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Castle Street Investments plc

("Castle Street" or "the Company")

Acquisition of Selection Services Investments Limited, Placing and Re-Admission to AIM

Castle Street Investments plc (AIM: CSI), is pleased to announce it has agreed to acquire Selection Services Investments Limited ("Selection"), a UK focused provider of IT solutions and Cloud services, for an enterprise value of £34.8 million. The Company has also conditionally raised £30 million by way of an oversubscribed placing of new Ordinary Shares.

Highlights:

- Platform acquisition to start buy and build in the IT solutions and Cloud services sector supported by organic growth
    - Seeking to build an integrated IT solutions and Cloud services business
    - Potential to expand capabilities and service offering whilst improving margins by focusing on higher value services
- MXC Capital originated the opportunity and is acting as cornerstone investor, subscribing for £12.9 million of equity and will own 24.9% of issued share capital post Admission
- Placing more than 2x oversubscribed, supported by high quality institutional shareholders
- Experienced management team recruited with track record of delivering growth and shareholder value, to be led by Andy Ross, partner in MXC Capital, as CEO
- Selection is an established business with £35 million of revenues, 65% of which are recurring
- Selection has over 500 active customers who typically have between 250-3,000 seats
- The Company will have available cash resources of £16.5 million at Admission
    - In addition, terms agreed for a £7 million revolving credit facility and a £2 million overdraft (with up to a further £10 million available under an accordion)

The Acquisition will be funded by a combination of the Company's existing cash resources and the placing of 100,000,000 new Ordinary Shares raising £30 million (approximately £28.4 million net of costs). The additional proceeds of the Placing will be used to strengthen the Company's balance sheet in line with its future strategy of making targeted acquisitions within the IT services sector.

The Acquisition and the Placing are subject, inter alia, to Shareholder approval at the General Meeting to be held at 10.00 a.m. on 20 January 2016 at the offices of DAC Beachcroft, 100 Fetter Lane, London EC4A 1BN.

Bill Dobbie, Non-Executive Chairman of Castle Street, said:

"It has been our stated investment strategy to seek investment into a profitable and cash generative business with an experienced management team, good revenue visibility and growth opportunities. We believe that in Selection we have identified a business that meets these criteria and look forward to an exciting future."

Andy Ross, incoming CEO of Castle Street said:

"The smaller end of the IT services sector is highly fragmented providing an exceptional opportunity for a buy-and-build platform focusing on IT solutions and Cloud services. The combination of a strong balance sheet, the new management team we are building and MXC's proven track record in the sector is a powerful one that will set us apart and presents a great opportunity to deliver value for shareholders."

The Acquisition constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies and is therefore conditional, inter alia, on approval by Shareholders which will be sought at a general meeting of the Company, notice of which is set out at the end of the Admission Document, extracts from which can be found below. The Admission Document will be posted to Shareholders today and is available on the Company's website: www.castlestreetinvestments.com.

Further to the announcement of 24 December 2015, trading in the Company's shares will remain suspended pending Shareholder approval at the General Meeting.

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N+1 Singer (Nominated Adviser and Broker) Sandy Fraser Jen Boorer	Tel: +44 (0)20 7496 3000
MXC Capital Markets LLP (Financial Adviser) Marc Young Charlotte Stranner	Tel: +44 (0)20 7965 8149

The following text has been extracted from the Admission Document which has been published today.

Capitalised terms shall have the same meaning as in the Admission Document unless the context requires otherwise.

Introduction

The Company today announced that it had conditionally agreed to purchase the entire issued share capital of Selection. The enterprise value of the Acquisition is £34.8 million payable as to £34.4 million in cash and as to the balance by the issue of 1,353,810 new Ordinary Shares.

In order to part finance the Acquisition, strengthen the balance sheet in line with its future strategy of making targeted acquisitions within the IT solutions and Cloud services sector, and for general working capital purposes, the Company also announced the conditional placing of the Placing Shares at 30 pence per share to raise £30 million before expenses, including a strategic investment in the Company by MXC Capital, a technology focused merchant bank. MXC Capital is subscribing in the Placing for 43,000,000 new Ordinary Shares, representing 24.9 per cent. of the Enlarged Issued Share Capital, alongside certain new and existing institutional investors and certain of Proposed Directors.

