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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the entire issued and to be issued ordinary share capital of the Company on AIM. This document contains no offer to the public within the meaning of section 102B of FSMA, the 2006 Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the FCA or any other competent authority.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 16 October 2013. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

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TUNGSTEN



## TUNGSTEN CORPORATION PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 07934335)*

### **Proposed placing of 71,111,111 Placing Shares at 225p per share**

#### **Admission to trading on AIM**

*Sole Bookrunner, Financial Adviser  
& Joint Broker*

**Canaccord Genuity**

*Nominated Adviser  
& Joint Broker*

**Charles Stanley Securities**

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Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part III of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

The Company and its Directors (whose names and functions appear in Part II of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission.

Charles Stanley Securities ("**Charles Stanley**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and joint broker to the Company in connection with the Admission and Placing and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Charles Stanley or for advising any other person in respect of the Admission and/or the Placing. Charles Stanley's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and

are not owed to the Company or to any Director, proposed Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Charles Stanley has not authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document for which the Company, the Directors and proposed Directors are responsible. No representation or warranty, express or implied, is made by Charles Stanley as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Canaccord Genuity Limited (“**Canaccord**”), which is authorised and regulated in the United Kingdom by the FCA, is acting as sole bookrunner, financial adviser and joint broker to the Company in connection with the Placing and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Canaccord or for advising any other person in respect of the Placing. Canaccord has not authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document for which the Company, the Directors and proposed Directors are responsible. No representation or warranty, express or implied, is made by Canaccord as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

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The information below is for general guidance only and it is the responsibility of any person or persons in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document should not be forwarded or transmitted to or into the Prohibited Jurisdictions or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this Document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in the UK and are subject to change. This document should be read in its entirety. All holders of Ordinary Shares are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

The delivery of this document or any subscriptions or purchases made hereunder and at any time subsequent to the date of this document shall not, under any circumstances, create an impression that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct.

**PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE MAKING ANY INVESTMENT IN THE COMPANY, INCLUDING THE RISK FACTORS SET OUT IN PART III OF THIS DOCUMENT.**

The distribution of this document outside the UK may be restricted by law. No action has been taken by the Company, the holders of the Ordinary Shares, Canaccord or Charles Stanley that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for those purposes is required. Persons outside the UK who come into possession of this document should inform themselves about and observe any restrictions on the holding of Ordinary Shares and/or the distribution of this document in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. In particular, this document is not for distribution (directly or indirectly) in or into the Prohibited Jurisdictions. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the Prohibited Jurisdictions. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exemptions, may not be offered or sold within the United States, or under the securities legislation of any state of the Prohibited Jurisdictions and they may not be offered or sold directly or indirectly within the Prohibited Jurisdictions or to or for the account or benefit of any national, citizen or resident of the Prohibited Jurisdictions.

The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to “qualified institutional buyers” in reliance on Rule 144A under the Securities Act (“Rule 144A”). Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers,

sales and transfers of the Ordinary Shares and the distribution of this document, see “Additional Information—Subscription and Sale” and “Additional Information—Transfer Restrictions”.

**The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.**

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (“RSA 421-B”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT THE ORDINARY SHARES ARE EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR THE SHARES OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### **AVAILABLE INFORMATION**

The Company has agreed that, for so long as any Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

#### **ENFORCEABILITY OF JUDGMENTS**

The Company is a public limited company incorporated under the laws of England and Wales. None of the directors and executive officers of the Company are residents of the United States, and all or a substantial portion of the assets of the Company and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the US courts judgments obtained in the US courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

#### **FORWARD LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “could”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s, the Directors’ and the proposed Directors’ current intentions, beliefs or expectations concerning, amongst other things, investment strategy, financing strategy, performance, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group will operate. By their nature, forward looking statements involve risks (including unknown risks) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not an assurance of future performance. The Company’s actual performance, results of operations, financial condition, liquidity and dividend policy and the development of the business sector in which the Group will operate, may differ materially from those suggested by the forward looking statements contained in this document. In addition, even if the Company’s performance, results of operations, financial condition, liquidity and dividend policy and the development of the industry in which the Group will operate, are consistent with the forward looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Prospective investors are advised to read this entire document, including Part III entitled “Risk Factors”, for a more complete discussion of the factors that could affect the Company’s future performance and the industry in which the Group will operate. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this document may or may not occur. Any forward looking statements in this document reflect the Company’s, the Directors’ and the proposed Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the matters referred to above. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Other than in accordance with the Company’s obligations under the AIM Rules for Companies, neither the Company nor Charles Stanley nor Canaccord undertakes any

obligation to update or revise publicly any forward looking statements, whether as a result of new information, future events or otherwise.

Neither the forward looking statements nor the underlying assumptions have been verified or audited by any third party.

#### **SOURCES**

Various market data and forecasts used in this document have been obtained from independent industry sources. None of the Company, Charles Stanley or Canaccord has verified the data, statistics or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

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## EXPECTED TIMETABLE OF EVENTS

Publication of this document	11 October 2013
Expected date of Admission and dealings in the Ordinary Shares expected to commence on AIM	8.00 a.m. on 16 October 2013
Expected date of completion of the OB10 Acquisition	8.00 a.m. on 16 October 2013
CREST accounts credited in respect of the New Ordinary Shares by	8.00 a.m. on 16 October 2013
Despatch of definitive share certificates in respect of the New Ordinary Shares (where applicable) by	Week commencing 28 October 2013

## SHARE CAPITAL AND PLACING STATISTICS

Placing Price	225 pence
Number of Existing Ordinary Shares in issue at date of this document	11,404,746
Number of Placing Shares	71,111,111
Number of Ordinary Shares in issue at Admission	100 million
Estimated gross proceeds of the Placing	£160 million
Estimated net proceeds of the Placing receivable by the Company	£144 million
Market capitalisation of the Company at the Placing Price on Admission	£225 million
ISIN number	GB00B7Z0Q502
SEDOL number	B7Z0Q50
AIM symbol	TUNG

Notes:

1. References to time in this document are to London (BST) time.
2. Each of the above dates is subject to change at the absolute discretion of the Company. Any such change will be notified to Tungsten Corporation plc Shareholders by an announcement on a Regulatory Information Service.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Arnold Hoevenaars ( <i>Non-Executive Chairman</i> ) Edmund Truell ( <i>Chief Executive Officer</i> ) Luke McKeever <sup>1</sup> ( <i>Executive Director</i> ) Philip Ashdown <sup>1</sup> ( <i>Executive Director</i> ) Jeffrey Belkin <sup>1</sup> ( <i>Chief Financial Officer</i> ) Peter Kiernan ( <i>Non-Executive Director</i> ) Daniel Truell ( <i>Non-Executive Director</i> ) Michael Spencer ( <i>Non-Executive Director</i> )  <i>whose business address is at the Company's registered office:</i>  Vestry House Laurence Pountney Hill London EC4R 0EH United Kingdom
<b>Company Website</b>	www.tungstencorporationplc.com
<b>Company Secretary</b>	Gentoo Fund Services Limited PO Box 406, Mill Court La Charroterie, St Peter Port Guernsey GY1 3GG
<b>Nominated Adviser and Joint Broker to the Company</b>	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT United Kingdom
<b>Sole Bookrunner, Financial Adviser and Joint Broker to the Company</b>	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR United Kingdom
<b>Solicitors to the Company as to English Law</b>	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA United Kingdom
<b>Solicitors to OB10 Limited as to English Law</b>	Taylor Wessing LLP 5 New Street Square London EC4A 3TW United Kingdom
<b>Solicitors to the Nominated Adviser and the Financial Adviser and Joint Broker</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL United Kingdom
<b>Auditors and Reporting Accountants to the Company</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road, Lancing West Sussex BN99 6DA

<sup>1</sup> To be appointed as a Director of the Company with effect from Admission.

# PART I

## INFORMATION ON THE GROUP

### 1. INTRODUCTION

Tungsten's strategy is to monetise its leading global e-invoicing network which processes over £100 billion per year for many of the world's largest companies (including working with 61 per cent. of the FTSE 100 and 53 per cent. of the Fortune 500), by offering supply chain financing through its own bank. Additionally, it will offer innovative analytics software to apply to the vast repository of invoice data and so save its buyers' money. A sample of existing OB10 customers is set out below.



