



24 Dublin Street  
Edinburgh  
EH1 3PP  
United Kingdom

24 January 2019

Dear Shareholder,

### **IDE Group Holdings plc (“IDE” or the “Company”) - Open Offer to Subscribe for Secured Loan Notes**

On 10 January 2019, IDE announced that it proposed to raise £10 million in total by way of an issue of secured loan notes (“**LN**s”) in two tranches. £5.3 million of **LN**s (the “**First Tranche LN**s”) have already been subscribed for by two existing shareholders of the Company, MXC Guernsey Limited (“**MXC**”), a wholly owned subsidiary of MXC Capital Limited, and Blake Holdings Limited (“**Blake**”), a company controlled by Richard Griffiths.

The second tranche of £4.7 million of the **LN**s is being made available to all other shareholders by way of the open offer (the “**Open Offer**”). This letter sets out the background to and reasons for the Open Offer, the terms of the **LN**s and how to subscribe for them.

### **Background to and Reasons for the LN Issue**

On 15 October 2018 the Company announced the completion of its strategic and operational review and the sale of 365 ITMS Limited, one of the Group’s subsidiaries (“**365 Sale**”). It also announced that the restructuring of the businesses that remained within the Group, being IDE Group Manage Limited and IDE Group Connect Limited, was ongoing.

To that end, a total of £7.2 million of annualised staff cost reductions have been implemented, along with other operational cost savings including, inter alia, a reduction in software licencing costs and property costs. The Company has also reached a settlement in relation to an outsourced service contract which will result in a saving of c.£3 million over the next three years. The Directors believe that following these cost savings, the Group now has a proportionate cost base.

The Directors are also pleased to announce that in addition to this progress having been made in relation to the Group’s cost base, several of the Group’s material customers have renewed their contracts with IDE, some on a multi-year basis; these contracts have a total contract value of c.£3.6 million. The Directors believe that this is testament to the level of service IDE provides.

Throughout the difficulties that faced IDE during 2018, the Group’s bankers, Natwest Westminster Bank plc (“**Natwest**”), remained supportive of the Company. The proceeds of the 365 Sale were used to reduce IDE’s level of debt; however, the Group’s remaining revolving credit facility (“**RCF**”) of £4.75 million is fully drawn and it has c.£1 million headroom on its £3.5 million overdraft facility (together, the “**Facilities**”). The Company has agreed with Natwest that it will fully repay the Facilities on or before 31 March 2019 and the Directors believe that the issue of the **LN**s will enable IDE to repay the Facilities accordingly, provide additional working capital and deliver longer-term funding for the Group, thereby affording security for all the Group’s stakeholders.

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IDE Group Holdings plc  
Registered Address: 24 Dublin Street, Edinburgh EH1 3PP  
Company Registered in Scotland. Company Number SC 368538

## Use of Proceeds

£4.125 million of the proceeds of the First Tranche Loan Notes has been used towards repayment of the Company's RCF with the balance being put towards working capital. The proceeds of the issue of the LNs under the Open Offer will be used to repay the remaining outstanding balance of the Facilities and to provide additional working capital for the Company.

## Terms of the LNs

The LNs have a term of six years (the "**Term**") and an annual coupon of 12%, which is rolled up, compounded annually and payable at the end of the Term. The LNs carry an arrangement fee of 2.5 per cent., payable at the end of Term, and an exit fee of 2.5 per cent., also payable at the end of the Term. The LNs can be redeemed at any time at the Company's option; however, should the Company opt to redeem the LNs prior to the end of the Term, all interest due until the end of the Term will become payable, together with the arrangement and exit fees, upon such early redemption.

Both the First Tranche LNs and the LNs issued under the Open Offer are secured by a debenture dated 10 January 2019 (containing fixed and floating charges) over the Company's assets (the "**Debenture**"). Provided that the Facilities and all other monies owed to Natwest are repaid in full on the date of issue, such security will constitute a first ranking charge over the assets of the Company. The Debenture has been granted to MXC, as security trustee to hold on trust for each of the noteholders under the terms of a security trust deed (the "**Security Trust Deed**"). Each subscriber for LNs will be required to accede to the terms of the Security Trust Deed in order to obtain the benefit of the Debenture.

