

■ CONSOLIDATED BALANCE SHEET

as at 30 November 2000	30 November 2000 (unaudited) £000	30 November 1999 (unaudited) £000	31 May 2000 (audited) £000
Fixed assets			
Tangible assets	390	293	297
Investments	263	196	263
	653	489	560
Current assets			
Debtors	3,272	1,313	1,844
Cash at bank and in hand	4,601	802	1,009
	7,873	2,115	2,853
Creditors: amounts falling due within one year	(1,750)	(627)	(813)
Net current assets	6,123	1,488	2,040
Net assets	6,776	1,977	2,600
Capital and reserves			
Called up share capital	247	233	235
Share premium account	3,672	—	75
Other capital reserves	1,090	1,090	1,090
Profit and loss account	1,767	654	1,200
Equity shareholder funds	6,776	1,977	2,600

The comparative figures for the financial year ended 31 May 2000 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 24,366,994 (1999: 23,320,256). Diluted earnings per share have been calculated using the average number of shares in issue of 26,164,998 (1999: 25,496,326).

Copies of this announcement will be posted to shareholders and are available from the company's registered office, 52 Old Steine, Brighton, East Sussex, BN1 1NH or from the company website at www.epic.co.uk

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EPIC
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INTERIM REPORT 2000

E-business

 **E-learning**

financial services


online

investment 

telecommunications

E-government

■ CHAIRMAN'S STATEMENT

Trading results to 30 November 2000

I am very pleased to report substantial increases in both turnover and profits for the six months to 30 November 2000. Turnover has increased by 95% to £3,712,000 (1999: £1,904,000), operating profits by 139% to £498,000 (1999: £208,000) and profit before taxation by 163% to £567,000 (1999: £216,000). Basic earnings per share rose by 151% to 2.33p (1999: 0.93p).

As the UK's leading e-learning company, our growth and record order book are being fuelled by demand for e-learning solutions from existing and new customers. We are pleased to see a high level of repeat business that demonstrates the success of Epic's e-learning solutions. Just as importantly, we have won new clients and greatly increased our presence in the public sector.

e-learning

Our core business is the delivery of e-learning solutions to major organisations. This outsourcing covers consultancy, content development, testing, localisation and maintenance.

During the period we have won significant new clients in the financial sector including Lloyds TSB, Barclays, Credit Suisse and Chartered Institute of Bankers. Repeat business continues with The Royal Bank of Scotland. In a sector

that is consolidating and subject to regulatory compliance and rapid change in products, cost savings through e-learning give these organisations competitive advantage.

Repeat and new business have also been won in other market sectors including services, manufacturing, retail and telecommunications.

PricewaterhouseCoopers has used Epic on both internal and external projects. We are working with QA Training (Skillsgroup), Video Arts and The Industrial Society, who are all established training providers, to help them take their content online.

In the period we have recruited an e-government team and opened up the government sector winning e-learning work with the DSS, LearnDirect, Scottish Enterprise and the British Educational Communications and Technology Agency. In partnership with a specialist consultancy, Epic is developing online content for the public sector which offers the potential of future royalty earnings. The first courses will provide training on local government finance, best practice and e-government and are being developed with the Institute of Public Finance. Other prestigious wins include the development of the UK Parliament portal, and work for the DETR.

Investments

We have taken small equity investments in companies involved with mobile device and kiosk

technology. While these investments have grown in value, the purpose of the investments was to identify new technology that takes the internet to the masses which we can leverage back into our core business. This is being achieved in all three cases.

People

Management has been strengthened to sustain growth and our skills-base continues to develop. During the last 12 months, headcount has doubled and a government division has been established.

I am pleased that we have been recognised by three major awards in three months. At the Personnel Today Awards 2000 our work with The Royal Bank of Scotland, reaching some 20,000 staff in 650 branches, won the award for the best e-learning application. It was described as 'the most successful example so far of the application of e-learning to UK business'. Epic also won Sussex Business of the Year and Shares Magazine Best AIM Company Achievement Award. All three are a tribute to the quality and skills of our employees and their output.

In January 2001 we appointed Altium Capital as our brokers and nominated advisers. We look forward to working with them.

Future Prospects

Epic is the leading e-learning company in the UK and will

continue to reinvent learning, guiding organisations and producing quality content that is engaging, effective and easy to use. In August 2000, in response to market demand and to fund future growth, we raised £3.5 million by placing one million ordinary shares.

Sustainable, profitable growth continues to be our basic business strategy. This is built on strong management, high staff retention, sound processes, a strong client base and a focus on e-learning.

I look forward to further success in the second half of the year.

Michael Inwards

Chairman
6 February 2001

■ SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Half year to 30 November 2000 (unaudited) £000	Half year to 30 November 1999 (unaudited) £000	Year to 31 May 2000 (audited) £000
for the half year ended 30 November 2000			
Turnover	3,712	1,904	4,398
Operating profit	498	208	640
Exceptional items	—	—	98
Operating profit after exceptional items	498	208	738
Net interest receivable	69	8	27
Profit on ordinary activities before taxation	567	216	765
Taxation	—	—	—
Retained profit for the financial period	567	216	765
Earnings per share (pence)			
Basic (excluding exceptional items)	2.33p	0.93p	2.86p
Diluted (excluding exceptional items)	2.17p	0.85p	2.72p
Basic (including exceptional items)	2.33p	0.93p	3.28p
Diluted (including exceptional items)	2.17p	0.85p	3.12p

■ CONSOLIDATED CASH FLOW STATEMENT

	Half year to 30 November 2000 (unaudited) £000	Half year to 30 November 1999 (unaudited) £000	Year to 31 May 2000 (audited) £000
for the half year ended 30 November 2000			
Operating profit	498	208	738
Depreciation	92	100	212
Working capital movements	(488)	(191)	(537)
Net cash inflow from operating activities	102	117	413
Returns on investments and servicing of finance	69	8	27
Purchase of tangible fixed assets	(185)	(93)	(209)
Acquisition of investments	—	(50)	(117)
Cash (outflow)/inflow before financing	(14)	(18)	114
Issue of ordinary share capital	3,609	—	77
Repayment of finance lease	(3)	(6)	(8)
Change in cash during the period	3,592	(24)	183