The Company was founded by Edmund Truell and Daniel ('Danny') Truell to identify and acquire a company, business or asset within the financial services sector which could be grown into a business with a significant market presence in a segment with potential for sustainable long-term cash generation, return on equity and growth.

In line with this stated objective, the Company has entered into (i) a conditional acquisition agreement in respect of OB10, a leading global business-to-business ("B2B") e-invoicing network, for £99 million (the "**OB10 Acquisition**"); (ii) an acquisition agreement (subject to appropriate regulatory approvals) in respect of FIBI Bank (UK) Plc (the "**Bank**") (the "**Bank Acquisition**" and, together with the OB10 Acquisition, the "**Acquisitions**"), a duly authorised UK bank to specialise in the provision of supply chain financing with a particular focus on invoice discounting; and (iii) a five year rolling licence agreement with @UK to deploy its analytic software technology to enable TungstenAnalytics, a comprehensive and innovative line level spend analytics solution, to be delivered across the Company's global e-invoicing network following the OB10 Acquisition.

In order to provide the Company with the capital to fund the Acquisitions and to fund its growth strategy, notably by providing further solvency capital to the Bank, the Company is raising gross proceeds of £160 million pursuant to placing (the "**Placing**" and, together with the Acquisitions and the licence with @UK, the "**Transaction**").

The Company is seeking admission of its Ordinary Shares to trading on AIM.

Completion of the Transaction will provide Tungsten with increased resources to expand the e-invoice platform and to develop and deliver value-added services, including spend analytic solutions, to the predominantly investment grade universe of buying organisations that are already clients of OB10's leading global e-invoicing network. A key part of the strategy will be to combine the strength of the e-invoice platform with the financial services expertise that exists within Tungsten to create an invoice discounting capability through the Bank. This will provide the Group's large customer base of suppliers the ability to accelerate payment of their receivables in a seamless, transparent and cost-effective manner integrated within, and dedicated to, the e-invoice platform.

### 2. HISTORY AND BACKGROUND OF THE COMPANY

The Company was founded in February 2012 by Edmund Truell and Danny Truell to identify and acquire a company, business or asset within the financial services sector which could grow into a business with a significant market presence in a segment with potential for sustainable long-term cash generation, return on equity and growth. They have been joined on the Board in a non-executive capacity by Arnold Hoevenaars (Chairman), Peter Kiernan, and Michael Spencer and the Company has been advised by Disruptive Capital. The founders of the Company and management team have to date invested £9.6 million into the Company to provide it with the funds required to undertake the identification and acquisition process described above.



The Tungsten Board, through its experience in the financial services sector, believed that the financial crisis of the last five years created an opportunity to acquire and/or build a presence in undervalued segments of the financial market where better management and improved use of technology could deliver enhanced returns. Disruptive Capital was exclusively engaged by the Tungsten Board for the purposes of identifying and recommending investment opportunities to the Company. It was as part of this process that OB10 and the Bank were identified as potential acquisition opportunities. Disruptive Capital has access to a team of highly experienced professionals from areas including structured finance, private equity, capital markets, insurance, public sector finance and credit markets.

Tungsten identified the strength of OB10's technology, the quality and breadth of its customer base and the inherent supply chain finance potential as a result of the £100 billion transactional value that exists on the e-invoice platform. To the OB10 offering, the Company delivers a committed management team and Board with a breadth of financial services and fin-tech sector experience. The Tungsten management team has extensive strategic, operational and financing expertise which will enable the Company to deliver its planned invoice discounting capability and to build out an analytics solution – TungstenAnalytics – that together is expected to monetise the e-invoice platform. With effect from Admission it is proposed that Luke McKeever (the current Chief Executive Officer of OB10), Philip Ashdown and Jeffrey Belkin will join the board as Executive Directors of the Company.

The Company has also signed a five year rolling strategic licence agreement with @UK. @UK is Europe's leading transactional cloud platform with over one million users. Under the agreement (which is conditional on Admission), @UK's analytic software technology will enable the Company to deliver a spend analytics proposition, branded as TungstenAnalytics and marketed by the Tungsten sales team, across the global e-invoicing network. TungstenAnalytics will be installed and delivered through the existing cloud-based technology infrastructure and will be offered to the buyers to help them identify and realise cost savings.

### **3. INFORMATION ON TUNGSTEN'S E-INVOICING PLATFORM**

#### **3.1 *Background on OB10***

Founded in 2000, OB10 is a leading global e-invoicing network headquartered in London, UK, with offices in Europe, North America and Asia Pacific. The network hosts 122 large corporate and governmental buyer groups on its global network, servicing over 140,000 suppliers. OB10 works with 61 per cent. of the FTSE 100 and 53 per cent. of the Fortune 500 and processed over £100 billion in invoice transaction value in the 12 months to 30 April 2013.

Since 2000, approximately £50 million has been invested in developing OB10's trusted, flexible and scalable hosted cloud network. OB10 is partnered with seven of the top 10 finance and accounting business process outsourcing leaders as rated by Gartner<sup>1</sup>. OB10 enters into agreements with both buyers and suppliers to provide an e-invoicing platform and earns revenues from the initial set-up fee, annual subscription fees and per transaction fees.

An e-invoice is an invoice which is sent from a supplier to its customer in electronic format for automated, straight-through-processing. The e-invoice meets legal and fiscal requirements and eliminates the need for a paper invoice or other supporting documentation. OB10 is already offering e-invoicing services to buying organisations in 42 countries. OB10's multi-mapping cloud network co-ordinates the invoicing and purchase order process between buyers and suppliers, providing significant financial and operational efficiencies. The benefits of OB10's technology to both buyers and suppliers on the network include:

- OB10 managed integration with ERP or billing systems;
- reduced invoice processing costs;

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<sup>1</sup> Gartner Magic Quadrant for Finance and Accounting BPO, 29 May 2013

- automated validation or rejection of non-compliant invoices;
- secure invoice delivery leading to faster payment cycles;
- status tracking for suppliers, indicating when an invoice has been “approved for pay” and when available, its stated payment date; and
- multi-mapping on an “any-to-any” basis enabling fast access to its network of buyers and suppliers.

### 3.2 *Service Offering*

OB10 uses a single common platform to deliver network services to buyers and their suppliers. The services include:

- e-invoicing – where suppliers can send electronic invoices to their customers, eliminating the need for paper documentation;
- purchase order services – where buyers can send purchase orders to their suppliers, those purchase orders can also be used to validate electronic invoices;
- invoice status services – where suppliers can quickly establish the approval and payment status of the invoices they have sent to their customers; and
- payment services – solutions to enable supply chain financing, which will be enhanced by the acquisition of the Bank.

The foundation for all services is e-invoicing, which is increasingly attractive to large buyers and their suppliers globally. Certain countries (for example, Brazil and Mexico) have introduced legislation mandating the use of e-invoicing, with many other countries assessing their strategy in this regard. The European Commission is considering legislation to mandate the acceptance of electronic invoices across Europe for public sector procurement from 2016. Alongside these government initiatives, the Directors believe the overall awareness of the benefits of e-invoicing will drive wider adoption across all major global markets over time.

A key differentiating factor of the OB10 network and services is that they offer an “any-to-any” capability. This facilitates easy joining, swift integration, access to the network effects (such as immediate access to all suppliers within an industry segment/vertical already on or invited to join by other buyers on the network) and which is able to integrate with SAP, Oracle, JD Edwards and all other major accounting and accounts payable (“AP”) systems. OB10 is thus a cloud-based, “open network” rather than a “closed network”, which is a key competitive attribute.

### 3.3 *Buyer Network*

OB10’s buyer network includes clients such as Kraft, Unilever, Motorola, HP, GSK, Pfizer, BP and Tesco. With dedicated sales teams in Europe and the United States, the customer base has continued to grow with the recent addition of a number of new customers. The buyer network is also diversified by industry and OB10 has particular sector expertise in the technology, pharmaceuticals, FMCG, retail, utilities and energy sectors. OB10 is not reliant on any single industry sector or buyer.