A copy of the LN instrument and the Security Trust Deed are available on IDE's website, [www.idegroup.com](http://www.idegroup.com).

## The Open Offer

In order to allow all shareholders of the Company to participate on the same terms as the Initial Subscribers, under the terms of the Open Offer qualifying shareholders will be invited to subscribe for the Second Tranche LNs, pro rata (over all the LNs) to their existing shareholdings on the basis of:

### **1 £1 LN for every 40 existing ordinary shares**

held by shareholders at the record date, being 21 January 2019.

Entitlements under the Open Offer will be rounded to the nearest whole number. Shareholders can subscribe for any amount of LNs up to their entitlement. The LNs are not convertible.

The First Tranche LNs represent the pro-rata entitlement of MXC and Blake of the total £10 million of loan notes to be issued, being £4.3 million for MXC and £1 million for Blake. Therefore, MXC and Blake are not entitled to participate in the Open Offer.

However, the Company and MXC have entered into an underwriting agreement whereby, to the extent that other shareholders do not subscribe for all the LNs under the Open Offer, MXC will forthwith subscribe for any balance of such LNs not so subscribed for (the "**Underwriting Agreement**"). Under the terms of the Underwriting Agreement, IDE will pay MXC a fee equal to 5 per cent. of the value of the LNs subscribed for by it under the Open Offer and a fee equal to 2.5 per cent. of those LNs subscribed for by other shareholders under the Open Offer.

Kestrel Opportunities, a cell of Guernsey Portfolios PCC Limited, a 9.1 per cent. shareholder of the Company, has undertaken to fully subscribe for its entitlement to LNs under the Open Offer, being £0.9 million.

## Money Laundering Regulations

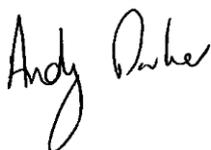
To ensure compliance with the Money Laundering Regulations 2007 (the “**Regulations**”) as subsequently amended, it is a term of the Open Offer that Computershare Investor Services PLC (the “**Receiving Agent**”) may, at its absolute discretion, require verification of identity including by electronic means from any person completing an Application Form (the “**Applicant**”) and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of a cheque or banker’s draft drawn on an account in the name of any person or persons other than the Applicant or (ii) appears to the Receiving Agent to be acting on behalf of some other person. This may involve verification of the identity of any person on whose behalf the Applicant appears to be acting. Lodging of an Application Form with the appropriate remittance constitutes a warranty by the Applicant that the Regulations will not be breached by the acceptance of the remittance and an undertaking to provide such evidence of identity at the time of lodging an Application Form or, in the absolute discretion of the Company, within a reasonable time thereafter (in each case to be determined at the absolute discretion of the Company and the Receiving Agent) as may be required to ensure compliance with the Regulations.

If satisfactory evidence of identity has not been received by the Receiving Agent within a reasonable period of time, then the Application Form may be rejected, in which event the application will not proceed any further and the application monies (without interest) will be returned to the bank account on which the cheque was drawn at the Applicant’s own risk. Where possible, Applicants should make payment by cheque in their own name. If a banker’s draft or building society cheque is used, the Applicant should write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and ask the bank or building society to endorse on the reverse of the draft or cheque the full name and account number of the person whose account number is being debited and stamp such endorsement. The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agent’s right to require verification of identity as indicated above).

The expected timetable of principal events in relation to the Open Offer can be found in the Appendix to this letter.

Details on the procedure for the subscription of and the payment for LNs under the Open Offer can be found on the Application Form accompanying this letter.

Yours faithfully,



Andy Parker  
Executive Chairman

For and on behalf of  
IDE Group Holdings plc

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## APPENDIX

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

**2019**

Record Date and time for entitlements under the Open Offer	Close of business on 21 January
Publication and posting of this Letter and the Application Form	24 January
Ex-entitlement Date	25 January
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 7 February
Latest time and date for receipt of completed Application Forms from shareholders and payment in full under the Open Offer	11.00 a.m. on 11 February
Expected date for despatch of loan note certificates	22 February

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