MFM, has maintained a good balance across the 4 sectors in which we invest. During the current year we will work hard at ensuring that this balanced structure translates into our direct investment portfolio. As is evidenced in the charts opposite, this balancing has already commenced in the short period since our IPO. The Board will continue to ensure that this approach is optimised. Interestingly, within both MFM's and the Group's direct investment portfolios, 43% are university spinouts.

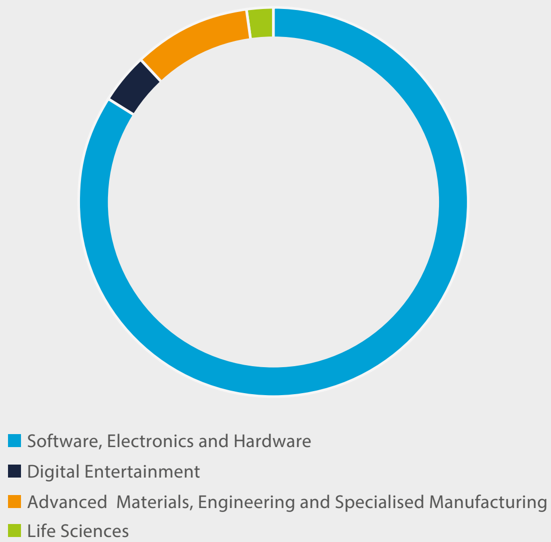
Mercia direct investments by number
(December 2014)



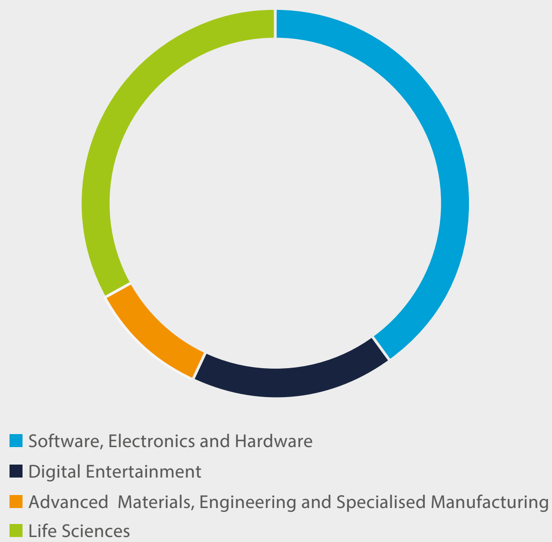
Mercia direct investments by number
(March 2015)



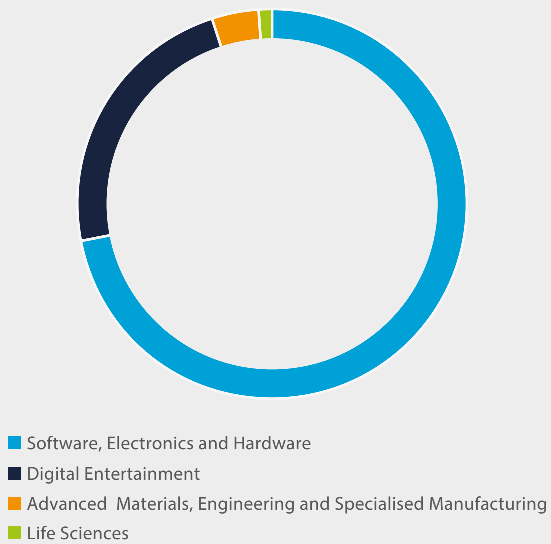
Mercia direct investments by value
(December 2014)



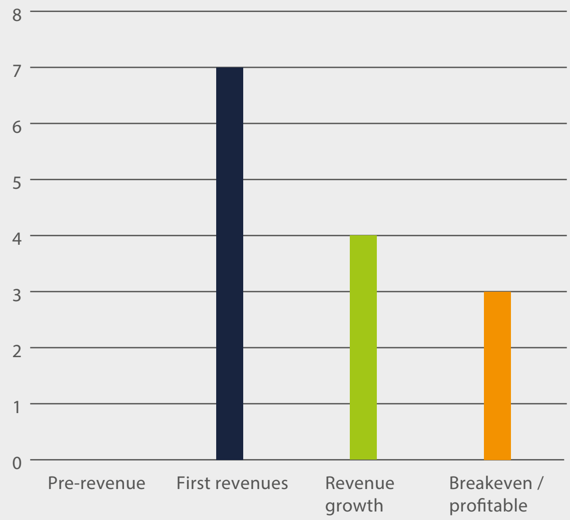
MFM portfolio by number
(March 2015)



Mercia direct investments by value
(March 2015)



Mercia direct investments revenue growth
(March 2015)



Portfolio update

opportunity

Mercia's investment focus reflects its Investment Directors' commercial expertise and comprises technology sectors and sub-sectors where we see growth potential now and where we are investing in a growth market opportunity.

Software, Electronics and Hardware

Rob Johnson
Investment Director, Software, Electronics and Hardware

£3.6m

into Science Warehouse
(a cloud-based e-procurement, catalogue and spend analysis platform)

£0.5m

into Crowd Reactive
(a social media platform for audience interaction at large-scale events)

Headed by Investment Director Rob Johnson, this is a broad technology sector which includes telecoms, with 7 investments accounting for circa 72% of the value of the Group's direct investments portfolio. This sector plays to a longstanding UK strength in research, development and commercialisation. As with Mercia's general investment approach, companies within this sector offer an opportunity to expand rapidly outside of the domestic market with over 50% of the collective product and service sales from this sector (in both the Group's portfolio of direct investments and within MFM's portfolio) being exported overseas. The markets in which these companies sit are of a multibillion dollar magnitude, with the electronics sector alone worth some £16billion to the UK economy. The consumer electronics sector is growing at an annual rate of 4%, with the UK accounting for 40% of total European consumption. This macroeconomic feature combined with the recovering global economy has led the Group to focus, within MFM's early stage investments, on consumer electronics and telecoms (and associated technology plays) and we expect this to yield future emerging stars in the near to medium term. Furthermore, in the UK it is estimated that a fifth of national businesses' turnover now results from e-commerce activities – a sector in which Mercia has deep experience.

This is a key sector for the Group, and Mercia's university partners and incubators have been an excellent source of investment prospects for MFM, and in due course will be for the Group's direct investment strategy. The UK has a strong legacy of innovation and invention in the electronics, telecoms and software sectors and today these are significant parts of its economy.

In the period to 31 March 2015, Mercia has made £4.1million of direct investment into this sector, taking the total direct holding's value (excluding MF2) to £14.6million.

Chief executive officer review

Portfolio update continued

sciencewarehouse
www.sci-ware.com

Science Warehouse

As at 31 March 2015, the Group held a 62.6% interest in Science Warehouse with a fair value of £12.7million. The Group invested £3.6million during the period to increase its holding and recognised a fair value uplift of £3.5million.

Founded in 2000 and a Leeds University spinout, Science Warehouse delivers a cloud-based procurement, catalogue and spend analysis platform with a highly intuitive user interface, giving its customers control of the purchasing cycle from requisition to payment, helping deliver cost savings and manage spend.

Science Warehouse has customers across its target markets, which include higher education and public sector research (the origins of the platform in its early development), the NHS (with the backdrop of a continued push to reduce purchase and administration costs) and the construction industry. In the last year alone, in excess of £500million of spend was processed through its platform. The market in which it operates is an attractive market to be in, with enormous potential for sophisticated spend management and procurement solutions, as well as the potential to offer supplier participants access to an increasing range of buyers, as the customer base expands further.

During the past year Science Warehouse has won seven new contracts including engagement with Queen's University Belfast, York St John University, Kettering NHS Trust, Princess Alexandra NHS Trust and following the opening of its Australian office to focus on the higher education market, it has secured a contract with the Charles Perkin Centre (part of the University of Sydney). The Group's recent substantial investment into the business is therefore to enable Science Warehouse to capitalise on a clear market opportunity to scale, both in the UK by seeking customers in new vertical markets and internationally, firstly in Australia where the initial focus is on its current customer sectors.

Our investment is also to fund the further development of the management team alongside the founder Dr David Hames, with the appointment of Philip Padfield who has recently joined as CEO, to drive revenue growth. Philip has a successful sales background gained through numerous leadership and CEO positions, including running businesses in the UK and the US. Specifically, Philip has a track record in growing software businesses such as at CDC where as CEO he drove a five-fold sales increase in less than 3 years, prior to its sale to Liquent Inc.

This new senior appointment, as well as the recent appointment of a sales director, reflects Mercia's proactive approach in supporting its investments with more than just capital. Our capital injection is also being used to develop and enhance the technology platform, bringing together individual customer modules that have evolved over time, into one integrated architecture and application. This will provide increased functionality and a platform that can be scaled to meet Science Warehouse's customer growth targets.

We expect further substantial investment in management, technology and additional sales and customer support staff to assist Science Warehouse in its ambition to become a leading e-procurement software as a service player. We therefore anticipate profitability falling in the short term, as the business increases its cost base to position itself for future revenue growth, but we see these changes as fundamentally important steps to take to drive longer term growth and shareholder value.

Other shareholders include management and investment funds established by Ray Chamberlain.

allinea
SCALE TO NEW HEIGHTS

CROWDREACTIVE

Allinea Software

As at 31 March 2015, the Group (including an ownership interest currently within MF2) held a combined 20.0% interest in Allinea Software with a fair value of £1.9million, which includes a fair value increase during the period of £0.5million.

Founded in 2009 and a spinout from one of our partner universities, the University of Warwick, Allinea is now a profitable, cash generative business providing a global leading solution in the optimisation and debugging software tools industry, for the development and use of high performance computing applications. Turnover is growing 20% year on year and Allinea's software is now deployed globally into some of the world's largest supercomputing systems in Europe and North America, covering government, academic and industrial markets. Allinea has featured in the Red Herring Top 100 and has established, and is growing, offices in the UK and the US.

Other shareholders in the business include Oxford Capital Partners, Midven, Oxford Technology, the University of Warwick, management and private investors. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 34.8% of the equity.

Crowd Reactive

As at 31 March 2015, the Group held an 11.9% interest in Crowd Reactive with a fair value of £0.5million, the investment being held at cost.

Founded in 2013, a business derived from one of our partner incubators and originally supported via the MFM funds prior to becoming a direct investment this year, Crowd Reactive creates a direct interaction between the attendees and the large multi-media screens at multiple types of events, with the crowd entertained by pictures and video from their smart phones. Premium features include content moderation, reach analysis and on-site Instagram printing.

The early success of this sophisticated, integrated software play has led to its rapid deployment nationally and now, following our recent investment, it has expanded into the US with the opening of an office in New York. Clients using its technology platform include O2, Nike, Coca Cola, Chevrolet, Vogue, Audi, Ferrari, Starbucks, Southern Comfort and England Rugby.

The global target market for Crowd Reactive is potentially vast. The product appeals to organisers of consumer events, restaurants, bars and clubs, sporting events and festivals. Most of these events have substantial budgets and the need to entertain large audiences. In addition there are a growing number of clients using the platform at weddings, parties and social events. There are estimated to be up to 30million recorded events in the UK alone each year, with an approximate value of £36billion. On average, it is estimated that event organisers now spend over 8% of their budget on social media. In the US, the events market is already worth an estimated $262billion. Crowd Reactive believe their total addressable market may be around $4billion globally.

We closed our first direct investment of £0.5million in Crowd Reactive in March 2015, recognising the opportunity to scale the business internationally. Our recent investment is being used to drive the marketing of the operation, open an office in the US (the US now accounting for circa 65% of revenue) and start to build out management to meet what is a growing and exciting market opportunity for this business. The business is continuing to grow sales rapidly and is expected to reach breakeven within the next 2-3 years.

We have committed up to a further £1.0million of funding, which we expect to invest during 2015 when the business requires further expansion capital.

Other shareholders include Telefonica, management and private investors. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 22.2% of the equity.

