

THIS PROPOSAL LETTER AND THE ACCOMPANYING DECISION FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the Offer or the contents of this letter or what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

IN THE EVENT OF ANY CONFLICT BETWEEN THIS PROPOSAL LETTER AND THE RULES OF THE DRS DATA & RESEARCH SERVICES PLC SHARE INCENTIVE PLAN AND/OR THE LEGISLATION RELATING TO SHARE INCENTIVE PLANS MEETING THE REQUIREMENTS OF SCHEDULE 2 TO THE INCOME TAX (EARNINGS AND PENSIONS) ACT 2003, THE RULES OF THE DRS DATA & RESEARCH SERVICES PLC SHARE INCENTIVE PLAN AND THE RELEVANT LEGISLATION WILL TAKE PRECEDENCE.

**PROPOSAL LETTER TO PARTICIPANTS IN THE
DRS DATA & RESEARCH SERVICES PLC SHARE INCENTIVE PLAN
IN CONNECTION WITH THE
RECOMMENDED CASH OFFER
FOR
DRS DATA & RESEARCH SERVICES PLC
BY
AQA EDUCATION**

AQA Education
Company number (03644723)

DRS Data & Research Services plc
Company number (00959401)

Registered office:
Devas Street
Manchester
M15 6EX

Registered office:
1 Danbury Court
Linford Wood
Milton Keynes
MK14 6LR

28 July 2016

To: Individuals participating ("Participants") in the DRS Data & Research Services plc Share Incentive Plan ("SIP")

Dear Participant

RECOMMENDED CASH OFFER FOR DRS DATA & RESEARCH SERVICES PLC ("DRS") BY AQA EDUCATION ("AQA")

1. INTRODUCTION

On 28 July 2016, the boards of AQA and DRS announced that they had reached agreement on the terms of a recommended cash offer pursuant to which AQA would acquire the entire issued and to be issued share capital of DRS (the "Offer"), such offer to be implemented by way of a takeover offer within the meaning of Part 28 of the Companies Act 2006.

This letter must be read in conjunction with the offer document (the "Offer Document") which contains full details of the Offer, a copy of which can be found at www.drs.co.uk. The purpose of this letter is to summarise the key terms relating to the Offer as it affects awards granted to you under the SIP and the choices that you now have in relation to these awards.

All terms defined in the Offer Document have the same meaning when used in this letter unless the context otherwise requires or as otherwise defined in this letter.

2. TERMS OF THE OFFER

Under the Offer, AQA is offering to acquire, subject to the conditions and further terms set out in Part III to the Offer Document and the Form of Acceptance accompanying the Offer Document, the entire issued and to be issued share capital of DRS on the following basis:

for each DRS Share – 20 pence in cash

3. YOUR AWARDS

As a Participant under the SIP, you have acquired DRS Shares which are held in a trust on your behalf by the trustee of the SIP ("SIP Trustee") in accordance with the rules of the SIP ("SIP Rules"). The SIP Trustee is currently Yorkshire Building Society.

The DRS Shares which you have acquired under the SIP include those which you have purchased yourself (referred to as "Partnership Shares"), DRS Shares purchased using dividends paid in respect of your Partnership Shares (referred to as "Dividend Shares") and DRS Shares which may have been awarded to you free of charge in return for you purchasing Partnership Shares (referred to as "Matching Shares").

In this letter, all references to "Partnership Shares", "Dividend Shares" and "Matching Shares" shall mean, in each case, any such Partnership Shares, Dividend Shares and Matching Shares which are, or come to be, held on your behalf by the SIP Trustee before the Offer closes.

4. EFFECT OF THE OFFER ON YOUR AWARDS

The Offer extends to all Partnership Shares, Dividend Shares and Matching Shares that have been acquired, or come to be acquired, on your behalf by the SIP Trustee under the SIP before the Offer closes and which are held on your behalf by the SIP Trustee. These Partnership Shares, Dividend Shares and Matching Shares are referred to in this letter as "Your SIP Shares".

You now have the opportunity to accept the Offer and instruct the SIP Trustee to sell Your SIP Shares to AQA under the terms of the Offer in the event that the Offer becomes or is declared unconditional in all respects. The decision form which is enclosed with this letter ("Decision Form") assumes that you will choose to sell Your SIP Shares to AQA under the terms of the Offer. If you do not wish to do this, however, other courses of action are available to you as set out in more detail in section 5 below.

When considering which course of action you should take in respect of Your SIP Shares, you should consider the points outlined in this letter, the information relating to taxation in the Appendix to this letter, the Decision Form and the Offer Document.