OB10 makes significant efforts to enhance customer satisfaction and engender customer loyalty in order to support its high customer retention rate. Recent management initiatives have resulted in significant, measurable improvements in customer satisfaction for OB10’s supplier base.

The number of invoices that buyers can immediately process electronically as a result of the fact that a large number of their existing key suppliers are already on the e-invoice network provides a significant incentive for buyers to join. Seven new buyer e-invoice contracts were signed in the current financial year by 9 October 2013 (being the latest practicable date prior to the publication of this document) with the most recent being Coca Cola Hellenic Bottling Company, King Abdullah University of Science and Technology and Caterpillar.

### 3.4 *Supplier Network*

The network hosts 122 large corporate and governmental buyers, servicing over 140,000 suppliers. In aggregate, OB10 works with 61 per cent. of the FTSE 100 and 53 per cent. of the Fortune 500. The network is highly active, with over 55 per cent. of accounts either sending or receiving transactions during the last 12 months.

### 3.5 *Future Development*

The top 20 customers by revenue on OB10's network are live on average in 12 countries; the largest of these is live in 31 countries. There is therefore significant scope for the Group to increase its penetration with these customers in the 42 countries in which OB10 currently offers e-invoicing services. In addition, within the existing OB10 customer base there are significant transaction volumes available in markets that OB10 does not currently support, in particular in the emerging market economies.

Buyer and supplier networks of the size and depth operated by OB10 have a multiplier effect on the success of e-procurement and e-invoicing deployments by providing both immediate connectivity across a long-tail of suppliers as well as value-added services such as invoice discounting/supply chain finance, supplier management, effective data management and SaaS analytics.

The Group is expected to address the typically variable capability of other networks when it comes to building value-added services. The Group's vision is to become the leading global buyer-supplier network provider based on value-added services offered through the provision of initiatives such as seamless invoice discounting and TungstenAnalytics on a SaaS basis, both of which are expected to complement and reinforce the capability and value of the overall network.

For suppliers:

- by tightly integrating e-invoicing, supplier network connectivity (into buyer/supplier systems) and providing native financing options, the Group intends to provide an innovative approach to discounting/supply chain finance across the long-tail of suppliers (other solutions with similar capabilities typically only target the largest suppliers in a company's vendor master file); and
- given the visibility gained via network insight, "approved to pay" invoices substantially reduce fraud and dilutions (the biggest reason for losses in traditional forms of supply chain finance).

For buyers:

- spend analysis solutions enable companies to understand how much they are spending with suppliers across all activities, areas and divisions, precisely what they are buying, price trending or purchasing, purchase price variance, on contract/off contract spending and related information;
- this visibility is used to develop sourcing and related strategies to reduce cost and unnecessary expenditure (and potentially drive other strategies as well – e.g., supplier diversity, supply risk reduction);
- without ongoing (frequently refreshed) access to accurate spending data, it is extremely difficult to develop cost reduction strategies that companies are able to systematically implement and capture with their suppliers;
- spend analysis differentiated by access to line level invoice detail, enabling effective analysis in a seamless and cost effective manner; and
- TungstenAnalytics provides a means to gain access to line-level visibility for targeted cost optimisation. The Company is expected to be able to provide visibility and dynamic analysis and thus achieve active savings, complementary to existing analytic solutions yet from a rich network and data offered seamlessly as a "platform as a service" solution.

### 3.6 *Network Strengths*

The Directors believe that the e-invoice network has the following strengths:

- a leading e-invoicing market-share collectively across the United States, UK and Europe for invoicing volume;
- highly scalable with global reach;
- since its foundation, OB10 has invested £50 million in developing its offering and the barriers to building an equivalent network are significant;
- equal benefits: buyers and suppliers are tied to value and revenue generation (buyers as a result of spend analytics and supplier risk management; suppliers as a result of invoice status updates, financing and sell-side merchant services);
- connectivity into a broader networked world;
- flexible connectivity using an “any-to-any” buyer and supplier network model (for example, currently integrated with 60 SAP buyers and 45 Oracle buyers);
- extensive visibility into spending and sales data;
- approximately £370 billion of historical line level spend data created and stored on the network;
- seamless financing and funding for “approved-to-pay” invoices; and
- assisting buyers and suppliers to understand and improve on relative performance rather than simply reducing headcount and increasing transactional efficiency.

### 3.7 *Technology*

OB10’s system was designed and deployed as a cloud-based solution, providing a centralised, single-instance, multi-tenant SaaS environment. The system acts as a core processing hub, performing ‘double translation’ of data transforming it from the sender format into a standard internal format and then translating this into the format required by the receiver.

This approach delivers a key benefit – “any-to-any” data formatting. This capability allows clients to transact electronically irrespective of their own internal data formats and is accomplished by staff creating client-specific profiles that encompass all aspects of their data structure such as content, format, coding and enrichment. Once customer profiles have been established, all transaction processing is automatic, requiring little or no further human intervention.

It is the combination of the sender’s profile, the system’s internal meta-invoice format and the receiver’s profile that enables the system to be format-independent and to process data for many different types of client environments. As a result, the system can integrate with the vast majority of accounting, billing and workflow systems without the need to install any hardware or software on client premises.

Embedded within the core processing system is a hierarchical rules engine which performs various validation functions at system, country and receiver specific levels. This pre-validation significantly increases the data quality and accuracy when compared to paper or scanned invoices. Improved rates of straight-through-processing at the receiver can dramatically reduce invoice processing costs.

Recognising that low-volume suppliers may not want or be able to use their internal system environment to send or receive data, the system also incorporates an internet-based portal solution. This enables the supplier to receive or send data via the internet using a user-friendly, intuitive interface. It is this user interface that also provides the platform for a number of the Group’s value-added services such as Purchase Order Convert, Invoice Status Service and the Express Payments early payment service.

Over the last three years, significant investment has been made in the system infrastructure and architecture by undertaking three key initiatives:

- Processing Engine: this was moved from a Windows to Linux operating environment to increase the processing capacity through the use of an increased number of threaded processes;
- Portal Environment: a bottom-up redevelopment of the system to increase capacity, provide the platform for the introduction of new services and significantly improve the user experience; and
- Virtualisation: a rolling programme of hardware upgrades to move from physical machines to virtualised instances, increasing processing capacity and deployment speed.

OB10 has staff in Kuala Lumpur, London and Atlanta monitoring processing activities. This is augmented by a service management layer provided by third-party providers who look after the physical hardware and data centre environments.

OB10 runs two instances of the system: one from the global processing centre based in Manchester with a disaster recovery site in Leeds; and one from an Amazon cloud (Amazon Web Services – AWS) based in the USA for federal and healthcare clients requiring on-shore servicing in the United States.

The integration work for both TungstenAnalytics and the banking-solution for invoice discounting is already underway. OB10 has demonstrated and proven the compatibility of the OB10 dataset with that of the @UK analytics engine. A detailed specification of the banking system components and corresponding integration points with OB10 is nearing completion.

### 3.8 *Compliance and global service delivery footprint*

E-invoicing, or invoicing in general, is subject to different legislation across jurisdictions and the legislation can be complex in nature. It is therefore essential that e-invoices comply with local regulations and meet audit and accounting requirements. OB10 has established a sophisticated rules engine that validates invoices based upon the location of the supplier to meet these requirements. The OB10 platform and rules engine have been adapted to meet local regulations and tax laws in 42 countries and can support multiple territories, languages and currencies. This enables it to service multi-national organisations and facilitate cross-border transactions.

### 3.9 *Data*

OB10 stores all transaction data in structured tables and processed over £100 billion worth of invoice transactions in the last financial year. On behalf of its customers, OB10 stores around £370 billion worth of line level invoice data on its systems. Accessing this historical data on behalf of its clients will enable the delivery of new services including TungstenAnalytics, management reporting and supply chain finance.

