

Consolidated Balance Sheet

as at 30 November 1999	30 November 1999 (unaudited)		30 November 1998 (unaudited)		31 May 1999 (audited)	
	£000	£000	£000	£000	£000	£000
Fixed assets						
Investments		196		—		146
Tangible assets		293		359		300
		489		359		446
Current assets						
Debtors	1,313		774		1,038	
Cash at bank and in hand	802		551		826	
	2,115		1,325		1,864	
Creditors: amounts falling due within one year	(627)		(291)		(547)	
Net current assets		1,488		1,034		1,317
Total assets less current liabilities		1,977		1,393		1,763
Creditors: amounts falling due after more than one year		—		—		(5)
Net assets		1,977		1,393		1,758
Capital and reserves						
Called up share capital		233		233		233
Other capital reserves		1,090		1,046		1,090
Profit and loss account		654		114		435
Equity shareholders' funds		1,977		1,393		1,758

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EPIC

GROUP PLC



Online Learning



Online Business



Online Investments

1999

Interim Report

Chairman's Statement

I am pleased to report a 90% increase in Group profits before taxation for the six months to 30 November 1999 to £216,000 (1998: £114,000). Turnover increased by 40% to £1,904,000 (1998: £1,362,000).

Our growth is due to our predicted increase in orders for online learning and online business solutions. At the date of this statement our order book is close to £3 million, our highest ever. Orders have been particularly strong in the last month and we have managed to achieve our order target for the full year with one-third of the year remaining. We are, therefore, well placed to achieve our growth plans for next year.

Trading during the first half

We have progressed in all three of our business divisions so far this year. We have:

1. completed one of the largest online learning projects to date in the UK;
2. expanded our online business projects; and
3. made a small investment in an early stage online venture.

Online learning

In November and December Epic delivered the first 85 hours of a major online learning initiative within the Royal Bank of Scotland. The Royal Bank of Scotland is at the forefront of using the internet to deliver learning in the banking sector. A significant project has recently been started with another major retail bank.

We are delighted to have had our status of approved supplier to British Airways renewed and expect this to lead to an increase in work in the near future. We are already pitching for a number of projects and hope to start work on the first of these in the next few weeks.

In January we were awarded the contract to develop a large online learning project for PricewaterhouseCoopers. During the same month we signed a technology partnership and contract with Video Arts Limited. As part of this partnership we will be creating new internet, intranet and CD-ROM versions of 25 programmes in the Video Arts catalogue.

During this year we have won further contracts with new blue-chip customers. These new online learning customers include the Inland Revenue, Customs & Excise, a network provider, a telecoms provider, a high street opticians and a leading supermarket retailer.

We have won further contracts with the University for Industry for whom we are a primary supplier.

Online Business

Online business activities have also grown in the period. These include e-commerce, portals and web-enablement projects.

Building on the success of e-commerce projects for Direct Line and others, we have e-commerce projects under way for a major travel company, a telecoms service provider and one of the largest suppliers of language training courses.

National, Regional and Local Government have all begun to web-enable their organisations. We have completed the development of major internet and intranet projects, including the Planet Britain 2000 portal for the Foreign and Commonwealth Office, a business portal for a Regional Development Association and are working on major projects with two local authorities. We expect the public sector to generate increasing revenues over the next year.

We are building on our portal experience to develop large vertical and learning portals. These projects offer significant business opportunities in terms of development and revenue sharing.

Online Investments

Epic has made and will continue to make small investments in early stage businesses with rapid growth potential.

We stated in the 1999 Annual Report that the progress being made by Cityspace Limited justified the reinstatement of a carrying value for our investment in the company. The company is currently embarking on a further round of funding and we are satisfied that the treatment of our investment remains prudent.

In September 1999 we made an investment in Digital Bridges Limited. Digital Bridges is developing a platform for the delivery of WAP services to mobile devices. Since the fund-raising, the company has strengthened its management team and development

capabilities. They are currently arranging a second round of fund-raising.

We have a number of opportunities for further small investments in the near future and we hope to complete one or more of these before the end of this financial year.

Shareholders

During the period, Quester Capital Management and Atlas Ventures shares were purchased by institutional investors. They introduced venture capital to the Company in 1994 and the Company is grateful for their support.

Future prospects

We have made substantial progress in all three areas of the business in the first half of this financial year. Online learning and online business are experiencing rapid growth. The level of orders won so far means that we are well placed to meet our targets for the year and we will raise our existing revenue targets for the next financial year.

Michael Inwards

Chairman

7 February 2000

Summary Consolidated Profit and Loss Account

	Half-year to 30 November 1999 (unaudited) £000	Half-year to 30 November 1998 (unaudited) £000	Year to 31 May 1999 (audited) £000
for the half-year ended 30 November 1999			
Turnover	1,904	1,362	3,084
Operating profit	208	94	358
Exceptional items	—	—	91
Operating profit after exceptional items	208	94	449
Interest receivable	10	21	30
Interest payable and similar changes	(2)	(1)	—
Profit on ordinary activities before taxation	216	114	479
Taxation	—	—	—
Retained profit for the financial period	216	114	479
Earnings per share (pence)	0.93p	0.49p	2.05p
Fully diluted earnings per share (pence)	0.85p	0.46p	2.00p

The comparative figures for the financial year ended 31 May 1999 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Earnings per share have been calculated using the weighted average number of shares in issue during the period of 23,320,256 (1998: 23,320,256). Fully diluted earnings per share have been calculated using an average number of shares in issue of 25,496,326 (1998: 24,772,326).

Copies of this announcement will be posted to shareholders and are available to members of the general public from the company's registered office, 52 Old Steine, Brighton, East Sussex, BN1 1NH.