5. COURSES OF ACTION OPEN TO YOU

There are the following courses of action open to you:

- **Accept the Offer**

As outlined above, you can accept the Offer and instruct the SIP Trustee to sell Your SIP Shares to AQA under the terms of the Offer in the event that the Offer becomes or is declared unconditional in all respects.

If you decide to accept the Offer on this basis then, provided that certain conditions are satisfied, you should not be liable to income tax or employee's National Insurance contributions ("NIC") in respect of the sale of Your SIP Shares to AQA under the terms of the Offer and any gain which you make on such sale should also be sheltered from capital gains tax. For further details of the tax consequences of accepting the Offer and selling Your SIP Shares under the terms of the Offer, please refer to the Appendix to this letter.

If you choose to proceed in this way, please follow the instructions under the heading "Action to be taken if you wish to accept the Offer" at section 10 below.

- **Decline to accept the Offer and retain all Your SIP Shares in the SIP**

If you wish to decline the Offer and seek to retain Your SIP Shares in the SIP, you should be aware that AQA intends, to the extent possible and as soon as it is able, to exercise its statutory right to compulsorily acquire any DRS Shares which it does not acquire under the Offer. In the event that such compulsory acquisition right is invoked, AQA would be able to acquire Your SIP Shares at the Offer Price of 20 pence per DRS Share for a limited period of time even if you do not accept the Offer.

If you decide that you want to retain Your SIP Shares in the SIP, you do not need to take any action at all at this stage. Further details of any such compulsory acquisition of the DRS Shares will, if appropriate, be provided to you in due course.

- **Decline to accept the Offer and remove all Partnership Shares and, to the extent possible, all Dividend Shares and Matching Shares from the SIP**

You are at liberty to remove all Partnership Shares from the SIP at any time you wish. You may also remove all Dividend Shares and all Matching Shares from the SIP provided that these were acquired on your behalf at least three years prior to their proposed removal.

However, following this course of action could have adverse tax consequences for you. This is due to the fact that Partnership Shares and Matching Shares can only be withdrawn from the SIP with the full benefit of relief from income tax and employee's NIC after the expiry of five years from the date upon which the Partnership Shares or

Matching Shares concerned were awarded and Dividend Shares can only be withdrawn from the SIP with the full benefit of relief from income tax and employee's NIC after the expiry of three years from the date on which the Dividend Shares concerned were awarded. This means that, if you choose to withdraw your Partnership Shares, Dividend Shares and Matching Shares before the relevant period has expired, you will be subject to income tax and employee's NIC calculated on the basis set out in further detail in the Appendix to this letter.

PLEASE NOTE THAT YOU SHOULD NOT SUFFER SUCH INCOME TAX AND EMPLOYEE'S NIC IF YOUR SIP SHARES ARE REMOVED FROM THE SIP BY VIRTUE OF BEING SOLD UNDER THE TERMS OF THE OFFER

You should also be aware that, if you withdraw Your SIP Shares from the SIP, AQA intends, to the extent possible and as soon as it is able, to exercise its statutory right to compulsorily acquire any DRS Shares which it does not acquire under the Offer. This means that AQA would be able to acquire Your SIP Shares at the Offer Price of 20 pence per DRS Share for a limited period of time even if you remove Your SIP Shares from the SIP. Further details of any such compulsory acquisition will, if appropriate, be provided in due course.

If you decide that you want to remove all Your SIP Shares from the SIP, please contact John Richardson at DRS at the registered office address above as soon as possible.

- **Accept the Offer in respect of some but not all of Your SIP Shares**

Whilst it is possible for you to sell some but not all Your SIP Shares to AQA under the terms of the Offer in the event that the Offer becomes or is declared unconditional in all respects, this course of action is not catered for in the Decision Form accompanying this letter. Accordingly, if you wish to do this, please contact John Richardson at DRS at the registered office address above as soon as possible.

6. LEAVERS

If you have ceased or cease to be an employee of DRS or a company in the DRS Group, the SIP Trustee will be under an obligation to withdraw Your SIP Shares from the SIP and transfer them to you. Nothing in this letter will effect the SIP Trustee's obligation to transfer Your SIP Shares to you on the cessation of your employment with DRS or a company in the DRS Group.

7. TAXATION

A summary of the tax consequences of the Offer for Participants who are UK tax resident is set out in the Appendix to this letter. If you are resident in any other jurisdiction or are in any doubt as to your own tax position, you should consult a personal tax adviser immediately.