Upon completion of the Placing and the Acquisition, the New Ordinary Shares will rank pari passu with the Existing Ordinary Shares. Application will be made for the admission of the Enlarged Issued Share Capital to trading on AIM. The Acquisition constitutes a reverse takeover for the purposes of the AIM Rules for Companies and, accordingly, requires Shareholder approval, which is being sought at the General Meeting to be held at the offices of DAC Beachcroft LLP at 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 20 January 2016. The Acquisition and Placing are conditional upon, amongst other things, the passing of the Resolutions and Admission which is expected to take place on or around 21 January 2016.

This document contains detailed information about Castle Street Investments, Selection, the Acquisition and the Placing and explains why the Directors consider that the Placing and the Acquisition are in the best interests of the Company and its Shareholders as a whole and recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document, as they intend to do in respect of their beneficial holdings of 14,683,641 Ordinary Shares, representing 20.6 per cent. of the Existing Issued Share Capital.

Background information on Castle Street Investments

The Company was established in 2005 by two founding partners (of which one was Bill Dobbie) and was admitted to trading on AIM on 30 June 2010 as Easydate plc, an internet based dating operator. At this time, through its network of websites, the Company had built a base of over 13 million registrants and over 9 million members in 29 countries. In January 2011, the Company was renamed and rebranded as Cupid plc with a focus on international markets, as well as the UK, and the expansion of its global presence.

In July 2013, the Company completed the disposal of its casual dating business to focus on developing its core traditional dating assets. New opportunities were also identified outside dating with a proposed digital capability adding complementary services. However, in 2014 changes in the dating market accelerated and new applications put pressure on traditional online dating business models. A strategic review of its dating business in the summer of 2014 led to the sale of the traditional dating assets and, with effect from 24 December 2014, the change of status to an investing company under the AIM Rules.

Since that time the Directors' focus has been on ensuring a smooth exit from the legacy business and related liabilities and turning the Company into a well-capitalised cash shell which could either exploit new opportunities in line with its published investing policy or return cash to shareholders. The gross proceeds of sale of the dating assets amounted to £38.6 million and, as previously announced, the Company's expectation is to close 2015 with a projected cash balance of £22 million after taking account of remaining outstanding liabilities, and excluding the costs associated with the Selection transaction. The Directors believe that the acquisition of the Selection business, as described more fully below, represents an opportunity to redeploy the Company's cash reserves, in combination with an injection of additional capital, within a market sector which is ripe for further consolidation and which offers the prospect of significant returns for existing and new shareholders.

Background information on Selection
Selection is a supplier of IT solutions and Cloud related services providing:

- professional, flexible and reliable IT support;
- fully managed IT solutions and Cloud related services;
- bespoke IT project delivery; and
- expert, strategic IT consultancy and advice.

Selection works with a variety of customers throughout the UK, delivering solutions that help clients improve their performance and productivity while reducing costs by deploying a range of IT solutions and related services.

Detailed information on Selection and its business activities is set out below.

Reasons for Acquisition
In line with its investing policy the Company's stated strategy has been to seek investment in a business with, amongst other characteristics, experienced senior management, good growth opportunities, demonstrated profits, positive cash flows and good revenue visibility. The Directors believe that in Selection they have identified a business that meets these criteria and which represents a strong and stable platform from which to make further acquisitions to supplement organic growth. As such, the Acquisition signals a longer-term strategy to position the Company as a consolidator within the IT services sector, which the Directors and Proposed Directors believe offers ample opportunities for further acquisitive growth.

More specifically, the Directors and Proposed Directors believe that there are greater opportunities to generate longer term shareholder value through the Acquisition than by a return of the Company's cash to shareholders and consider that the opportunity represented by the Acquisition is in the best interests of the Company and Shareholders for the following reasons:

- Structural and technological change has created high growth segments in the IT services market as businesses increasingly look to external providers for outsourced cloud management services, data centre hosting, network services and IT infrastructure modernisation.
- Selection is an established business with significant recurring revenue (c. 65% of total revenues in the last financial year to 30 June 2015) from delivering IT services into a broad client base with improving margin profiles and strong cash generation.
- Selection's service offering and customer engagement model cultivates long-term customer relationships that drive an increasing proportion of contracted revenues.
- Selection's strategy is aligned to the structural trends and growth segments within the IT services market. Data centre, network services and Cloud based offerings all support the transformation of aclient's IT infrastructure and systems and Selection is increasingly delivering this transformation on an outsourced basis.
- Members of the Selection management team have substantial sector expertise and in depth knowledge of the current client base and target market.