Portfolio update continued

Digital Entertainment

Mike Hayes
Investment Director, Digital Entertainment

£1.6m

into **nDreams** (virtual reality ("VR") developer of games and experiences)

£1.5m

into **VirtTrade** (virtual trading card platform)

£1.0m

into **Soccer Manager** (online, cross device football manager gaming platform)

Headed by Investment Director Mike Hayes, the digital sector, of which digital entertainment is an element, is the third largest Gross Domestic Product ("GDP") contributor in the UK, behind the financial services sector but larger than construction, education, health and utilities. It is reported to be the largest expanding sector within the UK, forecast to grow from 8% of GDP currently to 12.4% in 2016. In excess of 7% of the UK workforce is employed in the digital sector. Growth hotspots exist in Liverpool, Manchester, Edinburgh and Birmingham – but this is a truly fluid and national sector, poorly understood and rarely associated with the university research base. Revenue growth in the digital sector, due to rapidity to revenue and high potential for globalisation, outperforms other comparable sectors and is some 25% greater than the UK average.

In the UK alone the gaming industry contributes circa £1.7billion to the domestic economy. The digital sector comprises a breadth of sub-sectors in which Mercia proactively seeks deal flow and for which the Group is fortunate to have relatively limited competition. MFM is building a portfolio of businesses to provide future emerging stars for direct investment.

These early stage MFM holdings are now creating strong opportunities for the Group to deploy its own capital. During the period to 31 March 2015, Mercia made £4.1million of new direct investments in this sector.

nDreams

nDreams

As at 31 March 2015, the Group held a 32.8% interest in nDreams with a fair value of £1.9million, the investment being held at cost.

It is estimated that the global market value for VR may reach $20billion by 2020. Our expectation is that a major driver to the immersive element offered by VR will be gaming, experiences and 3D films, with gaming approaching 50% of the total potential. nDreams has a key focus on gaming and experiences.

Founded in 2006 by Patrick O'Luanaigh, the creative director of Tomb Raider, nDreams is a game and experiences developer, with a strong social media background. Created initially to provide content for Sony PlayStation Home virtual world (a virtual 3D social gaming platform for the PlayStation 3), it later leveraged this expertise to be one of the first players to move into software development for VR. nDreams has taken the strategic approach of focusing on 2 specific categories: VR gaming and VR experiences. It has been careful to partner with a majority of the VR hardware developers and its games and experiences will launch as these devices come to market. It is working specifically with Oculus's Rift, Samsung's Gear VR, Sony's Project Morpheus and HTC's Vive. The much awaited launch dates for these various VR hardware devices are estimated to be between autumn 2015 and summer 2016.

nDreams is building one of the UK's best software teams for creating VR games and experiences across platforms. Through a combination of development contracts with leading rights holders and the development of its own intellectual property, we see nDreams creating a diversity of revenue streams as the VR market begins to accelerate.

The Group invested £1.6million in the period ended 31 March 2015, to continue the company's growth as it expands the number of VR games and experiences under development with the leading hardware developers. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 40.5% of the equity.

Portfolio update continued

VirtTrade

As at 31 March 2015, the Group held a 21.2% interest in VirtTrade with a fair value of £1.8million, based on the price of the last round of investment.

Digital trading is a sub-sector in which we had been searching for an investment, as it represents one of the last traditional hard copy formats ripe for digital transformation. In our opinion, the VirtTrade engine offers the prospect of doing for trading cards what Amazon has done for books, Netflix has done for films, and iTunes has done for music: digitise them and bring their content into the 21st century.

VirtTrade has developed a unique engine that takes the principle of a traditional printed card/sticker album and turns it into an interactive digital trading experience. This results in the players being able to trade one for many globally in an open market. Unlike traditional trading cards, VirtTrade driven cards can take live data feeds from the player, the brand or IP owner and the outside world. This uniquely enriches the trading experience as well as providing some clearly exciting and novel opportunities. The trading card market is worth over £2.4billion annually but its current distribution model is archaic. VirtTrade's engine is seeking to disrupt the current model and bring trading cards into the digital age.

VirtTrade has already secured a number of licences which it is unable to disclose publicly until the date of the relevant trading card launch. It has recently expanded its new business portfolio following the signing of a partnership agreement with Panini in respect of a number of high profile sport and entertainment digital trading game plays. We anticipate a number of product/licence launches over the next six months.

Monetisation comes from a mix of paid for and free collectable cards, with revenue shared between the rights holder and VirtTrade. We expect to see early evidence of the success of this model over the next 12 months.

In the period ended 31 March 2015, the Group invested £1.5million to accelerate the company's development as it rolls out a number of trading platform applications with its new partner Panini and separately, as it develops other licences. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 38.1% of the equity.

Soccer Manager

As at 31 March 2015, the Group held a 22.4% interest in Soccer Manager with a fair value of £1.0million, the investment being held at cost.

Preston based Soccer Manager was founded in 2005 and subsequently became supported by MFM. The company develops and publishes its multi-player game Soccer Manager Worlds. Under MFM's guidance and investment, the company pivoted to a new product venture, Soccer Manager 2015 - a single-player, multi-platform game that delivers a much improved and engaging football management experience in the very lucrative and continually growing football manager global market. Prior to the launch of this new game, there had been 72million matches played across the world with Soccer Manager, resulting in some 6million hours of real time game play.

Following the launch of its new game in February 2015, Soccer Manager 2015 immediately achieved circa 30,000 Daily Active Users ("DAUs") and this was the trigger for Mercia to make a direct investment to scale the game globally.

The game now benefits from a rapidly expanding DAU, is translated into 15 languages across the globe and is accessible on Android, desktop, Google, Facebook and iOS platforms. Importantly, over the last decade this experienced team has developed a unique offering that powers the game play: Soccer Wiki, a crowd-sourced record of every football player, with detailed information about their level of skill and playing style. Users are able to manage any team they want and compete against their friends in virtual leagues. They are also able to access their games on a number of different platforms and devices, including desktop browser, tablet, mobile and Facebook, a feature which is unique amongst other football manager games. Soccer Wiki has an ever-evolving live data set comprising some 80,000 players, playing for 800 clubs in over 48 leagues across 36 countries.

The early data metrics from this highly scalable and compelling game platform led us to believe that there is much growth to come, with our recent investment helping to fund innovation of the game play and further marketing activity. The business is at early revenues stage, with a model that is driven by in-app purchases and advertising. The early signs are that this monetisation strategy will prove attractive. The Group invested £1.0million in the period ended 31 March 2015 to continue the company's growth as it rolls out the new mobile cross platform application developed with initial funding from MFM. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 33.9% of the equity.

Portfolio update continued

Advanced Materials, Engineering and Specialised Manufacturing

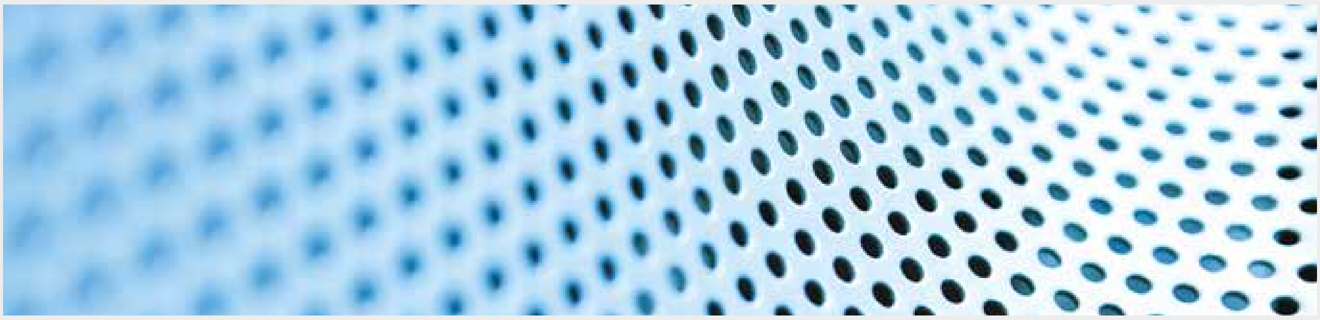
£0.2m

into Warwick Audio Technologies (a patented, lightweight and low energy electrostatic speaker system)

Tim Hazell
Investment Director, Advanced Materials, Engineering and Specialised Manufacturing

Headed by Investment Director Tim Hazell, this is an attractive and potentially lucrative market sector, providing annual turnover of some £200billion for the UK alone for companies that produce and process materials. Furthermore, with the Midlands being a manufacturing centre of excellence within the UK, it lends itself to being of potential importance to Mercia. However, it must be noted that this industry sector is populated by a limited number of large global corporations whose innovation and development cycles are long compared to our other more nimble technology sectors. This is therefore a sector that we have deliberately kept to a lower level of exposure compared to our other investment sectors. We have relatively few companies within the MFM funds portfolio (eg Impression Technologies) and currently only 3 relatively small investments within our direct investment portfolio (Warwick Audio Technologies, Smart Antenna Technologies and Ventive).

During the period to 31 March 2015 Mercia made a £0.2million investment into existing direct investment portfolio company, Warwick Audio Technologies.



Warwick Audio Technologies

As at 31 March 2015, the Group held a 16.8% interest in Warwick Audio Technologies (including an ownership interest currently within MF2), at a combined fair value of £0.4million. This valuation is arrived at after accounting for a 50% fair value provision to the previous funding round price, reflective of a delay in evaluation contracts converting to revenue generating product supply.

A University of Warwick spinout company founded in 2007, Warwick Audio Technologies ("WAT") has developed a patented electrostatic speaker with hi-fi quality sound that is extremely light, flexible, cheap to manufacture and uses significantly less power than current speaker technology. In 2014 the company had completed the development of the speaker technology and associated high volume manufacturing process and was in a number of evaluation contracts with what was considered to be a market-ready product. The market segments being addressed via evaluation units were within consumer audio, automotive, consumer electronics and public address.

Post IPO a modest direct investment was made to allow the business to focus on an application with a major operator in the consumer electronics segment, with the lead product candidate being incorporated into wall mounted speakers and a television speaker sound bar. In March 2015 this key consumer electronics manufacturer made a major public announcement that it had put on hold all early stage development programmes whilst it underwent an internal strategic review and global restructuring. Mercia took rapid and corrective action following this announcement by directly reviewing all ongoing evaluations at WAT, restructuring the business and management to focus on the commercialisation of the technology. The Group has invested a further £0.3million since the period end by way of a convertible loan note to continue this commercial evaluation process.

Other shareholders include the University of Warwick, Finance Wales, Porton Capital, Midven, management and private investors. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 30.9% of the equity.

Portfolio update continued

Life Sciences

Peter Dines
Investment Director, Life Sciences

Headed by Investment Director Peter Dines, Mercia's focus within the Life Sciences sector, as with its other technology sectors, is in respect of businesses with rapidity to revenue, whilst requiring relatively modest investment capital needs. This rules out the capital intensive plays of drug discovery and novel drug development and provides a focus on diagnostics, medtech and clinical services. The UK is one of the largest medtech markets in the world, valued at circa £5.6billion in 2011 and forecast to be worth £9billion by 2018. Within the diagnostics market, the in vitro diagnostic ("IVD") market segment alone had a global value of circa $50billion in 2012 and is forecast to reach up to $80billion by 2017. Following the appointment of Peter as Investment Director, Life Sciences, the Group will look to accelerate exits from non-core life science plays in the MF2 portfolio, thus maintaining a focus on what Mercia has identified as its key sub-sectors in Life Sciences. Through our university partnerships 33% of portfolio companies within the MFM funds are from the Life Sciences sector and a number have the potential to be future emerging stars. Currently the only direct Life Sciences investment within the Group is a holding in The Native Antigen Company.

The Native Antigen Company

As at 31 March 2015, the Group held a 31.3% interest in The Native Antigen Company (including an ownership interest currently within MF2), at a combined fair value of £0.5million, incorporating a modest write up during the period of £0.05million.

Established in 2010 and a University of Birmingham spinout, The Native Antigen Company ("NAC") specialises in the research, development and scale up manufacturing of highly pure viral and bacterial native antigens. NAC's antigens are used primarily by pharmaceutical and IVD manufacturers in vaccine research and serology. As well as offering antigens from a rapidly expanding portfolio, NAC undertakes bespoke product development and partnering.