## 4. **TUNGSTEN'S BANK**

As part of the Company's strategy to provide invoice discounting to OB10's customer base, it has signed a share purchase agreement to acquire the Bank which, on completion of the Bank Acquisition, will have a balance sheet with assets comprising only short term UK gilts and certificates of deposit. The Bank Acquisition is subject to a PRA led change of control process and completion on the terms set out in the agreement.

A draft regulatory business plan ("**RBP**") was submitted to the PRA and FCA in August 2013. The Company has met both the PRA and FCA to discuss the RBP and is in active dialogue with both with a view to continuing to the next stage of the regulatory approval process. The Directors anticipate this regulatory approval process will be completed and that the Company will have commenced its invoice finance operation by April 2014. Prior to the Bank's commencement of operations, the Company is currently in discussions with potential finance providers to fund the Group's initial invoice discount offering (via the Bank or otherwise) and the Directors are confident appropriate financing will be in place to commence invoice discounting early in 2014.

In anticipation of a successful outcome to this approval process, the Company has started building and sourcing the necessary infrastructure including policies, procedures, premises, IT systems, people and management to commence operations for the Bank under a new name. The Bank will be dedicated to the provision of supply chain financing with a particular focus on invoice discounting across the e-invoice platform and on institutional and corporate deposit fund raising. A specialised IT system, currently in use with other leading global and UK banks for providing and controlling the invoice discounting operations, has been identified. The necessary work to integrate this system with the e-invoice network and the Bank's accounting systems has been scoped in conjunction with the IT expertise of OB10 and the Bank, and the full systems specification for the necessary work is expected to be completed by the end of September 2013. Together with the functionality and data created and stored at OB10 on behalf of its buyers, the systems are intended to allow the Company to operate the Bank on a tightly controlled cost base and headcount to give it further competitive advantage. It is projected that the overall cost income ratio of the Bank will be approximately 15 per cent. within three years of commencing operations.

The Company intends to structure and operate the Bank in a distinct and focussed manner, exploiting its sole access to the captive market represented by the e-invoice network and the technological strengths which will allow the Bank to offer an automated and streamlined invoice discounting service to the Group's customers.

The Bank does not intend to have any other lending operations. The invoice discounting operations are expected to generate a short duration asset book (typically around 50 days duration) backed by investment grade non-payment risk at a buyer group level. The Bank will seek to raise deposits over the medium term, augmenting its diversity of funding and will focus purely on wholesale and institutional clients and the Group's customers; the Bank will not undertake any new retail client business. Accordingly, the Bank will have an attractive and largely matched short duration asset and liability profile, giving it a robustly structured business and balance sheet.

The Directors expect the Bank to start operations funded by committed facilities with the ability to access different funding structures and for a duration longer than the assets. The Company has submitted its RBP together with draft internal capital adequacy assessment process and individual liquidity adequacy assessment to the PRA and FCA in August 2013. This outlines the prudent expectations of the Directors in respect of the capital adequacy and liquidity requirements for the Bank. Whilst subject to PRA and FCA approvals of the change of control and the RBP, the Directors have included within the RBP that the Bank will comprise solely of tier one capital resources at not less than 16 per cent. over the medium term, depending upon the growth assumptions used in the RBP. The Bank is expected to have a very strong tier one capital ratio, notably when compared to other banks. Discussions with potential lenders through such non-Bank structures have indicated that a cash deposit would need to be made equivalent to a 5-10 per cent. first loss. Such funding techniques could, over time, allow the Company early access to the commercial paper markets thereby further reducing funding costs, pending the Bank's ability to issue commercial paper itself once it has achieved an appropriate short term credit rating, which the Directors expect to be forthcoming given the high quality credit profile of the buyers.

In addition to committed facilities, the focus to diversify funding over the medium term will be through the development of an institutional and wholesale deposit base. Key targets will include buyers on the e-invoice network, many of whom have significant levels of short-term liquidity on their balance sheet. The Bank will also seek to build an institutional deposit base with financial institutions, pension funds, money market funds and similar, and other professional and elective professional clients.

The Bank will be distinguished by its largely matched short duration asset and liability balance sheet. It should therefore be able to differentiate itself by offering attractive and bespoke deposit terms thereby filling, what the Directors believe to be, a gap in the institutional and wholesale deposit market.

A full UK banking licence is not a pre-requisite to the provision of invoice discounting and, if the application to the PRA were for any reason to be unsuccessful or delayed, a non-bank finance company structure would be used for the invoice discounting operation. Many invoice discounting operators are not structured as banks nor regulated by the PRA and FCA. However the Directors believe that a banking licence would offer material benefit to the Company on the basis that it has the potential to:

- broaden funding options through institutional deposits, which should reduce the cost of funding;

- provide greater funding flexibility which the Directors expect should lower cost of capital;
- allow the Company to receive (on its liquid investments) and pay, interest gross, without incurring withholding tax;
- reduce exposure to potential regulation of the shadow-banking sub-sector;
- enhance profile with counterparties;
- provide access to central bank funding for eligible assets; and
- improve globalisation capability.

## 5. TUNGSTEN ANALYTICS

The Company's five year rolling licence with @UK will facilitate the delivery of TungstenAnalytics, a complementary spend analytics solution to the invoice value transacted through OB10's network. The application of this spend analytics technology to the line level granularity of OB10's e-invoice data creates significant opportunities in:

- price variance – the identification of the situation where the same product is bought by different individuals in the same organisation at a different price;
- price benchmarking – which allows customers to check prices and volumes of products they are purchasing against peers in the market; and
- the analysis of contract adherence.

The quality of line-level data stored on behalf of its customers on OB10's network (approximately £370 billion worth of e-invoices processed to date), represents a readily available source of data that the Company can analyse. This provides the Company with the potential capability to identify previously uncaptured savings for buyers which the Directors believe is a highly differentiated offering across the network. By way of illustration, an analysis by TungstenAnalytics of an anonymous sample of OB10's UK invoice data identified potential cost savings related to price variance of 1 per cent. of total spend. It is believed that a price benchmarking exercise could produce further savings of up to 4 per cent. On behalf of @UK, the UK National Audit Office verified an exercise for certain UK NHS trusts which showed savings of 10.9 per cent.<sup>2</sup>

Initial and recurring revenues are expected to cover the implementation and management of required software and processes to achieve these cost savings and to provide high margin revenues for the Group. The total maximum value payable to @UK over the initial five year period is £3.2 million.

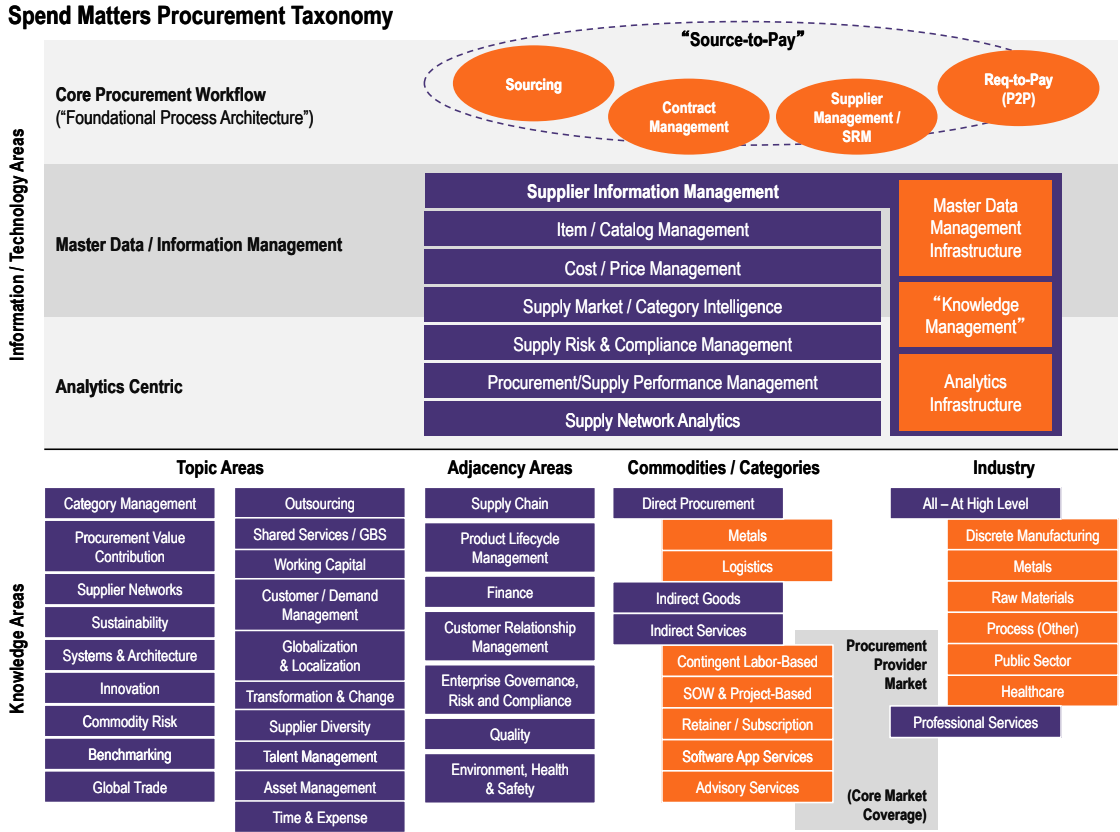
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<sup>2</sup> Department of Health – National Audit Office report on the procurement of consumables by NHS acute and Foundation Trusts – 2 February 2011.