The Directors and Proposed Directors believe that the opportunity exists to increase shareholder value through an acquisition strategy focused on driving consolidation of the fragmented IT solutions and Cloud services sector and in particular extending Selection's capabilities in data centre hosting and network services. The Directors and Proposed Directors believe that increased scale and reach will be necessary in the future to compete in the IT services market. Many of the current players could be regarded as sub-scale and a consolidation strategy provides the opportunity for value creation from revenue and cost synergies.

Furthermore, an enlarged business should have a stronger competitive market proposition as a result of a broader portfolio of products and a wider customer base.

Growth strategy for the Enlarged Group
The Directors and Proposed Directors believe that the Enlarged Group, with an established IT solutions and Cloud services business, will have a solid platform from which to accelerate growth.

The strategic objectives are to grow through:

- broadening the current customer base;
- cross-selling more services into existing customers; and
- investing in strengthening the current portfolio of products and services, and the New Board will target acquisition opportunities offering data centre hosting, network services and Cloud based solutions.

This will help to position the Company as a consolidator within the IT services sector, which the Directors and Proposed Directors believe offers ample opportunities for further acquisitive growth. The Directors and Proposed Directors believe, consistent with these objectives, that there is an opportunity to build a highly profitable, coherent IT services group with revenues in excess of £100 million within a timeframe of three years.

Organic
The Directors and Proposed Directors believe that mid-market organisations have historically not been provided with a full service offering by larger IT infrastructure service providers. Many customers thus either utilise a high level of internal resource or have relationships with multiple suppliers. The Directors and the Proposed Directors are of the view that opportunities exist for Selection to service these businesses more effectively, becoming a go-to technology partner of choice with a strategic aim to be able to deliver a broad range of services from owned data centre and network assets.

Selection has also developed a strong relationship with the Service Provider/Systems Integrator Atos, and generates c. 30% of its revenues from this indirect channel to market. Selection currently has 24 separate contracts with Atos and the Directors and Proposed Directors believe there is potential to expand this relationship going forward as well as there being a potential opportunity for Selection to replicate the Atos relationship with other Service Providers/Systems Integrators in the future.

The Directors and Proposed Directors believe that the existing customer base and target market should continue to offer significant opportunities to provide a broad range of IT related services under long term managed services contracts, which will allow Selection to increase the level of recurring revenues within the business and thus strengthen the forward order book.

Selection has made two strategic acquisitions in the last four years which have strengthened its capabilities in Cloud services (Cloud Data Limited) and in network services (Aggregated Telecom Ltd, known as 8el). The Directors and the Proposed Directors believe that these acquisitions have allowed Selection to provide complementary solutions over and above the existing capabilities that already existed in Selection, and this has supported the move into developing longer-term and more complex relationships with the larger end of the customer base. Selection also delivers a broad range of IT related project-based and procurement services to customers with c. 25% of revenues derived from these activities.
Selection's customer base includes both private and public sector customers, and over the last two years it has invested significantly in building a more capable and effective sales team that can continue to grow the customer base across all sectors.

Acquisitions
The future strategy of the business is to make targeted acquisitions. Specifically, the aim is to source assets offering data centre infrastructure, network connectivity and managed services, with customers that can be transitioned through the Enlarged Group's offering, or companies that would complement or broaden current skills sets and technology plays. More specifically, the strategy will aim to increase the Enlarged Group's scale and reach whilst adding a broader skills and product portfolio with which to service a larger client base.
The New Board intends to target opportunities with potential to improve the Enlarged Group's ratio of recurring revenues, with a focus on improving cash generation and driving margin accretion through synergies.

The New Board believes the potential synergies from execution of this strategy could be significant and support the wider strategic rational. Operating efficiencies from acquisitions could include property consolidation, elimination of corporate overhead and operational rationalisation and greater purchasing power when dealing with product vendors.

Particular focus will be given to data centre hosting, network services, hosted desktop/VoIP, unified communications and managed security. In line with this strategy a number of potential acquisition targets have already been identified that would strengthen the Enlarged Group's portfolio of products and services and support accelerated growth. The New Board will seek to actively engage these targets as soon as practicable following Admission.

Current trading
Castle Street Investments
The Company's recent focus has been to seek to transition into a well-capitalised investment vehicle. The

Directors believe that good progress has been made since the last financial year-end to settle outstanding liabilities and residual receivables. Castle Street Investments' cash position, net of liabilities, at 31 December 2015 is expected to be in excess of £22 million (c.30.5 pence per share), before taking account of the costs associated with the Selection transaction.