NAC trades with over 50 organisations worldwide with exports accounting for 90% of its sales, much of which is annual repeat business. Revenue continues to grow and it expects to reach positive cash flow within the next 18 months. The next step for the business is to assess accelerated growth opportunities to scale its proven model and expertise.

Other shareholders include the University of Birmingham, management and private investors. Including holdings within the MFM funds, combined with its own direct holding, the Group holds 59.1% of the equity.

Remaining direct investment holdings

As at 31 March 2015 the Group's remaining 6 direct holdings not discussed above (Smart Antenna Technologies ("SAT"), Canary Care, Concurrent Thinking, Kwanji, Nightingale-EOS and Ventive) collectively accounted for £1.1million in value or 5.5% of the total direct investment portfolio excluding the value of MF2, or 5.9% including the value of MF2.

However, even this group of smaller investments contains future potential emerging stars. In particular, SAT is continuing with its third party prototyping and evaluations with major laptop and mobile phone manufacturers.

Key performance indicators

The key performance indicators ("KPIs") that have been monitored during the period ended 31 March 2015 are set out in the table below.

	KPI	Measurement	How measured	Progress
1	Growth in value of the Group's portfolio through investment activity	£11.7m	Measured in terms of the cash cost of investments made by the Group	The Group has demonstrated growth in the value of its portfolio through investment activity
2	Growth in value of the Group's portfolio through net fair value gains	£3.9m	Measured in terms of the net gain arising in the value of the portfolio using established valuation methodologies based on International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG")	The Group has demonstrated growth in the value of its portfolio through net fair value gains
3	Number of companies invested in during the period	6	Measured in terms of all companies invested in (both existing and new) during the period	The Group has demonstrated growth in its portfolio through the number of companies in which it has invested
4	Cash balances and short-term liquidity investments held by the Group	£53.6m	Measured in terms of cash, cash equivalents and short-term liquidity investments held by the Group at the period end	The Group has applied its policy of ensuring preservation of shareholders' cash for investment and working capital purposes, whilst beginning to invest the net IPO proceeds

Principal risks and uncertainties

The Board considers that the risks detailed below represent the key risks to achieving the Group's strategic objectives. The Board regularly reviews, evaluates and prioritises risks to ensure that appropriate measures are in place to effectively manage and mitigate those identified. There could be additional risks and uncertainties which are not known to the Board and there are risks and uncertainties which are currently deemed to be less material, which may also adversely impact performance.

Risk	Possible consequences	Mitigation
The majority of the direct investment portfolio businesses are at a relatively early stage in their development and as a result carry inherent risks.	Early-stage technology companies may not be able to attract and retain appropriately skilled and experienced staff; they may not be able to attract sufficient funding to achieve their commercial objectives; their technology niche may be overtaken by competing technologies; take up of their product or service offering in their chosen markets may not occur at levels sufficient to generate positive cash flow and create shareholder value.	Almost all of the Group's direct investments are companies which have emerged from the funds under management by the Group's wholly owned subsidiary, Mercia Fund Management Limited ("MFM"). MFM has a fail fast policy, which means that early-stage businesses which do not achieve commercial traction within a reasonable time frame are closed down. MFM portfolio businesses which do achieve commercial milestones and meet the Group's other investment criteria receive direct investment. This process has two mitigating advantages. Firstly, companies which do not achieve commercial traction, or do not have a sufficiently experienced and capable management team, do not receive direct Group investment. Secondly, the 'real-time' due diligence being undertaken by MFM's investment team during the investee company's early stage of development means that the Group is already familiar with the business, its commercial prospects and its management team, before it is presented to the Group's Board (which acts as Mercia's investment committee) with a recommendation for direct investment.
The value of the Group's direct investment portfolio may be dominated by a single or limited number of companies.	A large proportion of the overall value of the direct investment portfolio may at any time be accounted for by one, or very few, companies. There is a risk that one or more of the portfolio businesses experience financial difficulties, become insolvent or suffer from poor market conditions and if as a result, its value were to be adversely affected, this would have a material detrimental effect on the overall value of the Group's investment portfolio.	The Group currently invests across four sectors and over time will seek to balance the total portfolio by quantum and value by sector, as the total number of direct investments and their values grow. However, it is the Group's expectation that from time to time, depending on the speed of development of portfolio companies and the attractiveness of certain technology sectors, there will be investments that dominate the total portfolio by value.
Proceeds from the trade sale or IPO of direct investments may vary substantially from year to year.	Such large possible cash flow variations could have a materially adverse effect on the financial condition and prospects of the Group.	The Group maintains sufficient cash resources to manage its day-to-day and investing activities, irrespective of fluctuations in the timing of investment disposals.

Principal risks and uncertainties continued

Risk	Possible consequences	Mitigation
The Group's direct investments may not have exclusive rights on all matters in relation to the intellectual property being exploited by the business and could ultimately lose their usage rights under certain circumstances.	A proportion of the direct investment portfolio companies' intellectual property rights relate to technology which was originated in the course of research conducted in, and initially funded by, UK universities. Although the Group maintains collaborative relationships with all of its university partners, it cannot be certain that all such portfolio companies will be able to make use of the intellectual property indefinitely.	Approximately half of the direct investment portfolio comprises companies which are not university spinouts. Where appropriate, the Group's portfolio companies engage intellectual property protection specialists. Intellectual property due diligence is one of the reviews which the Group undertakes as part of its pre-investment appraisal process.
The Group and its portfolio companies are subject to competition risk.	The Group operates a direct investment model which is similar in some respects to other investing groups and as a result, may find itself in competition when new investment opportunities arise. In addition, the direct investment portfolio businesses are predominantly focused in the technology sector. The technology sector is intensely competitive on a global scale. Many of the portfolio businesses' competitors have greater financial, technical and other resources. Competition in the technology sector could materially adversely affect the prospects, financial condition and results of operations of investee companies.	The Group focuses its investing activities predominantly in the historically underserved regions of the United Kingdom, where competition for investing in new technology companies is less fierce. Companies in which the Group invests are chosen because they are in large growth markets, have developed disruptive technologies and have already achieved commercial traction.
The Group may not be able to continue to retain or attract experienced, skilled and successful Board and Investment Directors and support staff.	The Group depends on the experience, skill and judgement of key staff in, amongst other things, selecting possible future successful businesses in which to invest. The Group also depends on their network of deal flow introducers to the MFM funds. The Group's future success depends in part on the continued service of these individuals as well as the Group's ability to recruit, retain and motivate additional talented personnel.	The Group seeks to reduce this risk by maintaining an entrepreneurial working environment and by offering balanced and competitive remuneration packages to all its staff.
Mercia Fund Management may cease to be authorised by the Financial Conduct Authority ("FCA").	MFM is authorised and regulated by the FCA as a small authorised UK Alternative Investment Fund Manager ("AIFM") (Sub-threshold). Should MFM cease to be authorised and regulated by the FCA as a small authorised UK AIFM (Sub-threshold), it would no longer be authorised to act as the investment manager of the MFM funds or as the UK AIFM to the Group. If that was to occur, Mercia would: (i) lose one of its revenue streams; (ii) be required to appoint a replacement UK AIFM; and (iii) lose the principal source of deal flow for the Group.	The Group mitigates this risk by ensuring that MFM acts at all times with integrity, honesty, skill, diligence and fairly in conducting its investing business activities. The Group regularly reviews MFM's financial position to ensure that adequate financial resources are maintained in accordance with FCA rules. The Group also ensures that MFM employs the resources and procedures that are necessary for the proper performance of its business activities and complies with all regulatory requirements applicable to the conduct of its business, so as to promote the best interests of the funds under management and the investors. The Group ensures that MFM communicates information to fund investors in a way which is fair, clear and not misleading. MFM communicates with the regulator in an open and cooperative way to provide regular reporting, notifications and disclosures.

Future developments

The Group anticipates that it will continue to execute its strategic plan, as set out in its Admission Document.

Corporate and social responsibility

Mercia is committed to conducting all of its business in an honest, ethical and socially responsible manner. The Group endeavours to provide a safe working environment for its employees, as well as to minimise its impact on the environment, in all its activities.

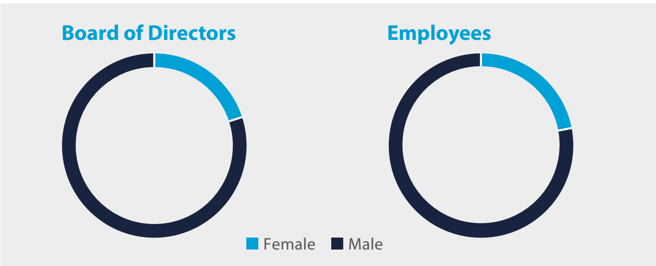
Business ethics and social responsibility

In all its activities, the Group aims to be commercial and fair, to maintain its integrity and professionalism and to have due regard for the interests of all of its investors, employees, suppliers and the businesses in which the Group invests.

The Group seeks to operate as a socially responsible employer and has adopted standards and policies which promote corporate values designed to help and guide employees in their conduct and business relationships. The Group seeks to comply with all laws, regulations and rules applicable to its business and to conduct that business in line with applicable established best practice. The Group takes a zero tolerance approach to bribery and corruption and has enacted procedures to prevent bribery. All employees who are involved with the regulated business of managing investment transactions receive compliance and anti-money laundering training, with periodic refresher courses. The Group recognises that its employees are fundamental to its success and therefore is committed to encouraging the ongoing development of its staff with the aim of maximising the Group's overall performance. Emphasis is placed on staff development through work-based learning, coaching and mentoring.

Employee diversity and employment policies

The Group is an equal opportunities employer and promotes diversity through the selection, training, development and promotion of employees. Mercia does not differentiate on grounds of gender, ethnicity, sexual orientation, religion or physical ability. For the period ended 31 March 2015, the Group employed an average of 15 employees including its Board of Directors. A breakdown of staff by gender is shown in the graphic below.



Given the nature of the business, the Group believes that the principal human rights issues affecting the business relate to non-discrimination, gender equality and fair employment practices.

Health and safety

Staff and management at all levels are responsible for the promotion of, and adherence to, health and safety measures in the workplace. The primary purpose of the Group's health and safety policy is to enable all members of staff to go about their everyday business at work, in the expectation that they can do so safely without risk to their health.

Environmental policy

Given the overall size of the Group and its office-based nature, Mercia considers the direct environmental impact of its employees to be relatively low. However, the Group is committed to operating its business in an environmentally responsible and sustainable manner and encourages its employees to reduce their impact on the environment in their day-to-day business activities.

Events after the balance sheet date

Other than the appointment of Matthew Mead as Chief Investment Officer and the continuing pipeline of approved direct investments, there have been no other material events since the balance sheet date.

Approval

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

Dr Mark Payton
Chief Executive Officer
9 July 2015

Chief financial officer review

Martin Glanfield
Chief Financial Officer

"Looking forward, the Group has adequate financial resources to continue to execute its strategic and operational objectives"

Mercia Technologies PLC was incorporated on 17 September 2014. It acquired its 2 wholly owned subsidiaries, Mercia Investments Limited ("MI") and Mercia Fund Management Limited ("MFM") on 17 December 2014, just prior to the Group's Initial Public Offering ("IPO"). The financial results of MI and MFM have been consolidated from their date of acquisition to 31 March 2015, referred to throughout this Annual Report as the 'period end'. The Group's results therefore represent approximately 3½ months' trading activity. There are no comparative figures as these results represent the Group's first trading period.

From a financial perspective, Mercia Technologies has made a positive start to its life as an AIM listed group. The gross IPO proceeds of £70.0million (before IPO related and share issue costs) provide the Group with a strong balance sheet and with sufficient liquidity to enable Mercia to execute its short and medium term strategic objectives. Having acquired a portfolio of direct investments and a 20% interest in Mercia Fund 2 ("MF2") shortly before Admission for £9.0million in total, during the post IPO period to 31 March 2015 the Group invested £8.4million in 6 existing and new direct investments. It also invested a further £3.3million to acquire the remaining 80% limited partner interests in MF2, a transaction outlined in the Group's Admission Document.