6. MARKET OPPORTUNITY

6.1 Market Overview

The following diagram sets out a classification of the procurement and payables technology market<sup>3</sup>:



The market has a number of interrelated areas, including supplier connectivity and analytics. Customer requirements for procurement technology and accounts payable (and the solutions that support them) are multi-faceted. Technology solutions can play a significant role in multiple types of procurement savings and compliance activities. There are numerous functions within finance that can share in the benefits (and costs) of procurement solutions including accounts payable, treasury and internal audit/risk management. When analytics and supplier network connectivity (to suppliers/trading partners) are included in the equation, the benefits accrue across finance and procurement together.

The global e-procurement market is expected to grow by 7 to 10 per cent. between 2013 and 2015. Across the same period, the segments largely pertaining to the Company are expected to grow as follows:

- e-invoicing at 8 to 10 per cent.;
- supplier network at 17 to 20 per cent.; and
- analytics at 15 to 23 per cent.

6.2 Market opportunity for the Tungsten invoice discounting model

OB10's network hosts 122 large corporate and governmental buyers, servicing 140,000 suppliers<sup>4</sup> and therefore the Directors believe there to be a significant opportunity to incorporate an innovatively structured and delivered invoice financing solution by leveraging OB10's high value and high quality invoice flow. The advantage of the OB10 platform is that it provides immediate access to a large pool

3 Source: Spend Matters, August 2013.

4 Source: Information provided by OB10, extracted from the OB10 production database (as at 31 July 2013).



of potential customers who might use invoice discounting. These customers represent a captive market for the Group. The supply chain finance model will occur remotely through the Group's cloud-based technology and invoice financing in the Group's buyer-centric Express Payments offering has already been trialled with an OB10 customer (alongside another lender), validating the web-enabled technology. Tens of thousands of pounds have been successfully discounted in this trial.

The initial focus will be on OB10's UK customer base and it is anticipated that, within the financial year ending in April 2015, finance will be offered to UK suppliers exporting to non-UK buyers and it is expected that the majority of customers will be SMEs. The initial focus on the UK is because of the significant opportunities that the Directors believe exist in the UK market at present. Bank lending to UK SMEs has decreased by 10 per cent. over the two years to April 2013 to less than £160 billion<sup>5</sup>. In addition, the Directors believe that as the UK economy shows signs of recovery, working capital requirements will increase to fulfil increased demand – a pattern consistent with previous economic recoveries in the UK.

One of the strengths of the OB10 technology is that, under its SaaS based model, its capability to track the status of an invoice through its Invoice Status Service, including when an invoice is “approved to pay”, will allow the Bank to verify and validate an invoice automatically without the audit function employed by traditional invoice discounters. This functionality allows the Bank to have the certainty that the invoice which it discounts will be paid as well as the knowledge of the date on which it is due to be paid. In the last two years, the cycle time between “approved to pay” and paid was a mean of 41.1 days, with 100 per cent. paid within 130 days.

The Directors believe that this ability to better control the two key risks for invoice discounters (invoice verification and dilutions) should give the Bank a key competitive advantage against other traditional invoice discounters and financiers to the suppliers, who do not have access to the precise functionality and visibility of the OB10 network.

Bad debt provisions are also expected to be well controlled and minimised through the predominantly investment grade nature of the buyer groups on the OB10 network (who would become the principal non-payment risk once a supplier has chosen the invoice finance option).

Euro Banking Association and Bank of England figures suggest that invoice discounting penetration rates in the UK are between 9 per cent. and 10 per cent<sup>6</sup>. Suppliers to buyers on the OB10 network would typically experience an invoicing period of 45 to 60 days. On this basis, the Company has assumed that the book of discounted invoices would turn over five to six times a year. Assuming discount rates at the lower end of current market levels, this would give an average annualised discount rate of the order of between 8 and 10 per cent. per annum. As an illustrative example, assuming the UK average invoice discounting penetration rate of between 9 per cent. and 10 per cent. applied to OB10's £19 billion UK invoice value for the financial year ended April 2013, this would equate to £1.8 billion of invoice financing being advanced over a year, with approximately £325 million advanced at any one time.<sup>7</sup>

#### ***Market opportunity for OB10's e-invoice processing***

Automating accounts payable through e-invoicing as opposed to paper and manual processes presents compelling benefits, which is driving adoption globally. The table below shows the primary benefits of e-invoicing based on survey results<sup>8</sup>:

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5 Bank of England, April 2013.

6 Euro Banking Association Report “Supply Chain Finance, EBA European market guide”. March 2013.

7 This should not be taken as an implied forecast of the achievable penetration rate for the Company.

8 PayStream Advisors. “Global Electronic Invoicing – The State of AP Automation Worldwide”.

<i>Benefits of e-invoicing</i>	<i>% of survey</i>
Reduce overall processing cost	56%
Remove paper from AP department	43%
Speed up invoice approval cycle times	38%
Better cash management	28%
Reduce lost invoices	24%
Improve visibility into spend	20%
Better invoice audit capabilities	14%
Obtaining incremental supplier dynamic discounts	8%
Strengthen supplier relationships	4%

Market research estimates that annual business and government invoice volume is 150 billion globally and 16 billion in Europe, only a fraction of which are processed in any electronic form<sup>9</sup>: only five per cent. of AP departments receive more than 75 per cent. of invoices electronically, while 60 per cent. receive over 90 per cent. of their invoices on paper. However, e-invoice volumes are estimated by the European e-invoicing Services Providers Association to grow significantly both globally and in Europe.

<i>Business &amp; Government (B2B, B2G, G2B)</i>	<i>Global</i>	<i>Europe</i>
Estimated annual invoice volume	150 billion	16 billion
Estimated electronic proportion of total 2012 volume	5%	18%
Estimated annual volume increase in e-invoices	20%	30% <sup>10</sup>

The e-invoice market is predicted by Spend Matters to grow rapidly (between eight and 10 per cent. per annum between 2013 and 2015) through buyers driving widespread adoption on the basis of cost savings, good return on investment, working capital optimisation, and the Corporate Social Responsibility agenda.<sup>11</sup>

Set against this beneficial market backdrop, the Group's strategy to grow the number of buyers and suppliers on its platform and its consequential increase in transactional value, is centred across three key areas:

(a) *OB10 Network*

Many OB10 buyer customers are large multi-national corporations with a significant global reach. The Directors believe there are significant opportunities to increase the penetration of OB10 services provided to these existing customers by connecting more suppliers in existing geographies and service lines, by encouraging more value-added services to be taken and by broader geographical expansion.

OB10 has established an account development programme, supported by senior account executives, to inform buyers on e-invoicing best practices to deliver successful e-invoicing programmes with a strong return on investment and to establish support for OB10 as a partner of choice for new services. In addition to supporting major buyer accounts, an automated supplier enrolment programme has been established, supported by database marketing personnel and principles. This programme enables the rapid implementation of high volumes of new suppliers onto the OB10 platform with little or no human intervention.