Selection
Since the date to which the latest financial information included in this document has been prepared, Selection has continued to trade in line with the Proposed Directors' expectations, winning new business, and securing a place on the government G Cloud 7 contracting framework with the Crown Commercial Service, enabling it to bid for public sector contracts across the UK. As a result of Selection's current capital structure, it continues to incur high default interest charges on the loan stock, leading to a deterioration in net losses versus budget. The loan stock and accrued interest will be settled as part of the Acquisition.

Enlarged Group
The Directors and the Proposed Directors are encouraged by the trading environment within the wider IT services sector and expect that the combined resources available following completion of the Acquisition represent a strong platform from which the Enlarged Group is well-positioned to prosper.

Additionally, the Company has received an offer from Royal Bank of Scotland plc for a new £7 million revolving credit facility and a £2 million overdraft facility alongside a £10 million accordion post Admission.

Directors, Proposed Directors and Senior Management
Directors
Details of the current directors of Castle Street Investments are as follows:

Bill Dobbie, *aged 56, Non-Executive Chairman*
Bill is an experienced entrepreneur and director specialising in internet, telecoms and technology businesses and founder of Castle Street Investments (formerly Cupid plc). Bill founded Cupid following 7 years at Iomart Group plc in roles spanning founder to non-executive positions.

Bill has been a director of Demon Internet, Prestel, Teledata, Scottish Telecom (Thus) and several other companies. Bill is currently a director of Cloudsoft Corporation, a private entity that produces software for managing public and private cloud infrastructure, and Edinburgh Alternative Finance Ltd, a peer to peer lender. He is also a non-executive director of Tag-Games Ltd, a provider of mobile and social games.

Upon Admission, Bill will step down from his current role as Chairman but will remain as a Non-Executive Director.

Niall Stirling, *aged 58, Chief Financial Officer and Company Secretary*
Niall joined Castle Street Investments (formerly Cupid plc) as Chief Financial Officer in January 2013 and has over 20 years' experience in senior financial and operational roles in branded consumer businesses in the UK, US and across Europe.

After training with Ernst & Young Niall worked at Coca-Cola Schweppes and then as finance director brands for Highland Distillers, owners of The Famous Grouse and The Macallan. As commercial director at Maxxium he set up a premium drinks distributor joint venture turning over £300 million. He then spent 5 years with Red Bull, including 2 years as chief financial officer of Red Bull North America Inc. Prior to joining Castle Street Investments Niall spent 4 years as chief financial officer and then executive director of operations of the Performing Rights Society.

Niall is currently Chief Financial Officer and Company Secretary and will step down as a Director and the Company Secretary upon Admission.

Max Royde, *aged 43, Non-Executive Director*
Max is a partner at Kestrel Partners LLP, a smaller company fund management business. He is also a non-executive director of Gresham Computing plc. Max was appointed as a Director of the Company at the beginning of February 2015 and will step down as a Director upon Admission.

Proposed Directors
On Admission, it is proposed that the following will be appointed to the board of directors of the Company:

Jonathan Watts, *aged 61, Proposed Non-Executive Chairman*
Jonathan is an experienced board executive with corporate governance experience within the IT, Telecommunications and Banking sector in the UK, Australasia and US. Jonathan was President and Founder of GEO Networks, and has held board positions with Alliance and Leicester, Colt Telecommunications, NB3, Bell South and Control Data Corporation.

Andy Ross, *aged 51, Proposed Chief Executive Officer*
Andy is a partner in MXC Capital and upon Admission will also become Chief Executive Officer of the Enlarged Group. He has over 35 years of experience in the IT industry and has previously held chief executive

officer roles at Northgate Managed Services and Valldata, and senior director roles at Atos, EDS, Sema Group and KPMG.

Julian Phipps, *aged 49, Proposed Chief Financial Officer*
Julian is an experienced chief financial officer having spent over 20 years working in the technology sector. He has worked for a number of large IT and Telecommunications businesses including Updata, Northgate Managed Services, Sungard Availability Services and Parity. Prior to working in the technology sector Julian worked for Coopers and Lybrand in Switzerland, Luxembourg and London.

Katherine Roe, *aged 38 (Independent Non-Executive Director)*
Katherine is an experienced Investment Banker having worked at Morgan Stanley and Panmure Gordon. Katherine has extensive experience in advising companies on a range of strategic options, and has worked on multiple IPO launches, equity capital fundraisings and M&A transactions. Katherine is currently Head of Investor Relations and Corporate Communications for Wentworth Resources, a publically listed oil and gas exploration and production company.