8. TERMINATION OF THE SIP

In the event that the Offer becomes or is declared unconditional in all respects and AQA has, by virtue of its shareholding and acceptances of the Offer, acquired DRS Shares carrying 75 per cent. or more of the voting rights attaching to the DRS Shares, it is proposed that DRS Shares will cease to be listed on the Official List. Once such delisting occurs, the DRS Shares shall no longer qualify for the purposes of being awarded under the SIP in a tax efficient way.

In these circumstances, DRS will take such steps as are required to terminate the SIP such that this termination shall take effect on or before the date on which the DRS Shares cease to be listed on the Official List. This means that no further deductions from your salary to acquire Partnership Shares shall be made after the date of such termination of the SIP and any deductions from your salary which have not been used by the SIP Trustee to acquire Partnership Shares on your behalf by that date will be returned to you, after the deduction of any applicable income tax and employee's NIC, in the next practicable payroll run.

9. RECOMMENDATION

The DRS Directors, who have been so advised by Arden Partners, consider the proposals set out in this letter to be fair and reasonable. In providing its advice to the DRS Directors, Arden Partners has taken into account the commercial assessment of the DRS Directors. Accordingly, the DRS Directors unanimously recommend that the Participants accept the proposal outlined in this letter.

10. ACTION TO BE TAKEN IF YOU WISH TO ACCEPT THE OFFER

To accept the Offer and sell Your SIP Shares under the terms of the Offer in the event that the Offer becomes or is declared unconditional in all respects, please:

- complete the enclosed Decision Form in accordance with the instructions printed on it;
- ensure that it is signed in the presence of an independent witness (who is aged 18 or over and not a member of your immediate family); and
- return the completed and signed Decision Form to Yorkshire Building Society using the enclosed pre-paid envelope as soon as possible and in any event **SO AS TO BE RECEIVED BY NO LATER THAN 1.00PM ON THURSDAY 18 AUGUST 2016.**

11. FURTHER ASSISTANCE

If you are in any doubt about the contents of this letter, the course of action you should take or your tax position, **you should seek your own independent advice from a suitably qualified and authorised independent financial adviser.** You should note that none of the directors or employees of DRS, AQA or Yorkshire Building Society are authorised to give independent tax or financial advice.

Yours faithfully

Keith Bogg
Chairman

For and on behalf of
DRS Data & Research Services plc

Andrew Hall
Chief Executive Officer

For and on behalf of
AQA Education

Notes:

- (a) The DRS Directors accept responsibility for the information contained in this letter, the accompanying Decision Form and the Offer Document other than the information for which responsibility is taken by the AQA Directors. To the best of the knowledge and belief of the DRS Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the accompanying Decision Form for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. Neither AQA nor any of the AQA Directors takes responsibility for the information for which the DRS Directors take responsibility.
- (b) The AQA Directors accept responsibility for the information contained in this letter, the accompanying Decision Form and the Offer Document other than the information for which responsibility is taken by the DRS Directors. To the best of the knowledge and belief of the AQA Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the accompanying Decision Form for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. Neither DRS nor any of the DRS Directors takes responsibility for the information for which the AQA Directors take responsibility.
- (c) Arden Partners has given and not withdrawn its written consent to the issue of this letter and the accompanying Decision Form with the inclusion of the references to its name in the form and context in which they appear.
- (d) Arden Partners, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for DRS and no one else in connection with the Offer and will not regard any other person as a client in relation to the Offer and will not be responsible to anyone other than DRS for providing the protections afforded to clients or for providing advice in relation to the Offer or any matters referred to in this letter, the accompanying Decision Form or the Offer Document.
- (e) In the event of any conflict between the information contained in this letter and the SIP Rules or the relevant legislation, the SIP Rules and the relevant legislation will take precedence.
- (f) The accidental omission to despatch this letter or the Decision Form to, or any failure to receive the same by, any person to whom the content of this letter is addressed or should be addressed shall not invalidate the content contained in this letter in any way.
- (g) The Decision Form, including the Terms and Conditions therein, shall be deemed an integral part of the proposals in this letter.
- (h) All acceptances of the Offer will be governed by the provisions of the Offer Document, as amended by this letter and the Decision Form.
- (i) All acceptances in respect of the proposals set out in this letter will be irrevocable and cannot subsequently be revoked.
- (j) The proposals set out in this letter and all acceptances of them shall be governed by and construed in accordance with English law.
- (k) YBS Share Plans is part of Yorkshire Building Society. YBS Share Plans, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ Tel: 0345 1 200 300. ybsshareplans.co.uk. Yorkshire Building Society provides Share plan trustee and administration services, including deposit taking in England and subject to English law and regulation. We are not responsible for Share plan deposits held by local savings carriers outside the UK. Yorkshire Building Society is a member of the Building Societies Association and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Yorkshire Building Society is entered in the Financial Services Register under registration number 106085. Head Office: Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ. Yorkshire Building Society is a member of the Financial Ombudsman Service. Further details are available on request from the Society.