OB10 has also made significant investment in its platform to improve customer experience and continues to focus on initiatives that will enable supplier customers to 'self-serve', thereby reducing the overall cost to support active users of the system and increase the profitability of the core service.

9 Source: European e-invoicing Services Providers Association.

10 Source: E-invoicing/e-billing (opportunities in a challenging market environment) by Billentis.

11 Source: Spend Matters, August 2013.

(b) *Finance and Accounting BPOs*

Many large organisations have outsourced their back-office finance and accounting operations to specialised BPOs. Typically BPOs move manual transaction processing activities (such as invoice processing) to low-cost offshore environments. While total transaction processing cost is reduced there is still a substantial labour effort accompanied by processes that are error prone. E-invoicing removes manual data processing and improves the accuracy of data. The BPO environment therefore provides significant scope for automation, especially as BPOs are seeking to drive down costs and improve service levels by the use of what Gartner refers to as Process Enhancing Technologies (PETs). The introduction of PETs such as e-invoicing and, in the future TungstenAnalytics, typically occurs on the agreement of new or renewed outsourcing arrangements when innovation and cost savings are sought by the buyer customer and new capabilities are promoted by the BPOs themselves.

OB10 has established reseller or referral partner relationships with seven out of the top 10 BPOs providers<sup>12</sup>. Each of these BPOs has a substantial customer footprint that is largely untapped for a e-invoicing services. OB10 plans to increase resources to support and nurture this channel.

(c) *New geographies*

The top 20 customers by revenue on OB10's network are live on average in 12 countries; the largest of these is live in 31 countries. There is therefore significant scope for the Group to increase its penetration with these customers in the 42 countries in which it currently offers e-invoicing services.

In addition, within the existing OB10 customer base there are significant transaction volumes available in markets that OB10 does not currently support, in particular in the emerging market economies. Historically, many of these markets did not acknowledge e-invoices as legally compliant documents but, as noted above, a number of governments around the world are taking steps to validate this document format. The Directors believe that the trend of introducing legislation mandating the use of e-invoicing (examples of this include Mexico and Brazil) will spread driving wider adoption across all major markets over time.

The flexible nature of the OB10 platform enables the deployment of services in new territories with little technology investment although effort is required to establish legal compliance with local regulations in new territories. Those territories also need to be supported with the appropriate sales, implementation and customer service staff. OB10 has a roadmap of new territories including Brazil, India, Turkey and Russia. Deployment of services in these territories may require partnering with local established service providers due to local market regulations. OB10's launch in Mexico in early 2013 is an example of the successful implementation of this strategy.

### 6.3 *Market opportunity for TungstenAnalytics*

The Company intends to provide certain value-added services through the five year rolling licence with @UK to deliver TungstenAnalytics and deliver a complementary spend analytics solution to the invoice value transacted through OB10's buyer network, on a SaaS basis.

The market opportunity for the spend analytics offering is significant; by applying illustrative cost saving economics for price variance and price benchmarking, a multi-billion pound cost saving opportunity across the Group's buyer network is implied. On behalf of @UK whose analytics the Company has licenced, the UK National Audit Office verified an exercise for certain UK NHS trusts which showed savings of 10.9 per cent.<sup>13</sup> Initial and recurring revenues are expected to cover the

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12 Gartner F&A BPO Magic Quadrant, 2013.

13 Department of Health – National Audit Office report on the procurement of consumables by NHS acute and Foundation trusts – February 2011.

implementation and monitoring of required software and processes to achieve such cost savings and could provide high margin revenues for the Company.

The line-level granularity of e-invoice data created and stored with OB10 is highly complementary to the artificial intelligence spend analytics algorithms available through the licence with TungstenAnalytics as it can categorise items to a specific level of detail and enable purchase order and non-purchase order data to be analysed with the highest level of discrimination. The quality of line-level data across the e-invoice network (approximately £370 billion to date)<sup>14</sup> represents a source of unparalleled data potentially capable of identifying previously uncaptured savings for Buyers across the network. It is expected that TungstenAnalytics should be able to offer a differentiated SaaS capability for the e-invoice network and which is therefore complementary to other competitor analytic solutions that are not seamlessly integrated across the e-invoice network and its data.

The overall global market for spend analysis is expected to grow at 15 to 23 per cent. over the next two years, having experienced a five year CAGR of 18 per cent.<sup>15</sup>

According to Spend Matters<sup>16</sup> the combination of the Group's assets "is truly unique and creates a future state differentiated networked analytics and financing with broader platform SaaS opportunities".

## **7. INTELLECTUAL PROPERTY**

The OB10 service is provided to clients as a cloud service and therefore provides a high level of security and confidentiality in how it operates. Client interaction is either via a data file sent to or received from OB10 or via an internet-based portal. Additionally, because there is no requirement for any OB10 hardware or software to be installed on a client site, there is no on-site presence needed to re-engineer the service.

OB10 has a granted patent for communication routing apparatus relating to its e-invoicing service covering the process and the platform in the United States (patent no. 8,010,452). Although OB10 obtained patent protection for the invoice processing aspects of the service in the UK and Europe, the latter was withdrawn following a challenge by numerous third parties. As a consequence of this withdrawal and non-payment of fees, the UK Patent is not usable for the purposes of intellectual property protection.

## **8. COMPETITION**

Given the approach of Tungsten and its planned provision of e-invoicing, invoice discounting and spend analytics, the Directors do not believe there are any direct competitors that offer the same combination of services. Rather, it is each separate offering that has its competition.

### *E-invoicing*

OB10's existing and target customer audience comprises predominantly large, multi-national organisations (typically those receiving in excess of 100,000 paper invoices per year) that often have suppliers located in multiple territories around the world. The Directors believe that there are very few organisations capable of delivering OB10's e-invoice solutions on a global or multi-national basis; most were either established to deliver other services first (such as workflow software or procurement solutions) before subsequently adding e-invoicing solutions, or are smaller operators restricted to a few markets or languages (particularly in the Nordic region) that are focused on offering e-invoicing services. Given the predominantly local focus of these operators, OB10 rarely competes with these local players.

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<sup>14</sup> Information provided by OB10, extracted from OB10 database.

<sup>15</sup> Source: Spend Matters, August 2013.

<sup>16</sup> Source: Spend Matters, August 2013.

In addition to direct competitors for e-invoicing, there is competition offered by competing technologies:

- Electronic Data Interchange (“**EDI**”) – EDI technology has existed for over 30 years and is deployed by many large organisations for the exchange of high volumes of documents. However EDI has failed substantially to penetrate the invoicing document market which the Directors believe is due to factors such as its reliance on standards that are not adequately supported by many suppliers’ billing applications and the fact that it can be complex and costly for suppliers to implement.
- Scanning and Optical Character Recognition (“**OCR**”) – Scanning and OCR techniques have been deployed by payables departments where paper invoices are still sent by their suppliers. Under this technique, invoices are scanned and then OCR technology is used to read the scanned document and convert it to electronic form. While the penetration of scanning and OCR continues to grow, the Directors believe that the OB10 technology has a competitive advantage as scanning and OCR is less reliable or accurate because of its reliance on software trying to read a document that starts its life as paper. This results in errors or inaccuracies or requires human intervention to ‘correct and validate’ data thereby negating the efficiencies and cost saving opportunities through the reduction of printing, posting and receiving paper that the OB10 technology affords its customers.

As an e-invoicing platform, the Directors believe the primary reasons customers select OB10 include its:

- trusted brand with significant number of “blue chip” customers;
- flexible connectivity using an “any-to-any” buyer and supplier network model;
- established network which results in high supplier match rates;
- multi-lingual enrolment expertise, catering for large and small suppliers;
- technology which offers multiple ways of connecting buyers and their suppliers with minimal impact on existing systems;
- global reach and compliance footprint which means that buyers can rely on a single provider across their geographical presence;
- balanced pricing model, charging both buyer and supplier a transparent transaction fee; and
- recommendation by BPO providers.