Principal terms and conditions of the Acquisition
On 31 December 2015, the Company entered into the Acquisition Agreement with the Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Selection. The consideration for the Acquisition is calculated on the basis of the equity value of Selection as at 31 December 2015 (as per a set of locked box accounts agreed between the Company and the Vendors), being £7.9 million, less the interest payable to certain of Selection's creditors on Selection's outstanding indebtedness with such creditors (the "Indebtedness") for the period from the date of the Acquisition Agreement until Completion. The consideration is to be satisfied as to £7.5 million in cash and £0.4 million in the form of the Consideration Shares to be issued at the Placing Price to certain shareholders of Selection. The Company will also, on Completion, repay the Indebtedness on behalf of Selection, being a payment of £26.9 million.

Pursuant to the terms of the Acquisition Agreement, each Vendor severally warrants, covenants and undertakes to the Company that, except in the case of certain agreed items of permitted leakage, there have been no payments or transfers of value from any Selection Group Company to that Vendor ("Leakage") from the date of the locked box accounts until the date of Completion. Each Vendor is under an obligation to pay to the Company an amount equal to any Leakage on demand, provided that the Company makes such a demand for payment within the 12 month period after Completion.

Completion of the Acquisition Agreement is conditional, amongst other things, upon completion of the Placing, save in respect of the placing proceeds.

The Vendors do not comprise all of the shareholders in Selection, the shareholdings of certain minority shareholders are being acquired by the Company under separate agreements to be entered into pursuant to the terms of the Acquisition Agreement.

Additional information relating to the Acquisition Agreement is set out in paragraph 12.1(b) of Part VII of this document.

Financing of the Acquisition
The Company will use its existing cash resources along with the proceeds of the Placing to satisfy the cash consideration of £7.5 million payable in respect of the Acquisition as well as repaying Selection's indebtedness, being a payment of £26.9 million. The remaining £0.4 million consideration will be satisfied by the issue of Consideration Shares.

The pro forma statement of net assets of the Enlarged Group set out in Part VI of this document shows pro forma net cash of £13.9 million as at 30 June 2015 after adjusting for the Acquisition.

The Placing and the MXC Warrants
In order to part fund the cash consideration for the Acquisition and the associated transaction costs, to strengthen the balance sheet in line with its future strategy of making targeted acquisitions within the IT services sector, and for general working capital purposes the Company is seeking to raise £30 million pursuant to the Placing through the issue of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 57.9 per cent. of the Enlarged Issued Share Capital immediately following Admission. Further details of the Placing Agreement which contains the terms upon which the Placing is being undertaken are described in paragraph 12.1(a) of Part VII of this document. The Placing is not being underwritten. Following Admission the Placing Shares will rank pari passu with the Existing Ordinary Shares.

In consideration of MXC Capital's agreement to subscribe in the Placing for 43,000,000 Ordinary Shares to the value of £12.9 million, MXC Capital has been granted evergreen warrants over 5 per cent. of the Enlarged Issued Share Capital at the Placing Price (the "Warrants"), subject to adjustment to reflect any further equity issues Further details of the Warrants and the Warrant Instrument are set out in paragraph 12.1(e) of Part VII of this document.

Management incentivisation arrangements

The Directors and Proposed Directors believe that the success of the Enlarged Group will depend to a high degree on management and other members of staff being appropriately motivated and rewarded. The Enlarged Group is therefore proposing to establish the New Employee Share Scheme, designed to assist in the recruitment, motivation and retention of staff and which, for executive directors and senior managers, carries performance conditions which align the interests of the management team with those of Shareholders.

Participants in the New Employee Share Scheme will be entitled in aggregate to 5 per cent. of future Shareholder value generated, which will be calculated by reference to the growth in the market capitalization of the Company following Admission over a period of between 3 to 7 years, as adjusted for the issue of new Ordinary Shares after Admission (but excluding any new Ordinary Shares issued pursuant to the New Employee Share Scheme) and taking into account dividends and capital returns, if any. Andy Ross will participate in the New Employee Share Scheme in respect of 2 per cent. of future shareholder value generated and Julian Phipps will participate in the New Employee Share Scheme in respect of 1 per cent. of future shareholder value generated. Further details of the New Employee Share Scheme are set out in paragraph 19 of Part VII of this document.