Appendix

TAX CONSEQUENCES

This Appendix contains a summary of the main UK tax implications of the Offer on any Partnership Shares, Dividend Shares and Matching Shares held on your behalf in the SIP. The summary is based on existing law as at the date of this letter and on what is understood to be current HM Revenue and Customs ("HMRC") practice as at the date of this letter.

The summary is intended as a general guide only and applies only to Participants who were resident for tax purposes in the UK when any Partnership Shares, Dividend Shares and Matching Shares were acquired and remain so resident and assumes that the SIP met and continues to meet the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 at all relevant times. The summary is not intended to be and does not constitute personal tax advice. If you are in any doubt about your individual taxation position, or you are resident or otherwise subject to taxation in a jurisdiction outside the UK, you should consult your duly authorised personal taxation adviser immediately.

(A) SALE OF YOUR SIP SHARES UNDER THE TERMS OF THE OFFER

1. Income tax and National Insurance Contributions ("NIC")

If you accept the Offer and sell Your SIP Shares under the terms of the Offer, there should be no income tax or employee's NIC due in respect of the withdrawal of Your SIP Shares from the SIP and sale to AQA.

2. Capital gains tax

Your SIP Shares can be sold to AQA free from capital gains tax by accepting the Offer.

(B) WITHDRAWAL OF YOUR SIP SHARES FROM THE SIP OTHER THAN BY VIRTUE OF ACCEPTING THE OFFER

1. Income tax and National Insurance Contributions ("NIC")

Partnership Shares

If you do not accept the Offer in respect of your Partnership Shares and instead decide to withdraw Partnership Shares from the SIP:

- prior to the third anniversary of the date upon which the Partnership Shares concerned were originally awarded, you will be subject to income tax and employee's NIC on the market value of the Partnership Shares that are withdrawn from the SIP, measured at the time of such withdrawal;
- on or after the third anniversary of the date upon which the Partnership Shares concerned were originally awarded but prior to the fifth anniversary of such acquisition, you will be subject to income tax and employee's NIC on the lesser of:
 - the amount of money used to acquire such Partnership Shares; or
 - the market value of such Partnership Shares that are withdrawn from the SIP, measured at the time of such withdrawal; and
- on or after the fifth anniversary of the date upon which the Partnership Shares concerned were originally awarded, no income tax or employee's NIC should arise in respect of such withdrawal.

Dividend Shares

If you do not accept the Offer in respect of your Dividend Shares but instead decide to withdraw Dividend Shares from the SIP:

- prior to the third anniversary of the date upon which the Dividend Shares concerned were originally awarded, you will be subject to income tax (but not employee's NIC) on the dividend used to buy such Dividend Shares; and
- on or after the third anniversary of the date upon which the Dividend Shares concerned were originally awarded, no income tax or employee's NIC should arise in respect of such withdrawal.

Matching Shares

As your withdrawal of Matching Shares from the SIP will occur on or after the fifth anniversary of the date upon which such Matching Shares were originally awarded, no income tax or employee's NIC should arise in respect of such withdrawal.

Leavers – Partnership Shares, Dividend Shares and Matching Shares

Irrespective of the above, if you withdraw Your SIP Shares at any time by virtue of you ceasing to be an employee within the DRS Group for one of the following reasons:

- injury or disability;
- redundancy;
- the transfer of the business for which you work outside the DRS Group in circumstances where TUPE applies;
- the transfer of the company by which you are employed outside the DRS Group;
- retirement; or
- death,

the withdrawal of Your SIP Shares from the SIP should not give rise to any income tax or employee's NIC for you.

2. Capital gains tax

If you remove Your SIP Shares from the SIP and sell them after they have been removed from the SIP, any increase in the value of Your SIP Shares after they have been removed from the SIP may be subject to capital gains tax. Capital gains tax rules are complicated. If you are in any doubt as to whether you are liable to pay capital gains tax on the disposal of Your SIP Shares once they have been removed from the SIP, you should seek advice from your own independent tax adviser.