At 31 March 2015 the fair value of the Group's investment portfolio (including MF2) was £24.6million. Net fair value gains during the trading period totalled £3.9million. Total net assets at the period end were £80.8million, including cash and short-term deposits totalling £53.6million.

The net fair value gains referred to above contributed to a consolidated profit and total comprehensive income for the period of £2.0million.

Summarised consolidated statement of comprehensive income

	Period ended 31 March 2015 £'000
Revenue	508
Cost of sales	(10)
Fair value movements in investments	3,934
Administrative expenses	(1,495)
Share-based payments charge	(44)
IPO costs	(1,018)
Finance income	93
Profit and total comprehensive income for the financial period	**1,968**
Basic and diluted earnings per Ordinary share (pence)	**0.93**

Revenue and cost of sales

Total revenues of £508,000 comprise fund management fees, initial management fees from new investments, investment director monitoring fees and sundry business services income. Cost of sales represents third party fees incurred for administering the funds under management by MFM.

Fair value movements in investments

	Period ended 31 March 2015 £'000
Investment movements excluding cash invested	
Unrealised gains on the revaluation of investments	4,225
Unrealised losses on the revaluation of investments	(291)
Net fair value gain	**3,934**

Unrealised fair value gains arose in 5 out of the Group's 14 direct investments and there was also an overall fair value gain for MF2. The largest fair value gain was Science Warehouse, which accounted for £3,487,000 of the total. There were 3 fair value impairments, the largest being £139,000 for Concurrent Thinking.

Administrative expenses

Total administrative expenses of £1,495,000 consisted predominantly of staff related costs. Total headcount is growing in line with the Group's stated objectives at the time of the IPO.

Share-based payments charge

The £44,000 non-cash charge arises from the issue of share options to 10 members of staff at the date of the IPO.

IPO costs

Total IPO related costs (which were estimated in the Admission Document to be £3,980,000) amounted to £3,788,000. Of this total £2,770,000 were share issue related costs and have been charged to the share premium account. The balance of £1,018,000 has been charged to the consolidated statement of comprehensive income as an exceptional item.

£0.5m

revenue

£2.0m

profit and total comprehensive income

Chief financial officer review

Finance income

Interest receivable of £93,000 arose on the Group's cash and short-term liquidity investments.

Balance sheet and cash flows

Net assets at the period end of £80,839,000 were predominantly made up of the Group's direct investment portfolio, together with cash and short-term liquidity investments.

Direct investment portfolio

During the period, Mercia's investment portfolio grew from £8,996,000 (being the fair value of the investments held by Mercia Investments at the date of its acquisition) to £24,617,000. The table below lists the Group's period end investments by value, including a breakdown of the cash invested and all fair value movements.

Investment	Net investment value As at 17 December 2014 £'000	Cash invested Period to 31 March 2015 £'000	Fair value movement Period to 31 March 2015 £'000	Net investment value As at 31 March 2015 £'000	Percentage held As at 31 March 2015 %
Science Warehouse Ltd	5,580	3,583	3,487	12,650	62.6
Mercia Fund 2	824	3,296	272	4,392	100.0
nDreams Ltd	300	1,609	–	1,909	32.8
VirtTrade Ltd	–	1,500	250	1,750	21.2
Soccer Manager Ltd	–	999	–	999	22.4
Allinea Software Ltd	622	–	201	823	8.6
Crowd Reactive Ltd	–	500	–	500	11.9
Nightingale-EOS Ltd	340	–	–	340	8.6
Concurrent Thinking Ltd	283	–	(139)	144	10.0
Warwick Audio Technologies Ltd	250	200	(132)	318	13.5
Ventive Ltd	209	–	(20)	189	7.4
The Native Antigen Company Ltd	150	–	14	164	9.8
Kwanji Ltd	150	–	–	150	3.5
Smart Antenna Technologies Ltd	148	–	1	149	8.4
Canary Care Ltd	140	–	–	140	7.4
Totals	**8,996**	**11,687**	**3,934**	**24,617**	**n/a**

£11.7m
cash invested

£3.9m
fair value movements

Cash and short-term liquidity investments

At the period end, Mercia had total cash and short-term liquidity investments of £53,633,000 comprising cash of £23,633,000 and short-term liquidity investments of £30,000,000. The overriding emphasis of the Group's treasury policy is the preservation of its shareholders' cash for investment and working capital purposes, not yield. At the period end the Group's £30,000,000 short-term liquidity investments (which is cash on deposit with maturities between 3 and 12 months) were spread across 4 leading United Kingdom based deposit taking institutions.

The summarised movement in the Group's cash position during the period is shown below.

	Period ended 31 March 2015 £'000
Cash acquired with MFM on 17 December 2014	124
Net cash used in operating activities	(2,029)
Net cash used in investing activities (including capital expenditure and interest received)	(11,692)
Issued share capital	70,000
IPO share issue costs charged to share premium account	(2,770)
Period end cash and short-term liquidity investments	**53,633**

Looking forward, the Group has adequate financial resources to continue to execute its strategic and operational objectives.

Martin Glanfield
Chief Financial Officer
9 July 2015

£30.0m
short-term liquidity investments

£23.6m
cash and cash equivalents

Directors' report

The Directors present their Annual Report and the audited financial statements of Mercia Technologies PLC for the period from incorporation on 17 September 2014 to 31 March 2015.

Results and dividends

The profit for the period was £1,968,000. The Directors do not recommend the payment of a dividend.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 37 which forms part of this report by cross-reference.

Directors

The Directors who were in office during the period and up to the date of signing the financial statements were:

Raymond Kenneth Chamberlain	(appointed 18 September 2014)
Dr Mark Andrew Payton	(appointed 18 September 2014)
Martin James Glanfield	(appointed 13 November 2014)
Matthew Sidney Mead	(appointed 22 June 2015)
Susan Jane Searle	(appointed 13 November 2014)
Ian Roland Metcalfe	(appointed 13 November 2014)
Martin James Lamb	(appointed 13 January 2015)

Solicitors Kristian Thomas Rogers and Jenna Elizabeth Beever were appointed Directors on 17 September 2014 for one day to create the legal entity. They resigned as Directors on 18 September 2014.

Directors' shareholdings and other interests

A table showing the interests of Directors in the share capital of Mercia Technologies PLC is shown on page 48 of the Remuneration Report.

Directors' indemnities

Mercia Technologies PLC has made qualifying third party indemnity provisions for the benefit of all Directors. These were in force during the financial period and remained in force at the date of approval of the financial statements.

Financial instruments

The Group's financial instruments comprise cash and various other items, such as trade debtors and trade creditors, which arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to efficiently manage working capital and liquidity.

It is the Group's policy not to enter into derivative transactions and no trading in financial instruments has been undertaken during the period under review. The Group therefore faces few risks associated with financial instruments.

The Group's use of financial instruments is discussed further in note 24 to the financial statements.

Substantial shareholdings

As at 31 March 2015, the Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights by shareholders of the Group:

	Number of Ordinary shares	Percentage %
Invesco Perpetual	62,540,000	29.5
Woodford Investment Management LLP	42,188,000	19.9
Forward Innovation Fund	31,622,280	14.9
Forward Nominees Limited	16,481,456	7.8
Baillie Gifford & Co	16,000,000	7.5
NFU Mutual Insurance Society	10,600,000	5.0
Mark Payton	6,622,863	3.1

During the period between 31 March 2015 and 9 July 2015, the Group was notified of an increase in the number of shares held by Woodford Investment Management LLP, which took its shareholding above 20% to 20.01%. There were no other notifications received under Chapter 5 of the Disclosure and Transparency Rules.

Political donations

During the period ended 31 March 2015, the Group made no political donations.

Employees

The Group employed an average of 15 staff throughout the period and is therefore of a size where it is not necessary to have introduced a formal employee consultation process. However, employees are encouraged to be involved in decision-making processes and are provided with information on the financial and economic factors affecting the Group's performance, through team meetings, updates from the Chief Executive Officer and via an open and inclusive culture.

The Group operates a discretionary annual bonus scheme for its employees. All are eligible for an annual bonus based on their and the Group's overall performance.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that workspace and other modifications are made as appropriate. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Martin Glanfield
Company Secretary
9 July 2015

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

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

This responsibility statement was approved by the Board on 9 July 2015 and signed on its behalf by:

Dr Mark Payton
Chief Executive Officer

Martin Glanfield
Chief Financial Officer

Corporate governance report

Introduction

The Directors recognise the importance of sound corporate governance and intend to observe and adhere to, so far as practicable, the recommendations set out in the corporate governance code for small and mid-size quoted companies, published by the Quoted Companies Alliance. For Mercia Technologies, good corporate governance is about ensuring that the Group is aligned with its shareholders' objectives and that the execution of the strategy adopted will create long-term incremental shareholder value. The business backgrounds of the Non-executive Directors in particular, reflect the importance with which the Group regards corporate governance.

The Board

The Board comprises 7 Directors, of which 3 are Executives and 4 are Non-executives. Collectively they reflect a balance of different skills, experiences and backgrounds. The Chief Financial Officer is also the Company Secretary.

The Board has a schedule of matters reserved for its approval, including inter alia, setting the Group's strategic direction, approving annual budgets, monitoring performance against plan, authorising all material direct investment decisions and all corporate transactions.

The Board will meet formally for a minimum of 11 times each year. During the period since the Group's IPO in December 2014 up to the date of this Annual Report, the Board has met 6 times. Details of attendance at those Board meetings are as follows:

Director	Number of meetings attended
Ray Chamberlain[1]	5
Dr Mark Payton	6
Martin Glanfield	6
Matthew Mead[2]	1
Susan Searle	6
Ian Metcalfe	6
Martin Lamb	6

1 Ray Chamberlain is entitled to appoint an alternate Director in his absence
2 Matthew Mead has attended the only meeting held since his appointment

The Board delegates specific duties and responsibilities to certain committees and has established an Audit Committee, a Remuneration Committee and a Nominations Committee, as described more fully below, except in respect of the Remuneration Committee, whose report is set out on pages 46 to 48 of this Annual Report.

Audit Committee

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

The Audit Committee will monitor the need for an internal audit function. The Committee comprises its Chair Susan Searle, Ian Metcalfe and Martin Lamb. Executive Directors attend by invitation. The Audit Committee will meet at least 3 times a year at appropriate times in the reporting and audit cycle and otherwise as required. It has unrestricted access to the Group's external auditor. Since the IPO the Audit Committee has met twice and has been fully attended.

Nominations Committee

The Nominations Committee is responsible for identifying and nominating members of the Board, recommending Directors to be appointed to each committee of the Board and the Chair of each committee. The Nominations Committee will also arrange for evaluation of the Board. The Nominations Committee comprises Ray Chamberlain as Chair, Susan Searle and Ian Metcalfe. The Nominations Committee will meet at least twice a year and otherwise as required. The appointment of Matthew Mead as Chief Investment Officer was nominated by the Committee.

Internal controls

The Board acknowledges its overall responsibility for the Group's system of internal controls and the ongoing review of their effectiveness. These controls are designed to safeguard the Group's assets and are considered appropriate for an AIM listed group of the size and complexity of Mercia Technologies. However, systems of internal control can only identify and manage risks, not eliminate them. Consequently such controls do not provide an absolute assurance against misstatement or loss. The main features of the Group's internal control system are as follows:

- A control environment exists through the close daily management of the business by the Executive Directors. The Group has a defined organisation structure with delineated investment approval limits. Controls are implemented and monitored by senior staff with the necessary qualifications and experience.
- A list of matters specifically reserved for Board approval.
- Regular detailed management reporting with comparisons and explanations of any material variances against budget or forecasts.
- Financial controls operate to ensure that the assets of the Group are safeguarded and that appropriate accounting records are maintained.