In addition, it has been resolved that Jonathan Watts will be granted options to the value of £200,000, exercisable at the Placing Price.

Lock-ins and orderly market provisions

The Locked-in Persons have undertaken to the Company and N+1 Singer that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their respective interests in the Ordinary Shares held by them and their connected persons at any time during the period of 12 months following Admission. In addition, certain orderly market provisions will apply for a further period of 12 months after expiry of the 12 month lock-in period.

Related party transactions

The participation of Kestrel Partners LLP, a substantial shareholder in the Company, in the Placing constitutes a related party transaction for the purposes of AIM Rule 13 (the "Related Party Transaction").

The independent directors, Niall Stirling and Bill Dobbie, having consulted with the Company's nominated adviser, N+1 Singer, considers that the terms of the Related Party Transaction are fair and reasonable insofar as Independent Shareholders are concerned.

The Takeover Code

The Takeover Code will govern takeover offers for the Company and other matters to which the Takeover Code applies. For further detail, see paragraph 20 of Part VII.

Working capital

The Directors and Proposed Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing and the existing cash resources available to the Enlarged Group, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

Dividend policy

The New Board does not expect to recommend the payment of any dividends in respect of the 2016 financial year during which period, for the reasons set out above, they intend that the Enlarged Group's free cash resources should be deployed in implementing the strategic development plan. The level of any dividends in respect of future financial periods will take account of the Enlarged Group's profitability, current cash position and prospects, whilst also having regard to the future cash demands of the business and its strategy of making targeted acquisitions.

Corporate governance

The Directors and the Proposed Directors recognise the value and importance of high standards of corporate governance. Accordingly, whilst the UK Corporate Governance Code does not apply to AIM companies, the Directors and the Proposed Directors intend to continue to observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in the light of the Group's size, stage of development and resources. The Directors and Proposed Directors also propose, so far as practicable, to follow the recommendations set out in the Corporate Governance Code for Small and Mid-Size Companies published by the Quoted Companies Alliance.

New Board

The New Board will continue to be responsible for the overall management of the Enlarged Group including the formulation and approval of the Enlarged Group's long term objectives and strategy, the approval of budgets, the oversight of Enlarged Group operations, the maintenance of sound internal control and risk management systems and the implementation of the Enlarged Group's strategy, policies and plans. Whilst the New Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the New Board; such reserved matters will include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The New Board will formally meet on a regular basis to review performance.

At Admission, the New Board is expected to comprise 5 directors, of whom 2 are executive and 3 are non-executive. The New Board considers Jonathan Watts (Non-executive Chairman) and Katherine Roe (Non-executive Director) to be independent for the purposes of the UK Corporate Governance Code.

The New Board will have an audit committee and remuneration committee with formally delegated duties and responsibilities, as described below.

Audit committee
The audit committee will continue to be responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems, monitoring the effectiveness of the internal audit function 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 comprise Jonathan Watts, Bill Dobbie and Katherine Roe and is chaired by Katherine Roe. The audit committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee will also meet regularly with the Company's external auditors.

Remuneration committee
The remuneration committee will be responsible for determining and agreeing with the New Board the framework for the remuneration of executive directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non-executive directors will be a matter for the chairman and the executive members of the New Board. No director will be involved in any decision as to his or her own remuneration.

The remuneration committee will comprise Jonathan Watts, Bill Dobbie and Katherine Roe and is chaired by Katherine Roe. The remuneration committee will meet at least twice a year and otherwise as required.

Share dealing code
The Company has adopted a share dealing code for the directors and applicable employees of the Enlarged Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules). The Directors and the Proposed Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company will continue to take all reasonable steps to ensure compliance by the directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

General Meeting
Set out at the end of this document is a notice convening the General Meeting to be held on 20 January 2016 at the offices of DAC Beachcroft LLP at 100 Fetter Lane, London EC4A 1BN at 10.00 a.m., at which the following Resolutions will be proposed for the purposes of:

- approving the Acquisition;
- authorising the Directors to allot the New Ordinary Shares;
- approving the disapplication of statutory pre-emption provisions to enable the directors in certain circumstances to allot the New Ordinary Shares for cash other than on a non-pre-emptive basis; and
- ratifying the dividend paid by the Company in July 2014 and to release all obligations and waive all claims in respect thereof.