#### *Invoice discounting*

The Group’s initial target market for invoice discounting is the UK. The market is dominated by the specialist subsidiaries of the major UK banks and a number of independent and overseas bank owned providers. The industry trade association, ABFA, covers all types of asset backed lending by UK based providers including invoice discounting, factoring and asset based lending. Published figures do not provide separate figures for domestic invoice discounting advances but show that pure invoice finance advances against debt grew from £12.9 billion as at 30 June 2012 to £14.2 billion at 30 June 2013, a growth rate of 10.1 per cent. The Group considers that this growth, together with the decline in lending to UK SMEs, demonstrates the opportunity for the Group’s proposition. This proposition is then differentiated by OB10’s network of customers which represent a captive market for the Group’s invoice discount offering.

#### *TungstenAnalytics*

Many of the target customers for TungstenAnalytics will have existing spend analysis solutions; customer barriers to entry to access and purchase analytics are low yet typically at the category header level. However, TungstenAnalytics will be complementary to such solutions, differentiated by the strength of the technology within the TungstenAnalytics proposition combined with the £370 billion worth of line-level invoice data already stored at OB10. This facilitates frequent refresh, line-level analytics for the network on a fully SaaS basis.

TungstenAnalytics has already identified potential cost savings from an analysis of an anonymised OB10 invoice dataset. Spend Matters has identified that the Company’s “ability to proactively “push” savings and profit recovery mechanisms to customers already on the network completely flips the paradigm of spend

analysis pilots and “snapshots” – providing actionable information for savings is likely to prove irresistible to finance and procurement.”<sup>17</sup> Furthermore, the Directors believe there is scope for spend analysis solutions to co-exist to deliver maximum procurement savings, as evidenced by Gartner who report that the most common frequency to refresh spend analysis is monthly (used by 32 per cent. of the surveyed organisations)<sup>18</sup>; and more than 68 per cent. refreshed it at least quarterly, underpinning the value of a continuous exercise and the recurring revenue opportunities that exist for the Group through TungstenAnalytics.

#### *Competitive position – conclusion*

Overall, the Directors believe that Tungsten’s combination of services should serve as a key differentiator. In relation to the Group’s offering, Spend Matters commented:

“A proven and growing Fortune 500 buyer/supplier network, breakthrough analytics dynamically applied to line level invoices, native financing capability and openness/interoperability will create a formidable and differentiated leader in the market. The combination of the Tungsten assets is what is truly unique and creates a future state differentiated networked analytics with broader Platform SaaS opportunities.”

### **9. CURRENT TRADING AND FUTURE PROSPECTS**

OB10’s trading in the first four months of the 2014 financial year has been in line with management’s expectations. Consistent with the focus on building the buyer and supplier network, seven new buyer e-invoice contracts were signed in the current financial year by 9 October 2013 (being the latest practicable date prior to the publication of this document) the most recent being Coca Cola Hellenic Bottling Company, King Abdullah University of Science and Technology and Caterpillar.

Subsequent to Tungsten’s announcement of the Acquisitions, communications with buyers have been positive. By way of example, this includes proactive meetings with a UK public sector body, which has confirmed in writing its agreement subject to commercial terms, to move to “approved to pay” invoices, via the Integrated Status Service (ISS) and to incorporate the successfully trialled Express Payments service to be offered to their large UK supply base. Commercial terms are being discussed now with financing to be provided through Tungsten and which is currently anticipated to go live during the first quarter of calendar year 2014. Other such proactive meetings are being planned across the immediate coming months.

The Company is focused on putting in place the infrastructure to deliver invoice financing. Discussions with the PRA and FCA to obtain approval for the Company to acquire the Bank and to potential providers of funding continue to progress well. The specification work to integrate the necessary IT system functionality for invoice discounting and appropriate reporting is also under way.

The licence fee (£300,000) and set up fee (up to £150,000) will be paid to @UK at Admission, such that TungstenAnalytics’ software can be promoted to customers on the Group’s e-invoice network. The licencing agreement further provides that @UK will receive a proportion of the revenues generated by TungstenAnalytics capped at a certain amount annually (with a maximum value payable to @UK over the initial five year period of £3.4 million). The process of embedding the software will commence during the calendar year and initial marketing to selected buyers will commence shortly following Admission.

### **10. REASONS FOR ADMISSION, THE PLACING AND USE OF PROCEEDS**

The Company is raising £160 million by way of a conditional placing with investors of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 71.1 per cent. of the Share Capital at Admission.

The estimated proceeds of the Placing will be approximately £160 million and will be used as follows:

- (a) £73 million to fund the cash element of the consideration payable for the acquisition of OB10 (of which £2 million will be in turn used by certain OB10 executives to purchase Ordinary Shares);

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<sup>17</sup> Source: Spend Matters, August 2013.

<sup>18</sup> Source: Gartner – “Use these spend analysis best practice to improve processes, find savings and reveal trends – March 2013.

- (b) £58 – £60 million to finance the acquisition of the Bank and to provide solvency capital to support the invoice discounting activities of the Bank;
- (c) £15 million for working capital purposes and business development purposes, which includes embedding the infrastructure and business support teams into key customers; and
- (d) £14 million to fund acquisition and transaction fees and expenses, with a further £2 million payable at the Board's discretion.

Pursuant to the Placing Agreement, Canaccord, as sole bookrunner for the Company, has agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. Canaccord has agreed to subscribe for any Placing Shares not taken up by placees.

The Placing comprises 71,111,111 Placing Shares being issued by the Company. The Placing Shares will be fully paid up and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and otherwise rank *pari passu* in all respects with, and be identical to, the Existing Ordinary Shares. The terms and conditions governing the Placing are set out in Part V of this document.

The Placing is conditional, among other things, upon: (i) the OB10 Acquisition Agreement becoming unconditional in all respects and not having lapsed or been terminated; (ii) Admission taking place not later than 8.00 a.m. on 16 October (or such later date as the Company, Canaccord and Charles Stanley may agree in writing, not being later than 8.00 a.m. on 31 October 2013); and (iii) the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

On Admission, the Company will have a total of 100 million Ordinary Shares in issue and a market capitalisation of £225 million at the Placing Price.

Further details of the Placing Agreement are set out in paragraph 17.1 of Part VI of this document.

## **11. DIRECTORS' LOCK-IN ARRANGEMENTS**

Under the terms of the Placing Agreement, each of the Directors who will hold shares after Admission (representing in aggregate 16.9 per cent. of the Share Capital) has agreed not to dispose of any interest in any Ordinary Shares owned by him or any connected person prior to the date which is 12 months from the date of Admission.

Further details of these arrangements are set out in paragraph 17.1 of Part VI of this document.

## **12. ADMISSION, SETTLEMENT AND DEALINGS**

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 16 October 2013. These dates and times may change.

The Ordinary Shares will be in registered form. The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

The ISIN number of the Ordinary Shares is GB00B7Z0Q502.

## **13. TAXATION**

It is believed that the Ordinary Shares, if held by a UK resident for more than two years, will be eligible for business property relief from inheritance tax. Information regarding taxation is set out in paragraph 12 of Part VI of this document. These details are intended only as a general guide to the current tax position in the

**UK. If an investor is in any doubt as to his or her taxation position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

#### **14. DIVIDEND POLICY**

The Company intends to pay dividends on the Ordinary Shares having regard to a prudent retention of funds in the Group to cover working capital and fund growth opportunities and for these reasons, the Directors do not expect the Company to pay dividends for the foreseeable future. The Company will only pay dividends to the extent permitted by applicable law and regulation.

#### **15. APPLICABILITY OF THE CITY CODE**

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Further information on the provisions of the City Code can be found in paragraph 16 of Part VI of this document.

#### **16. FURTHER INFORMATION**

Your attention is drawn to Parts II to VIII of this document which provide additional information on the Group and the markets in which it operates. You are advised to read the whole of this document and in particular, the attention of prospective investors is drawn to Part III of this document which contains a summary of the risk factors relating to an investment in the Company.