Share dealing, anti-bribery and whistleblowing

The Group has adopted a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules. All employees, including new joiners, are required to agree to comply with the code. The Group has also adopted anti-bribery and whistleblowing policies, which are included in every employee's staff handbook. The Group operates an open and inclusive culture and employees are encouraged to speak up if they have any concerns. The aim of such policies is to ensure that no blurred lines exist and to encourage all employees, regardless of seniority, to bring matters which cause them concern, to the attention of either the Executive or Non-executive Directors.

Investor relations

The Group is committed to developing and maintaining open channels of communication with its shareholders and the www.merciatechnologies.com website provides up to date information on the Group. The Executive Directors are available to meet with shareholders and sector analysts at regular intervals throughout the year and the Non-executive Directors are also available for informal discussions if required. Shareholders will have an opportunity to raise questions with the Board at the Group's Annual General Meeting, the first of which will be held this year on 7 September.

Going concern

Based on the overall strength of the Group's balance sheet, including its significant liquidity position at the period end, together with its forecast future operating and investment performance, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors have adopted the going concern basis in preparing the Annual Report and financial statements.

Martin Glanfield
Company Secretary
9 July 2015

Remuneration report

Remuneration Committee

The Remuneration Committee was formed in the run up to the Group's IPO and is responsible for determining and agreeing with the Board the framework for the remuneration of the Chair, the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, share options and other long-term incentives. The remuneration of Non-executive Directors is a matter for the Chair and the Executive Directors. No Director is involved in any decision as to his or her own remuneration.

The Remuneration Committee comprises Ian Metcalfe as Chair, Ray Chamberlain and Susan Searle. The Remuneration Committee will meet at least twice a year and otherwise as required.

Remuneration policy

The Remuneration Committee believes that the success of the Group depends, in part, on the future performance of the management team and in being able to attract, retain and motivate people of high calibre and experience. The Committee also recognises the importance of ensuring that employees are incentivised and identify closely with the achievement of the Group's strategic objectives, the leading one of which is to achieve incremental shareholder value over the medium term.

Accordingly, the Committee seeks to provide a fair, balanced and competitive remuneration package for its Executive Directors and other employees, whilst ensuring that a significant proportion of the total remuneration of each Executive Director is linked to performance.

The main elements of the remuneration package for Executive Directors are base salary, an annual performance related bonus scheme and participation in the Group's long-term share option and carried interest plans. Other benefits include a car allowance, contributions to a defined contribution personal pension scheme, life assurance, private health insurance and permanent health insurance. Only base salaries are pensionable. In agreeing the Executive Director service contracts at the time of the IPO, the Committee took note of the views of the Group's Nominated Adviser, soundings from the Group's other Advisers, and reviewed the remuneration packages of those executives holding similar positions and responsibilities in comparable AIM companies.

Base salaries are reviewed annually on 1 April, with the first review date after the IPO being 1 April 2016. Executive Directors are also entitled to participate in an annual bonus scheme, with the potential to be awarded a bonus of up to 25% of their base salary. The Group's remuneration policy supports a climate of team work and a shared ambition for the growth and success of the Group as a whole. As a result, part of the total annual bonus target is subject to meeting collective quantitative executive targets, part is subject to meeting individual quantitative targets, with the remaining element being awarded at the discretion of the Committee and based largely, but not exclusively, upon the Executive Director achieving qualitative targets.

Directors' service contracts

The table below summarises the service contract and letter of appointment details for each Executive and Non-executive Director:

	Effective date of appointment	Annual salary £'000	Notice period
Ray Chamberlain	15 December 2014	65	3 months
Dr Mark Payton	15 December 2014	185	6 months
Martin Glanfield	1 October 2014	175	6 months
Matthew Mead	26 May 2015	170	6 months
Susan Searle	15 December 2014	45	3 months
Ian Metcalfe	15 December 2014	40	3 months
Martin Lamb	13 January 2015	40	3 months

Equity based incentive schemes

The Committee believes that equity based incentive schemes increase the focus of employees on achieving the Group's medium term strategic objectives, whilst at the same time providing a strong incentive for retaining and attracting individuals of high calibre. The Committee has agreed to implement two long-term incentive schemes.

The Mercia Company Share Option Plan ("CSOP")

The Remuneration Committee is responsible for issuing awards of options to purchase Ordinary shares under the Group's share incentive plan, known as the Mercia CSOP, which was adopted by Mercia Technologies on 8 December 2014. All Executive Directors and employees are eligible to participate. The Committee intends that appropriate awards be made over time, not exceeding the limits contained in the CSOP.

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

The first options granted under the Mercia CSOP have an exercise price equal to the IPO Placing price, being 50p, which was agreed with HMRC as not less than the market value of an Ordinary share for the purpose of making these first grants. These awards are subject to a performance condition. The condition shall be satisfied if the total shareholder return (being the increase in the price of an Ordinary share from a 50p base value plus any dividend yield), from Admission to the third anniversary of Admission, is not less than 6% (compound) per annum. Initial options were conditionally granted on 8 December 2014 and became unconditional on Admission.

The initial options will be exercisable as to one-third on or after the third anniversary of Admission, one-third on or after the fourth anniversary, with the remaining one-third on or after the fifth anniversary, provided that on each vesting date the performance condition has been satisfied.

The methodology for determining the market value of an Ordinary share for all future grants of options under the Mercia CSOP has also been agreed with HMRC, such that the Group will use the mid-market price quoted by the London Stock Exchange on the trading day immediately preceding the date of grant.

The Mercia Carried Interest Plan ("CIP")

Mercia will operate carried interest plans for the Executive Directors and certain other investment executives, 'Plan Participants'. Each CIP will operate in respect of direct investments made by Mercia Technologies during a 24 month period, save that the first CIP will be for the period from the plan's adoption to 31 March 2017.

Once Mercia Technologies has received an aggregate annualised 6 per cent realised return during the relevant investment period, Plan Participants will receive, in aggregate, 10 per cent of the net realised cash profits from the direct investments made over the relevant period. Plan Participants' carried interest will be subject to good and bad leaver provisions.

In addition, Mercia Technologies is implementing a Phantom Carried Interest Plan ("PCIP"), based on the above criteria, in respect of the direct investments which the Group acquired shortly before Admission and those new direct investments made in the post IPO period leading up to the implementation of the CIP. As at the date of signing this report, the CIP and PCIP are in their final stages of preparation and adoption.

Audited information

The following section contains the disclosures required by The AIM Rules and by UK Company Law.

Directors' remuneration

The aggregate remuneration received by the Directors who served during the period is set out below:

	Salaries and fees payable £'000	Pension contributions £'000	Taxable benefits £'000	IPO bonus £'000	Performance related bonus £'000	Total £'000
Executive Directors						
Dr Mark Payton[1]	126	14	10	67	9	226
Martin Glanfield	88	9	4	33	10	144
Non-executive Directors						
Ray Chamberlain	22	–	–	–	–	22
Susan Searle	15	–	–	20	–	35
Ian Metcalfe	20	–	–	–	–	20
Martin Lamb	9	–	–	–	–	9
	280	**23**	**14**	**120**	**19**	**456**

1 Dr Mark Payton's total remuneration includes salary of £74,000 and benefits of £17,000 paid by Mercia Fund Management prior to the IPO.

Share options

The number of options over Mercia Technologies PLC Ordinary shares held by Directors as at 31 March 2015 is set out below:

	Number of options granted during the period	Date of grant[1]	Number of options at period end	Exercise price per Ordinary share	Period of exercise[2]
Executive Directors					
Dr Mark Payton	1,000,000	8 Dec 2014	1,000,000	50p	18 Dec 2017 to 7 Dec 2024
Martin Glanfield	1,000,000	8 Dec 2014	1,000,000	50p	18 Dec 2017 to 7 Dec 2024

1 The options were conditionally granted on 8 December 2014 and became unconditional on Admission.
2 The options will be exercisable as to one-third from 18 December 2017, one-third from 18 December 2018 and the remaining one-third from 18 December 2019.

Directors' share interests

The interests of the Directors and their connected persons in the Ordinary shares of Mercia Technologies PLC are set out below:

	Number of Ordinary shares as at 31 March 2015	Number of Ordinary shares as at 9 July 2015
Ray Chamberlain[1]	58,374,710	58,374,710
Dr Mark Payton	6,622,863	6,622,863
Martin Glanfield	260,760	260,760
Matthew Mead	–	43,121
Susan Searle	1,043,040	1,043,040
Ian Metcalfe	100,000	100,000
Martin Lamb	100,000	100,000

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

Ian Metcalfe
Chair of the Remuneration Committee
9 July 2015

Independent auditor's report to the members of Mercia Technologies PLC

We have audited the financial statements of Mercia Technologies PLC for the period ended 31 March 2015 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statements of changes in equity, the consolidated cash flow statement and the related notes 1 to 38. 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 Company financial statements is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 Group's and 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 Annual Report 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.

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 Company's affairs as at 31 March 2015 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the AIM Rules; and
- 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 Group or the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group or 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.

Andrew Halls FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom
9 July 2015

Consolidated statement of comprehensive income

For the period ended 31 March 2015

	Note	Period ended 31 March 2015 £'000
Revenue	3	**508**
Cost of sales		(10)
Gross profit		**498**
Fair value movements in investments	4	3,934
Administrative expenses:		
Other administrative expenses		(1,495)
Share-based payments charge	6	(44)
Operating profit before exceptional item	7	**2,893**
Exceptional item	8	(1,018)
Operating profit		**1,875**
Finance income	9	93
Profit before taxation		**1,968**
Taxation	10	–
Profit and total comprehensive income for the financial period		**1,968**
Basic and diluted earnings per Ordinary share (pence)	11	**0.93**

All results derive from continuing operations.

The notes on pages 53 to 65 are an integral part of these financial statements.

Consolidated balance sheet

As at 31 March 2015

	Note	As at 31 March 2015 £'000
Assets		
Non-current assets		
Goodwill	12	2,455
Property, plant and equipment	14	49
Investments	15	24,617
Total non-current assets		**27,121**
Current assets		
Trade and other receivables	16	716
Short-term liquidity investments	17	30,000
Cash and cash equivalents	17	23,633
Total current assets		**54,349**
Total assets		**81,470**
Current liabilities		
Trade and other payables	18	(631)
Total liabilities		**(631)**
Net assets		**80,839**
Equity		
Issued share capital	19	2
Share premium	20	8,825
Other distributable reserve	21	70,000
Retained earnings		1,968
Share-based payments reserve		44
Total equity		**80,839**

The notes on pages 53 to 65 are an integral part of these financial statements.

The consolidated financial statements of Mercia Technologies PLC, registered number 09223445, on pages 50 to 65 were approved by the Board of Directors and authorised for issue on 9 July 2015. They were signed on its behalf by:

Dr Mark Payton
Chief Executive Officer

Martin Glanfield
Chief Financial Officer

Consolidated cash flow statement

For the period ended 31 March 2015

	Note	Period ended 31 March 2015 £'000
Cash flows from operating activities:		
Operating profit		1,875
Adjustments to reconcile operating profit to net cash flows used in operating activities:		
Depreciation of property, plant and equipment	7	6
Fair value movements in investments	4	(3,934)
Share-based payments charge	6	44
Working capital adjustments:		
Increase in trade and other receivables	16	(507)
Increase in trade and other payables	18	487
Net cash used in operating activities		**(2,029)**
Cash flows from investing activities:		
Purchase of direct investments	15	(11,687)
Net cash flows used in investing in direct investments		**(11,687)**
Cash flows from other investing activities:		
Purchase of property, plant and equipment	14	(27)
Cash acquired on purchase of subsidiary undertaking		124
Interest received		22
Increase in short-term liquidity investments	17	(30,000)
Net cash used in other investing activities		**(29,881)**
Net cash used in total investing activities		**(41,568)**
Cash flows from financing activities:		
Proceeds from issue of Ordinary shares	19	70,000
Transaction costs relating to issue of Ordinary shares	8	(2,770)
Net cash generated from financing activities		**67,230**
Net increase in cash and cash equivalents		**23,633**
Cash and cash equivalents at the beginning of the period		**–**
Cash and cash equivalents at the end of the period	17	**23,633**

Transaction costs relating to issue of Ordinary shares have been deducted from share premium.