Admission and CREST settlement
As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, Shareholder consent to the Acquisition is required at the General Meeting. If the Resolutions are duly passed at the General Meeting, the admission of the Company's Existing Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and the Enlarged Issued Share Capital will be admitted to trading on AIM on Admission.

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 21 January 2016.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirement of CREST. The New Ordinary Shares are eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in Ordinary Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Irrevocable undertakings
Insofar as they are interested in Ordinary Shares, Bill Dobbie, Kestrel Partners LLP and Richard Griffiths, together with persons connected with them, have given irrevocable undertakings to the Company to vote in favour of the Resolutions (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not them), in respect of their entire beneficial holdings totalling, in aggregate, 38,930,431 Ordinary Shares, representing approximately 54.7 per cent. of the Existing Issued Share Capital.

INFORMATION ON SELECTION

Information on Selection
Selection is an IT solutions and Cloud services company with over 300 IT professionals delivering services to over 500 customers across the UK within both the Public and Private Sectors.

In 2011, Palatine backed a management buy-out that has allowed Selection to grow supported by an ongoing investment program in infrastructure and service capability. Significant investment has been made in ensuring high levels of service quality and Selection has obtained ISO 9001 and ISO 27001 certifications.

Selection has a full range of IT solutions that are delivered from Selection's offices in Croydon, Bromley and Reading with additional Cloud services being delivered from 4 data centres strategically located in and around London.

Selection's portfolio of services includes:

- Managed Services
  - Lifecycle Management
  - Infrastructure Monitoring and Management
  - Service Desk
  - Networks
- Cloud
  - Managed Private Cloud
  - Self Managed Private Cloud
  - Back up and Recovery
  - Hosted VoIP
  - Systems Management
- Projects and Products
  - Project Management
  - On-site Support
  - Consulting
  - Procurement

Growth in turnover and profit has been achieved via a combination of organic growth and the strategic acquisitions of Cloud Data Limited in 2011 and Aggregated Telecom Ltd, known as 8el, in 2013.

Operating structure
Selection has around 370 employees, around 340 of whom are employed in client facing roles either in sales positions or primarily in client service delivery. The sales and marketing team currently has 37 employees.

Selection has 306 staff in technical and service delivery (including service desk). The majority of staff are based in Selection's offices in Croydon, Bromley and Reading or on-site at customer premises. In addition, Selection employs a number of mobile field-based engineers.

The remaining 42 employees are split between central functions, primarily human resources, finance and administration and are based in Croydon and Bromley.

Grahame Harrington (Managing Director) and Mark Woodall (CFO) will both leave Selection upon Completion of the Acquisition. Details of key senior management personnel who will continue to be employed within the Enlarged Group following Completion are set out below:

Phil Offord – *Sales and Marketing Director*
Phil is an experienced sales and marketing professional with a proven track record of transforming sales teams to deliver strong and sustainable sales performance. Prior to joining Selection in 2014 Phil was UK sales director for Logicalis, having previously held senior sales positions at Computer Associates. Phil will remain

as Sales and Marketing Director upon Completion.

Paul Clark – *Chief Technology Officer*
Paul is an experienced chief technology officer who has built a career working with significant end user organisations including Game, JP Morgan and Motorola. With experience of IT Managed Services from both a user and provider perspective, Paul has a clear view of how technology can be used to deliver business value. Paul will become Operations Director upon Completion.

Customers and partners
Selection has approximately 500 customers across both the public and private sectors, with c. 65% of revenues in the year to 30 June 2015 being recurring in nature.

Selection has strong relationships across its customer base, including significant historical length of tenure with many of its key customers. The top 25 customers generated c. 70% of total revenues in the year to 30 June 2015 of which the largest, Atos, generated c.30%. Selection currently has 24 separate contracts with Atos and there is potential to expand this relationship going forward. Other key customers include Accenture, Avis, JO Hambro, KPMG and Nuffield Health.

Selection has different charging mechanisms depending on the nature of the solutions and services being provided to customers:

- IT services and cloud services – predominantly a monthly recurring charge based on delivery of a scope of service to an agreed service level agreement against agreed volumetrics.
- Projects – charged either as fixed price or time and materials.
- Products – typically charged on a cost plus margin basis.

Financial information on Selection
The following audited financial information relating to Selection has been extracted from the historical financial information set out in Section B of Part V of the admission document:

		Year ending	
Revenue £'000s	*June 2013*	*June 2014*	*June 2015*
Managed Services	24,839	26,160	25,454
Projects	4,626	5,491	5,068
Procurement	4,013	4,684	4,022
Total	**33,478**	**36,335**	**34,544**

		Year ending	
Gross Profit £'000s	*June 2013*	*June 2014*	*June 2015*
Managed Services	9,159	10,273	10,682
Projects	1,684	1,734	1,501
Procurement	918	1,007	1,291
Total	**11,761**	**13,014**	**13,474**

		Year ending	
Gross Profit %	*June 2013*	*June 2014*	*June 2015*
Managed Services	37%	39%	42%
Projects	36%	32%	30%
Procurement	23%	21%	32%
Total Gross Profit %	**35%**	**36%**	**39%**

EBITDA	1,992	2,905	3,325
EBITDA %	6.0%	8.0%	9.6%
Net operating cash inflows pre-exceptional costs	2,210	3,141	1,803

The growth in 2014 was predominantly driven by Managed Services with the marginal fall in 2015 largely as a result of a drop in one-off Procurement work.

The gross profit rise in 2015 was driven by Managed Services with c. 80% of gross profit comes from Managed Services.

Operating EBITDA increased 45% in 2014 and 15% in 2015 supported by the growth seen in gross margin and the limited increase in overheads.

The low operating cash conversion in 2015 when compared to the previous two years reflects the fall in deferred income and tax and social security creditors.

Market opportunity and competitive environment
The IT services sector is undergoing substantial structural change driven by a shift towards cloud based

technologies and a growing propensity for businesses to outsource the full life cycle of their IT investments. Companies face increasing levels of data traffic and network complexity that increasingly exceeds the scale and capabilities of in-house IT teams. This shift is a key driver of growth in the sector as service providers capitalise on the ability to maximise efficiencies in the provision of technical expertise and the delivery and maintenance of IT systems, enabling corporates to support the delivery of business outcomes and focus resources and capital on core business activities whilst benefiting from the cost effectiveness of the outsourcing model.

A further catalyst is the emergence of cloud services and continued improvements in underlying technology. Demand for cloud services has grown rapidly with awareness of the associated cost, flexibility and reliability benefits. As corporate budgets remain under pressure, the substantial reduction in capital expenditure on IT infrastructure that results from a move to a cloud-based system will continue to drive growth in the segment. A further benefit to the consumer is the greater visibility over IT operating costs derived from long term contracts and service level agreements typical of relationships with managed service providers. This is reflected in greater customer stickiness and improved visibility of revenues for the service provider.

Such contracts typically guarantee network reliability over a specified period, with cloud technology providing the flexibility to scale up system capacity depending on demand. The cost of acquiring and subsequently retaining this capability in house, with the concurrent guarantee of reliability and security, can be prohibitively expensive to lower and mid-market consumers and thus enhances the case for outsourced provision. The long-term, contracted nature of this service provision can deliver a smoother investment profile to the customer whilst Selection's expertise can reduce the risk associated with major changes to IT infrastructure and systems.

Alongside cloud services and automation recent industry trends also include customer demand for more workforce-led end user support services to link technology, processes and culture and digital transformation as organisations assess the extent to which their existing infrastructure can support digital plans providing further benefits to infrastructure services organisations.

The Directors and Proposed Directors believe Selection's focus on providing a broad range of IT solutions and Cloud services allows access to the growth segments of the market, with customers increasingly planning to divest IT teams and infrastructure to external partners who are able to cope with increasing complexity. The UK Infrastructure Services market represents a substantial opportunity: a report from TechMarketView (published in December 2014) estimates the size of the UK Infrastructure Services market at £13.8bn, making it c.40% of the total UK Software and IT Services market.

Selection has a number of competitors including Computacenter, SCC, Kelway, Daisy Group, ANS Group, Intrinsic Technology and Esteem. The Directors and Proposed Directors believe that larger IT service providers with full lifecycle capabilities are generally more inflexible and often cannot meet the needs of the market as effectively as the smaller service providers. The Directors and Proposed Directors believe that Selection's competitive advantage lies in its ability to offer a range of services that cover the entire infrastructure lifecycle and its track record of managing the delivery of transformational infrastructure projects.

Within the IT services sector, cloud and infrastructure services are highly fragmented and high levels of corporate activity persist. The Directors and Proposed Directors believe that Selection should be well positioned to take advantage of this trend in a market that presents multiple attractive acquisition opportunities. The Directors and Proposed Directors believe this strategy will enhance Selection's competitive advantage.