Consolidated statement of changes in equity

For the period ended 31 March 2015

	Issued share capital £'000 (note 19)	Share premium £'000 (note 20)	Other distributable reserve £'000 (note 21)	Retained earnings £'000	Share-based payments reserve £'000	Total £'000
Profit and total comprehensive income for the period	–	–	–	1,968	–	1,968
Issue of share capital	2	81,595	–	–	–	81,597
Costs of share capital issued	–	(2,770)	–	–	–	(2,770)
Share premium reduction	–	(70,000)	70,000	–	–	–
Share-based payments charge	–	–	–	–	44	44
As at 31 March 2015	**2**	**8,825**	**70,000**	**1,968**	**44**	**80,839**

1. Accounting policies

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

General information

Mercia Technologies PLC ('the Group', 'Mercia') is a public limited company incorporated on 17 September 2014 under the Companies Act 2006 and is domiciled in the United Kingdom, with registered number 09223445. Its Ordinary shares are listed on the AIM Market of the London Stock Exchange. The registered office address is Mercia Technologies PLC, Forward House, 17 High Street, Henley-in-Arden, B95 5AA. Mercia Technologies PLC's Ordinary shares were admitted to trading on AIM on 18 December 2014.

Details of the Group's activities and strategy are given in the Strategic Report which begins on page 2.

Basis of preparation

The consolidated financial statements of Mercia Technologies PLC have been prepared in accordance with European Union ("EU") endorsed International Financial Reporting Standards ("IFRSs"), the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRSs as endorsed by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The financial statements have been prepared on the going concern basis, as explained in the Corporate Governance Report on page 45, and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as required by International Accounting Standard ("IAS") 39 'Financial Instruments: Recognition and Measurement', and explained further in the accounting policies below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable. These are described more fully below:

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mercia Technologies PLC and entities controlled by it (its subsidiaries). Other than Mercia Fund 1 General Partner Limited (which is 98% owned) all subsidiaries are 100% owned and have been included in the consolidated financial statements. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

Control is achieved when the Group:

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

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

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

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

Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 'Investments in Associates', which requires such investments to be excluded from its scope where those investments are designated upon initial recognition, at fair value through profit or loss and accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', with changes in fair value recognised in the relevant period.

1. Accounting policies continued

New standards, interpretations and amendments not yet effective

At the date of approving these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs: 2010-2012	Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
Annual Improvements to IFRSs: 2011-2013	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property
Annual Improvements to IFRSs: 2012-2014	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. All revenue from services is generated within the United Kingdom. Revenue from services comprises:

Fund management fees

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

Initial management fees

Initial management fees are generally earned as a fixed percentage of the amounts invested by the Group, are one-off payments made by the investee company and are recognised upon completion of the investment.

Portfolio directors' fees

Portfolio directors' fees are earned either as a percentage of the amounts invested by the Group, or as a fixed amount. These are annual fees, typically charged quarterly in advance to the investee company. Amounts are initially recorded as deferred income, included under current liabilities and amortised in the consolidated statement of comprehensive income over the period to which the services relate.

Interest income

Interest income earned on cash deposits and short-term liquidity investments is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Exceptional items

The Group classifies items of income and expenditure as exceptional when, in the opinion of the Directors, the nature of the item or its size is likely to be material, so as to assist the reader of the financial statements to better understand the results of the operations of the Group. Such items are by nature not expected to recur as part of the normal operation of the business and are shown separately on the face of the consolidated statement of comprehensive income.

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.

1. Accounting policies continued

Leases continued

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

Retirement benefit costs

Payments to defined contribution personal pension plans are recognised as an expense when employees have rendered a service entitling them to the contributions. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting of a business combination, the tax effect is included in the accounting for the business combination.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is not amortised but is reviewed annually for impairment in accordance with IAS 36, 'Impairment of Assets'.

Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their expected useful lives, using the straight-line method, on the following basis:

Office equipment 33%

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1. Accounting policies continued
Financial instruments continued
Financial assets at fair value through profit or loss
Financial assets at FVTPL are either financial assets held for trading or financial assets that are designated at FVTPL. The Group has investments in unlisted shares that are not traded in an active market but are classified as financial assets at FVTPL and stated at fair value, because the Directors consider that fair value can be reliably measured. Fair value is determined in the manner described in note 2 of these financial statements. Gains and losses arising from changes in fair value are recognised in profit or loss.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated at FVTPL.

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

Valuation of financial assets held at fair value
The fair values of quoted investments are based on mid-market prices at the balance sheet date.

The judgement required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities. This is a critical accounting judgement and as a result, is set out in more detail in note 2 of these financial statements.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash, cash equivalents and short-term liquidity investments
Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of less than three months. Short-term liquid investments with a maturity of over three months but less than 12 months are included in a separate category, 'Short-term liquidity investments'.

Share-based payments
Equity-settled share-based payments to Executive Directors and certain employees of the Group, whereby recipients render services in exchange for shares or rights over shares, 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 6.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest. At each balance sheet date, the Group reviews its estimate. The impact of any revision to the previous estimate is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

1. Accounting policies continued

Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments are aggregated into reporting segments where they share similar economic characteristics. Note 3 to these financial statements gives further details on the Group's segmental reporting.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Directors have made the following judgements and estimates, which have had the most significant effect on the carrying amounts of the assets and liabilities in these financial statements.

Fair value measurements and valuation processes

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

The fair value of unlisted securities is established using the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG"). The valuation methodology most commonly used by the Group is 'price of recent investment', which can be either the 'price of recent funding round' or 'cost' in the case of a new direct investment. Given the nature of the Group's investments in early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of commercial development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. The Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly, where there has been any recent investment by third parties, the price of that investment will generally provide a basis for the valuation. Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration in the financial, technical, or commercial performance of the underlying business.

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies, which are referred to in the IPEVCVG, being principally financial measures ('enterprise values'), such as trading and profitability expectations, requiring the Directors to make assumptions over the timing and nature of future revenues when calculating fair value. Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

All recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. During this period the Group considers whether any changes or events subsequent to the transaction would imply that a change in the fair value of the investment may be required. Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group. However any adjustment is, by its very nature, subjective. Where deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation, the Group may consider increasing the carrying value of the investment. However, in the absence of additional financing rounds or profit generation, it can be difficult to determine the value that a purchaser may place on positive developments, given the potential outcome and the costs and risks to achieving that outcome.

3. Segmental reporting

For the period ended 31 March 2015, the Group's revenue and profit were derived from its principal activity within the United Kingdom.

IFRS 8, 'Operating Segments' defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Board of Directors. The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being Technology Transfer and Investment, because the results of the Group are only monitored on a Group-wide basis. The Board of Directors assesses the performance of the operating segment using financial information which is measured and presented in a consistent manner.

An analysis of the Group's revenue is as follows:

	Period ended 31 March 2015 £'000
Fund management fees	99
Initial management fees	310
Portfolio directors' fees	73
Other revenue	26
	508

4. Fair value movements in investments

	Period ended 31 March 2015 £'000
Net fair value movements in investments held at the period end (note 15)	**3,934**

No other gains or losses have been recognised in respect of loans and receivables. No gains or losses have been recognised on financial liabilities measured at amortised cost.

5. Employees and Directors

The average number of persons (including Executive and Non-executive Directors) employed by the Group during the period was:

	Period ended 31 March 2015 Number
Technology Transfer and Investment	5
Central functions	10
	15

Central functions comprise senior management (including Executive and Non-executive Directors), finance, administration and marketing.

The aggregate employee benefit expense (including Executive and Non-executive Directors) was:

	Period ended 31 March 2015 £'000
Wages and salaries	669
Social security costs	320
Other pension costs (note 22)	37
	1,026

The Directors represent the key management personnel. Detailed disclosures in respect of Directors' remuneration are included in the audited section of the Remuneration Report on pages 47 and 48, which form part of these financial statements.

6. Share-based payments

The Group operates a share option scheme for Executive Directors and employees of the Group. Options were granted on 8 December 2014 and became unconditional on 18 December 2014, the date of the Group's admission to AIM. Further details are set out on pages 46 to 48 of the Remuneration Report.

Total options existing over Ordinary shares as at 31 March 2015 are summarised below:

Date of grant	Granted during the period	As at 31 March 2015	Exercise price	Date of expiry
18 December 2014	3,060,000	3,060,000	50p	7 December 2024

Details of the share options outstanding as at 31 March 2015 are as follows.

	Number of share options	Weighted average exercise price
Granted during the period	3,060,000	50p
Forfeited during the period	–	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period	**3,060,000**	**50p**

Fair value charge

The fair value charge for the share options has been based on the Black-Scholes model with the following key assumptions:

Date of grant	Exercise price	Share price at date of grant	Risk free rate	Assumed time to exercise	Assumed volatility	Fair value per option
18 December 2014	50p	50p	1.0%	10 years	30%	20p

No dividends are assumed. The risk free rate is taken from the yield on zero coupon United Kingdom government bonds on a term consistent with the expected life. Assumed volatility is based on a review of comparators and analysis of movements in the Group's share price since listing.

The Group did not enter into any share-based payment transactions with parties other than Executive Directors and employees during the period.

The total charge for the period recognised in the statement of comprehensive income for share options granted to Executive Directors and employees was £44,000.

7. Operating profit

Operating profit is stated after charging:

	Period ended 31 March 2015 £'000
Staff costs (note 5)	1,026
Share-based payments charge (note 6)	44
Depreciation of property, plant and equipment (note 14)	6
Operating lease costs	62
Auditor's remuneration:	
– Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	25
Fees payable to the Company's auditor for other services:	
– The auditing of accounts of subsidiaries of the Company	16
– Taxation compliance services	12
– Corporate finance services	220
– All other non-audit services	5

As part of the Group's IPO, auditor's reporting accountants fees were incurred totalling £408,000 of which £188,000 was included in equity as share issue related costs.

8. Exceptional item

The exceptional item represents costs incurred in the listing of the Group on AIM. Total Admission costs amounted to £3,788,000 of which £2,770,000 were share issue related costs and have been charged to the share premium account (note 20). The balance of £1,018,000 has been charged to the consolidated statement of comprehensive income, as an exceptional non-trading and non-recurring cost.

Notes to the consolidated financial statements continued

For the period ended 31 March 2015

9. Finance income

	Period ended 31 March 2015 £'000
Interest income arising from:	
Cash and cash equivalents	53
Short-term liquidity investments	40
Total interest receivable	**93**

10. Taxation

	Period ended 31 March 2015 £'000
Corporation tax:	–
Current year	–
Deferred tax	–
Total	**–**

The UK standard rate of corporation tax is 21%. There is no current or deferred tax charge in the period. A reconciliation from reported profit to the total tax charge is shown below.

	Period ended 31 March 2015 £'000
Profit before taxation	1,968
Tax at the standard rate of corporation tax in the UK of 21%	413
Effects of:	
Income not subject to tax	(826)
Expenses not deductible for tax purposes	249
Accelerated capital allowances not recognised	(4)
Other timing differences not recognised	8
Current year losses not recognised	160
Total tax charge	**–**

As at 31 March 2015, a deferred tax asset of £150,000 has not been recognised due to uncertainty regarding its future recoverability.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period by the weighted average number of Ordinary shares in issue during the period. Diluted earnings per share is computed by dividing the profit for the financial period by the weighted-average number of Ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options on an as-if-converted basis. The potential dilutive shares are included in diluted earnings per share computations on a weighted average basis for the period. The profits and weighted average number of shares used in the calculations are set out below.

	Period ended 31 March 2015
Earnings per Ordinary share	
Profit for the financial period (£'000)	1,968
Weighted average number of Ordinary shares (basic and diluted) ('000)	212,000
Earnings per Ordinary share basic and diluted (pence)	**0.93**

12. Goodwill

	As at 31 March 2015 £'000
Cost	
Additions	2,455
As at 31 March 2015	**2,455**

Goodwill of £2,455,000 arose on the acquisition of the entire issued share capital of Mercia Fund Management Limited ("MFM") on 17 December 2014. This represents the difference between the fair value of consideration transferred and the fair value of assets acquired and liabilities assumed, details of which are set out in note 13.

13. Subsidiaries

The Group consists of Mercia Technologies PLC and its subsidiary companies, Mercia Investments Limited, Mercia Fund Management Limited, Mercia Fund 1 General Partner Limited and Mercia Fund 2 General Partner Limited.

On 17 December 2014, Mercia Technologies PLC acquired the entire issued share capital of Mercia Investments Limited in a share for share exchange, issuing shares at a fair value of £8,996,000. On the same date, it also acquired the entire issued share capital of Mercia Fund Management Limited in a share for share exchange, issuing shares at a fair value of £2,600,000.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed in respect of Mercia Investments Limited and Mercia Fund Management Limited are set out in the table below.

	Mercia Investments Limited £'000	Mercia Fund Management Limited £'000
Financial assets		
Property, plant and equipment	–	26
Investments	8,996	–
Trade and other receivables	–	231
Cash and cash equivalents	–	124
Total assets	**8,996**	**381**
Financial liabilities		
Trade and other payables	–	236
Total liabilities	**–**	**236**
Net identifiable assets	8,996	145
Goodwill (note 12)	–	2,455
Total consideration transferred	**8,996**	**2,600**
Satisfied by:		
Equity instruments	8,996	2,600
Total consideration transferred	**8,996**	**2,600**

Note 30 to the Company's separate financial statements lists details of all material interests in subsidiaries.

14. Property, plant and equipment

	Office equipment £'000
Cost	
Additions	55
As at 31 March 2015	**55**
Accumulated depreciation	
Charge for the period	6
As at 31 March 2015	**6**
Net book value	
As at 31 March 2015	**49**

15. Investments

The net change in the fair value of investments for the period is £3,934,000.

The table below sets out the movement in the balance sheet value of investments from the start to the end of the period, showing investments made and their fair value movements.

	£'000
Investments made during the period	20,683
Unrealised gains on the revaluation of investments	4,225
Unrealised losses on the revaluation of investments	(291)
As at 31 March 2015	**24,617**

15. Investments continued

In accordance with the Group's accounting policy, investments that are held as part of the Group's direct investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, 'Investments in Associates'. As at 31 March 2015, the Group has investments where it holds an economic interest of 20% or more as follows:

	Percentage of interest held %	Net assets/ (liabilities) £'000	Profit/(loss) £'000	Date of financial statements
Mercia Fund 2	100.0	4,330	(298)	31 July 2014
Science Warehouse Limited	62.6	1,417	665	31 March 2014
nDreams Limited	32.8	586	(27)	31 March 2014
Soccer Manager Limited	22.4	152	(142)	30 September 2014
VirtTrade Limited	21.2	(11)	(12)	28 February 2014

16. Trade and other receivables

	As at 31 March 2015 £'000
Current:	
Trade and other receivables	308
Less: provision for impairment of trade receivables	(14)
Net trade receivables	294
Other receivables	208
Prepayments and accrued income	214
Total	**716**

The ageing of trade receivables at the period end was as follows:

	Gross £'000	Impairment £'000
Not past due	147	–
Past due 0-30 days	6	(1)
Past due 31-60 days	48	(1)
Past due 61-90 days	12	(3)
Past due more than 91 days	95	(9)
	308	**(14)**

Movements in the provision for impairment of trade receivables is as follows:

	As at 31 March 2015 £'000
Provisions made	14
As at 31 March 2015	**14**

The impairment provision at 31 March 2015 relates to trade receivables from portfolio companies. The Directors believe that the credit quality of trade receivables which are within the Group's typical payment terms is good.

The full provision of £14,000 has been included in other administrative expenses in the consolidated statement of comprehensive income. The maximum exposure to credit risk of the receivables at the balance sheet date is the fair value of each class of receivable shown above.

17. Cash, cash equivalents and short-term liquidity investments

	As at 31 March 2015 £'000
Cash at bank and in hand	23,633
Total cash and cash equivalents	**23,633**
Total short-term liquidity investments	**30,000**

18. Trade and other payables

	As at 31 March 2015 £'000
Trade payables	115
Tax and social security	51
Other payables	30
Accruals and deferred income	435
	631

19. Share capital

	As at 31 March 2015 £'000
Allotted and fully paid	
212,000,000 Ordinary shares of £0.00001 each	2
As at 31 March 2015	**2**

On 18 December 2014 212,000,000 new Ordinary shares of £0.00001 each were admitted to trading on AIM.

Each Ordinary share is entitled to one vote and has equal rights as to dividends. The Ordinary shares are not redeemable.

20. Share premium account

	As at 31 March 2015 £'000
Premium arising on the issue of Ordinary shares	81,595
Cost of share capital issued	(2,770)
Capital reduction	(70,000)
As at 31 March 2015	**8,825**

The premium on the issue of Ordinary shares arises from the shares issued on the acquisition of Mercia Investments Limited and Mercia Fund Management Limited and the issue of shares which were placed at the IPO date.

On 18 March 2015, the Group successfully applied to the Court for the cancellation of £70,000,000 of its share premium account. £70,000,000 has therefore been transferred from the share premium account to distributable reserves and categorised as 'other distributable reserve' (note 21).

21. Other distributable reserve

On 18 March 2015, the Group successfully applied to the Court for the partial cancellation of its share premium account. £70,000,000 was transferred from the share premium account to a distributable reserve, thereby allowing the Group flexibility to pay dividend distributions to shareholders in the future.

22. Retirement benefit schemes

The Group contributes into the personal pension plans of all qualifying employees. The amount charged in the period to 31 March 2015 was £37,000. As at 31 March 2015, contributions amounting to £20,000 had not yet been paid over to the plans and are recorded in other payables (note 18).

23. Operating lease commitments

At the period end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, falling due as follows:

	As at 31 March 2015	
	Land and buildings £'000	Other £'000
Within one year	186	3
In the second to fifth years inclusive	319	3
	505	**6**

Operating lease payments represent rentals payable by the Group for office premises and office equipment. The lease term in respect of office premises is ten years with a break clause after three years. The typical lease term for office equipment is three years.

24. Financial risk management

In its normal course of business, the Group uses certain financial instruments including cash, trade and other receivables and equity investments.

The Group is exposed to a number of risks through the performance of its normal operations. These are discussed in more detail in the Strategic Report on pages 35 and 36 of this Annual Report.

Categories of financial instruments

The Group recognises financial instruments in its financial statements when it enters into a binding agreement to receive cash or other economic benefits and derecognises them once all parties to the agreements have discharged all of their obligations. The Group's financial instruments are categorised below.

Assets per the balance sheet as at 31 March 2015:

	£'000
Trade and other receivables	502
Financial assets at fair value through profit or loss	24,617
Short-term liquidity investments	30,000
Cash and cash equivalents	23,633
	78,752

Liabilities per the balance sheet as at 31 March 2015:

	£'000
Trade and other payables (excluding accruals, tax and social security)	145
	145

Financial risk management objectives

The Group's main objective in using financial instruments is to create, fund and develop technology businesses through the raising and investing of capital for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by forecast future investment activity. Financial risks are usually grouped by risk type, being: market, liquidity and credit risk. These risks are identified more fully below.

Market risk

Price risk

The Group is exposed to price risk in respect of equity rights and equity investments held by the Group and classified in the balance sheet at fair value through profit or loss. The Group seeks to manage this risk by routinely monitoring the performance of these investments. The Group employs stringent investment appraisal processes by routinely monitoring the performance of these investments. Regular reports are made to the Board on the status and valuation of investments.

Interest rate risk

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

Liquidity risk

Cash and cash equivalents include cash in hand and deposits held with UK deposit taking institutions with original maturities of less than 3 months.

Short-term liquidity investments comprise deposits with a maturity of over 3 months but less than 12 months.

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

Credit risk

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of any debt and equity balance.

The capital structure of the Group consists solely of equity (comprising issued capital, reserves and retained earnings). The Group held no debt instruments during the period.

24. Financial risk management continued

Fair value measurements

The fair values of the Group's financial assets and liabilities are considered a reasonable approximation to the carrying values shown in the balance sheet. Subsequent to their initial recognition at fair value, measurement of all movements in the fair values of financial instruments are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The fair value hierarchy used is outlined in more detail in note 1 to these financial statements.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined and presents the Group's assets that are measured at fair value as at 31 March 2015.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Financial assets at fair value through profit or loss ("FVTPL")	–	–	24,617	24,617
	–	**–**	**24,617**	**24,617**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Financial instruments in Level 3

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The Group's direct investment portfolio has been classified as Level 3 in the fair value hierarchy and the individual valuations for each of the companies have been arrived at using a variety of valuation techniques.

A detailed explanation of the valuation techniques used for Level 3 financial instruments is given in note 2 to these financial statements.

The table below summarises the fair value measurements.

Valuation technique	Level	Fair value as at 31 March 2015 £'000
Price of recent funding round	3	14,713
Cost	3	8,430
Enterprise value	3	823
Price of recent funding round adjusted for impairment	3	651
		24,617

The price of recent funding round or cost provide observable inputs into the valuation of an individual investment. However, subsequent to the funding round or initial investment, the Directors are required to reassess the carrying value of investments at each period end, including assessment of any impairment indicators, which result in unobservable inputs into the valuation methodology. One direct investment is valued at enterprise value, based on a multiple of revenues, given its stage of development.

Note 2 to these financial statements provides further information on valuation methodology.

25. Related party transactions

Transactions with Directors

The Group considers all members of the Board to be key management and their remuneration is disclosed in the Remuneration Report on page 47. Directors' shareholdings in the Group are disclosed on page 48 of the Remuneration Report.

The Group leases its premises from Forward Midland LLP, of which Ray Chamberlain, the Non-executive Chair of Mercia Technologies PLC, is a member. During the period ended 31 March 2015, and under the terms of a lease agreement which commenced on 18 December 2014 and terminates on 17 December 2024, rent and service charges amounting to £97,000 were invoiced to and paid in full by the Group. The rent charged was determined by an independent market rent valuation of the property, undertaken in October 2014. Rent and service charges are invoiced quarterly in advance. As at 31 March 2015, prepaid rent and service charges amounted to £43,000.

Company balance sheet
As at 31 March 2015

	Note	As at 31 March 2015 £'000
Fixed assets		
Tangible assets	29	21
Investments in subsidiary undertakings	30	11,846
		11,867
Current assets		
Debtors due within one year	31	361
Debtors due after one year	31	13,000
Short-term investments		30,000
Cash at bank and in hand		22,079
		65,440
Creditors: Amounts falling due within one year	32	(386)
Net current assets		**65,054**
Net assets		**76,921**
Capital and reserves		
Called-up share capital	33	2
Share premium account	33	8,825
Other distributable reserve	34	70,000
Profit and loss account		(1,950)
Share-based payments reserve		44
Shareholders' funds		**76,921**

The notes on pages 68 to 71 are an integral part of these financial statements.

The Company financial statements of Mercia Technologies PLC, registered number 09223445, on pages 66 to 71 were approved by the Board of Directors and authorised for issue on 9 July 2015. They were signed on its behalf by:

Dr Mark Payton
Chief Executive Officer

Martin Glanfield
Chief Financial Officer

Company statement of changes in equity

For the period ended 31 March 2015

	Called-up share capital £'000 (note 33)	Share premium £'000 (note 33)	Other distributable reserve £'000 (note 34)	Profit and loss account £'000	Share-based payments reserve £'000	Total shareholders' funds £'000
Total comprehensive expense for the period	–	–	–	(1,950)	–	(1,950)
Issue of share capital	2	81,595	–	–	–	81,597
Costs of share capital issued	–	(2,770)	–	–	–	(2,770)
Share premium reduction	–	(70,000)	70,000	–	–	–
Share-based payments charge	–	–	–	–	44	44
As at 31 March 2015	**2**	**8,825**	**70,000**	**(1,950)**	**44**	**76,921**

26. Accounting policies

Basis of preparation

The financial statements of Mercia Technologies PLC ('the Company') have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 ('the Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The financial statements have been prepared on the going concern basis and under the historical cost convention. A summary of the most important Company accounting policies, which have been consistently applied except where noted, is set out below.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for any impairment losses.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their expected useful lives, using the straight-line method, on the following basis:

Office equipment	33%

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

Share-based payments

Equity-settled share-based payments to Executive Directors and certain employees of the Company, whereby recipients render services in exchange for shares or rights over shares, are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company reviews its estimate. The impact of any revision of original estimates is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of less than three months. Short-term liquid investments with a maturity of over three months but less than 12 months are included in a separate category, 'short-term liquidity investments'.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in reserves, in which case the current and deferred tax are also recognised in other comprehensive income or directly in reserves, respectively. Where current or deferred tax arises from the initial accounting of a business combination, the tax effect is included in the accounting for the business combination.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

27. Summary of disclosure exemptions adopted

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- IAS 7, 'Statement of Cash Flows';
- the requirement in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group; and
- the following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).

Where required, equivalent disclosures are given in the consolidated financial statements.

28. Results for the Company

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a statement of comprehensive income or a cash flow statement for the Company.

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

29. Tangible assets

	As at 31 March 2015 £'000
Cost	
Additions	23
As at 31 March 2015	**23**
Accumulated depreciation	
Charge for the period	2
As at 31 March 2015	**2**
Net book value	
As at 31 March 2015	**21**

30. Investments in subsidiary undertakings

	As at 31 March 2015 £'000
Cost	
Additions	11,846
As at 31 March 2015	**11,846**
Carrying amount	
As at 31 March 2015	**11,846**

Additions of £11,846,000 were purchased through the issue of shares and cash.

30. Investments in subsidiary undertakings continued

Details of the Company's subsidiary undertakings as at 31 March 2015 are as follows:

Name	Place of incorporation and operation	Proportion of ownership interest	Nature of business
Mercia Investments Limited	England	100%	Investment company
Mercia Fund Management Limited	England	100%	Fund management company
Mercia Fund 1 General Partner Limited	England	98%	Investment fund general partner
Mercia Fund 2 General Partner Limited	England	100%	Investment fund general partner
Lothian Shelf (582) Limited	Scotland	100%	Dormant
Mercia Fund Management (Nominees) Limited	England	100%	Dormant
Mercia Growth Nominees Limited	England	100%	Dormant
Mercia Growth Nominees 2 Limited	England	100%	Dormant
Mercia Growth Nominees 3 Limited	England	100%	Dormant
Mercia Growth Nominees 4 Limited	England	100%	Dormant
Mercia Digital Nominees Limited	England	100%	Dormant
Mercia Investment Management Limited	England	100%	Dormant
Mercia Business Services Limited	England	100%	Dormant

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

31. Debtors

	As at 31 March 2015 £'000
Amounts falling due within one year:	
Amounts due from subsidiary undertakings	9
Other debtors	216
Prepayments and accrued income	136
	361
Amounts falling due after more than one year:	
Amounts due from subsidiary undertakings	13,000
	13,000

Amounts due from subsidiary undertakings are in respect of unsecured, interest bearing loans. Interest is charged on the principal sum of the loans at a rate of 2.5% above UK base rate and is paid half yearly. The loans have no formal repayment dates but the Directors do not anticipate the loans will be recalled within a year, nor for the foreseeable future.

32. Creditors – amounts falling due within one year

	As at 31 March 2015 £'000
Trade creditors	18
Amounts owed to group undertakings	91
Other creditors	3
Accruals and deferred income	274
	386

33. Share capital and share premium account

The movements in share capital and the share premium account are disclosed in notes 19 and 20 to the consolidated financial statements.

34. Other distributable reserve

The movements in other distributable reserve are disclosed in note 21 to the consolidated financial statements.

35. Directors' emoluments and employee information

The average number of persons (including Executive and Non-executive Directors) employed by the Company during the period was:

	Period ended 31 March 2015 Number
Central functions	7
	7

Central functions comprise senior management (including Non-executive Directors), finance and administration.

The aggregate employee benefit expense (including Directors) was:

	Period ended 31 March 2015 £'000
Wages and salaries	453
Social security costs	293
Other pension costs (note 36)	14
	760

Information in respect of Directors' emoluments, share options and pensions is given in the Remuneration Report on pages 46 to 48 of the Annual Report.

36. Retirement benefit schemes

The Company contributes into the personal pension plans of all qualifying employees. The amount charged in the period to 31 March 2015 was £14,000. As at 31 March 2015, no contribution payments were outstanding.

37. Operating lease commitments

At the period end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, falling due as follows:

	As at 31 March 2015 Land and buildings £'000
Within one year	186
In the second to fifth years inclusive	319
	505

Lease payments represent amounts payable by the Company for office premises. The lease term is ten years with a break clause after three years.

38. Related parties

The Company has taken advantage of the exemption available to companies under FRS 101, not to disclose transactions and balances between members of the same group. Note 25 of the consolidated financial statements details the Group's related party transactions.

Directors, secretary and advisers

Directors

Raymond Kenneth Chamberlain	(Non-executive Chair)
Dr Mark Andrew Payton	(Chief Executive Officer)
Martin James Glanfield	(Chief Financial Officer)
Matthew Sidney Mead	(Chief Investment Officer)
Susan Jane Searle	(Non-executive Deputy Chair)
Ian Roland Metcalfe	(Non-executive Director)
Martin James Lamb	(Non-executive Director)

Company secretary
Martin James Glanfield

Company website
www.merciatechnologies.com

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

Independent auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
Four Brindleyplace
Birmingham B1 2HZ

Principal bankers
Barclays Bank PLC
One Snowhill
Snow Hill Queensway
Birmingham B3 2WN

Lloyds Bank plc
125 Colmore Row
Birmingham B3 3SD

Company registration number
09223445

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

Mills & Reeve LLP
Botanic House
100 Hills Road
Cambridge CB2 1PH

Nominated adviser and broker
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Company registrar
SLC Registrars
42-50 Hersham Road
Walton-on-Thames
Surrey KT12 1RZ

Public relations adviser
Instinctif Partners
65 Gresham Street
London EC2V 7NQ

Notice of annual general meeting

Mercia Technologies PLC

(Incorporated and registered in England and Wales with registered number 09223445)

Notice is hereby given that the Annual General Meeting ("AGM") of Mercia Technologies PLC (the 'Company') will be held at the offices of Instinctif Partners at 65 Gresham Street, London EC2V 7NQ on Monday 7 September 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed in the case of resolutions 1 to 11 as ordinary resolutions and resolution 12 as a special resolution):

Ordinary business
ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts of the Company for the period ended 31 March 2015 together with the Directors' Report and Auditor's Report thereon.
2. To approve the Directors' Remuneration Report for the period ended 31 March 2015.
3. That Raymond Chamberlain, who retires as a Director in accordance with Article 89.2 of the Articles of Association (the 'Articles') and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
4. That Dr Mark Payton, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
5. That Martin Glanfield, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
6. That Matthew Mead, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
7. That Susan Searle, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers herself for re-election as a Director, be re-elected as a Director of the Company.
8. That Ian Metcalfe, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
9. That Martin Lamb, who retires as a Director in accordance with Article 89.2 of the Articles and being eligible to do so, offers himself for re-election as a Director, be re-elected as a Director of the Company.
10. To re-appoint Deloitte LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next AGM of the Company at which the Company's accounts are laid and to authorise the Directors to determine the amount of the auditor's remuneration.

Special business
ORDINARY RESOLUTION

11. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £212.00 provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next AGM of the Company and 30 September 2016 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to section 551 of the Act.

SPECIAL RESOLUTION

12. That, subject to the passing of resolution 11, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 11 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or sale of equity securities up to an aggregate nominal amount of £212.00, provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next AGM of the Company and 30 September 2016 save that the Company shall be entitled to make, prior to the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or sold after such expiry, and the Directors may allot and/or sell equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities previously granted to the Directors to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.

By order of the Board of Directors

Martin Glanfield
Company Secretary
31 July 2015

Registered Office: Forward House, 17 High Street, Henley-in-Arden, Warwickshire B95 5AA

NOTES:

Proxies

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend, speak and vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member. To appoint more than one proxy, the proxy form should be photocopied and the name of the proxy to be appointed indicated on each form together with the number of shares that such proxy is appointed in respect of (which, in aggregate, should not exceed the number of shares held by the member). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. A form of proxy is enclosed with this notice. Forms of proxy may also be obtained on request from the Company's registered office. In order to be valid any proxy form appointing a proxy must be returned duly completed no later than 10.00 a.m. on 3 September 2015, in hard copy form by post, by courier, or by hand to the Company's Registrar, SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ, United Kingdom.

   Submission of a proxy appointment will not preclude a member from attending and voting at the AGM should they wish to do so.

   To direct your proxy on how to vote on the resolutions, mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
3. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be returned to the office of the Company's Registrar with your proxy form.

Thresholds and entitlement to vote

4. To be passed, ordinary resolutions require a majority in favour of the votes cast and special resolutions require a majority of not less than 75% of members who vote in person or by proxy at the meeting. On a show of hands every shareholder who is present in person (or being a company is present by a representative not himself a shareholder) and who is allowed to vote at a general meeting shall have one vote. Upon a poll every member holding Ordinary shares who is present in person or by proxy (or being a company is represented) shall have one vote for every Ordinary share of which he is the registered holder.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 3 September 2015 (or if the AGM is adjourned, members entered on the Register of Members of the Company no later than 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend, speak and vote at the AGM in respect of the number of Ordinary shares registered in his or her name at that time. Changes to entries on the Register of Members of the Company after 6.00 p.m. on 3 September 2015 shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
8. As at 30 July 2015, being the latest practicable date before the publication of this notice of AGM, the Company's issued share capital consisted of 212,000,000 Ordinary shares each carrying one vote. Therefore, the total voting rights in the Company as at 30 July 2015 is 212,000,000.

Miscellaneous

9. Copies of the Directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours from 30 July 2015 and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.
10. Members who have general queries about the AGM should write to the Company Secretary at the registered office of the Company: Forward House, 17 High Street, Henley-in-Arden, Warwickshire, B95 5AA, United Kingdom.

Explanation of resolutions

1. *Resolution 1* – The Directors are required to present the accounts, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report and Accounts 2015.
2. *Resolution 2* – Shareholders are required to approve the Directors' Remuneration Report for the financial period.
3. *Resolutions 3 to 9 – retirement by rotation* – At each AGM, any Director who has been appointed by the Board since the previous AGM, in addition to those Directors who are required to retire by rotation pursuant to the Articles, shall retire and submit themselves for re-election by shareholders. Pursuant to Article 89.2 of the Articles, all of the Directors are required to retire and submit themselves for re-election as this is the first AGM of the Company following their appointment.
4. *Resolution 10 – auditor re-appointment and remuneration* – At each meeting at which the Company's accounts are presented to its shareholders, the Company is required to appoint an auditor to serve until the next such meeting and seek shareholder consent for the Directors to set the remuneration of the auditor.
5. *Resolution 11 – general authority to allot* – This resolution, to be proposed as an ordinary resolution, relates to the grant to the Directors of an authority to allot unissued Ordinary shares until the earlier of the conclusion of the AGM to be held in 2016 and 30 September 2016 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum of nominal amount of £212.00 (representing 10% of the issued Ordinary share capital of the Company as at 30 July 2015 (the latest practicable date prior to the publication of this document)).
6. *Resolution 12 – statutory pre-emption rights* – The Act requires that if the Directors decide to allot unissued shares in the Company or sell them out of treasury for cash, the shares proposed to be issued or sold must be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot and/or sell shares out of treasury for cash without regard to the provisions of section 561(1) of the Act. Therefore this resolution, to be proposed as a special resolution, seeks authority to enable the Directors to allot and/or sell equity securities out of treasury up to a maximum nominal amount of £212.00 (representing 10% of the issued Ordinary share capital of the Company as at 30 July 2015 (the latest practicable date prior to the publication of this document)). This authority expires on the earlier of the conclusion of the AGM to be held in 2016 and 30 September 2016 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.

Notes

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technologies