## PART II

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

#### THE DIRECTORS

<i>Name</i>	<i>Position</i>	<i>Age</i>
Arnold Hoevenaars	<i>Non-Executive Chairman</i>	64
Edmund Truell	<i>Chief Executive Officer</i>	50
Luke McKeever	<i>Executive Director<sup>1</sup></i>	44
Philip Ashdown	<i>Executive Director<sup>1</sup></i>	53
Jeffrey Belkin	<i>Chief Financial Officer<sup>1</sup></i>	52
Peter Kiernan	<i>Non-Executive Director</i>	53
Daniel (“Danny”) Truell	<i>Non-Executive Director</i>	49
Michael Spencer	<i>Non-Executive Director</i>	57

#### **Arnold Hoevenaars, Non-Executive Chairman, aged 64**

Arnold is Chairman of the Internal Supervisory Committee for Pensioenfonds Zorg & Welzijn (PFZW), which had over €135 billion of assets as at the end of the first quarter in 2013. Arnold is also a member of the Supervisory Board of the Unilever Pension Fund. Previously Arnold held the following positions: from 2003 to 2004 he was Chief Financial Officer of Royal Boskalis Westminster; from 2002 to 2003 he was Chief Executive Officer and Chairman of Eureka B.V.; and from 1992 to 2000 he held various roles to become Executive Chairman of Achmea.

#### **Edmund Truell, Chief Executive Officer, aged 50**

Edmund has over 30 years’ financial services experience including leadership positions in banking, private equity, pensions, insurance and debt investment. He trained at Bankers Trust Co in New York, following which he was appointed a Director of Hambros Bank in 1991; Chief Executive of Hambro European Ventures in 1994; led the 1998 buyout and formation of Duke Street Capital (“DSC”); and was responsible in 2000 for creating and building DSC Debt Management. He was Chairman of the British Venture Capital Association from 2001 to 2002. After selling out of DSC in March 2007, he co-founded a regulated insurance company, Pension Insurance Corporation, which now has over £9 billion in assets under management and has insured some 90,000 pension fund members. He was appointed as Chairman of the London Pension Fund Authority, with £4.8 billion of assets, in January 2013. He is qualified as a Chartered Financial Analyst and is a Trustee of The Truell Charitable Foundation and the Charles Darwin Foundation.

#### **Luke McKeever, Executive Director, aged 44**

Luke has 20 years’ experience in software, data analytics and services markets with a background in international sales, marketing and corporate development. Luke joined OB10 in April 2011, where he was responsible for driving the growth and strategic direction of the business. Previously, Luke was CEO of Portrait Software, a publicly listed company, where he oversaw a strong period of growth before its acquisition by Pitney Bowes in 2010. Luke has held senior commercial positions in software and services organisations, including Alterian plc and Experian plc.

#### **Philip Ashdown, Executive Director, aged 53**

Philip has over 30 years’ diverse experience gained within commercial banking and leverage finance, M&A advisory, restructuring and hedge fund management businesses. Highly skilled in project and risk management with substantial presentation, negotiation and transaction closing experience across diverse transactions and sectors, globally. He trained as a corporate banker at Midland Bank. He has been a Director at Hill Samuel Bank, Managing Director and Head of Leverage Finance and Sponsor Coverage at ING Barings and Fund Manager at Altima Partners LLP. Philip is an Honorary Professor at Warwick University Business School and Founding Partner of Silvermine Partners LLP. He became an Associate of Chartered Institute of Bankers (ACIB) in 1987. He has an MBA with distinction.

<sup>1</sup> To be appointed as a Director of the Company with effect from Admission.

### **Jeffrey Belkin, Proposed Chief Financial Officer, aged 52**

Jeffrey has over 30 years' experience in the financial services industry and was Group Finance Partner at DSC from 2001 to 2009, where he was responsible for reporting to investors and stakeholders. Jeffrey previously had responsibility for group reporting in various roles at HSBC and then at Schroders, where he was head of management reporting for the Investment Banking Group and for the consolidated Schroders plc group. Since 2009 Jeffrey has worked for Edmund Truell and Disruptive Capital LLP on all aspects of family and professional asset management. Jeffrey qualified as a Chartered Accountant with Peat, Marwick, Mitchell & Co. in 1986. Jeffrey studied Economics and History at Cambridge.

### **Peter Kiernan, Non-Executive Director aged 53**

Peter has over 30 years' experience in financial services and 27 years' investment banking experience and is currently Chairman of European Investment Banking at Canaccord. He is also a member of the Advisory Board of Bell Pottinger and a Trustee of The Ireland Fund of Great Britain. Previously, Peter was a Managing Director at Lazard, where he was Head of UK Investment Banking from 2004 to 2006, having joined from Goldman Sachs in 2004 where he was also a Managing Director. Before Goldman Sachs, Peter was a Managing Director at UBS Warburg. Peter qualified as a Chartered Accountant with Peat, Marwick, Mitchell & Co. and read Natural Sciences (Chemistry) at Cambridge.

### **Daniel ("Danny") Truell, Non-Executive Director, aged 49**

Danny has over 25 years' experience in financial services having held leadership positions in asset management, pensions and long-term investment. Commencing his career at CIN and then Chief Asian Strategist for SBC Warburg in Hong Kong, Danny was formerly a Managing Director at Goldman Sachs. He is Co-founder and Chair of the Asset/Liability Committee at Pension Insurance Corporation. Danny is currently Chair and the only UK member of the World Economic Forum Long-term Investment Council and has been Chief Investment Officer of the Wellcome Trust since 2005, where he has overseen some £15 billion of assets at the UK's largest medical charity. Danny is Co-Chairman of the G20 / B20 Investment Group. He read PPE at Oxford and is a Trustee of The Truell Charitable Foundation and of DebateMate.

### **Michael Spencer, Non-Executive Director, aged 57**

Michael has been Chairman and Group Chief Executive Officer of ICAP since 1998 following the ExcoI/ Intercapital merger. Over this period Michael took ICAP from start-up to FTSE 100 as a leading inter-dealer broker, with a market capitalisation of £2.3 billion as at 9 October 2013, being the latest practicable date prior to the publication of this document. Michael was Non-Executive Chairman of Numis Securities from April 2003 to May 2009 and Treasurer of the Conservative Party from 2006 until October 2010. He was named Entrepreneur of the Year at the European Business Leader Awards and Ernst & Young World Entrepreneur of the year in 2010. He read Physics at Oxford.

## **CORPORATE GOVERNANCE**

The Directors acknowledge the importance of high standards of corporate governance.

The Corporate Governance Code, published by the QCA in May 2013, sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies. As a consequence of their holdings of LTIP Securities, none of Arnold Hoevenaars, Peter Kiernan or Michael Spencer are considered independent under the Corporate Governance Code. However, on account of such Directors robustness of character and judgement, the Board considers these Directors to be independent notwithstanding their holdings of LTIP Securities. In addition, as a consequence of Peter Kiernan's role as Chairman of European Investment Banking at Canaccord, it was decided that he should take no part in the negotiation of the terms of the Canaccord engagement letter or the terms of the Placing Agreement.

Following Admission, the Board will meet at least six times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. It has established audit, nomination and remuneration committees with formally delegated duties and responsibilities and with written terms of reference. Each of these committees will meet regularly and at least twice a year. From time to time separate committees may be set up by the Board to consider specific issues when the need arises.

### ***Audit Committee***

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than four times in each financial year and will have unrestricted access to the Group's external auditors. The members of the Audit Committee shall include only independent non-executive Directors. The Audit Committee comprises Arnold Hoevenaars, Peter Kiernan and Michael Spencer and is chaired by Peter Kiernan.

### ***Remuneration Committee***

The Remuneration Committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Corporate Governance Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The members of the Remuneration Committee shall include only independent non-executive Directors. The Remuneration Committee comprises Arnold Hoevenaars, Peter Kiernan and Michael Spencer and is chaired by Michael Spencer.

### ***Nomination Committee***

The Nomination Committee will have responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. It will also have responsibility for recommending new appointments to the Board. The Nomination Committee will meet not less than twice a year and at such other times as required. A majority of the members of the Nomination Committee shall be independent non-executive Directors. The Nomination Committee comprises Arnold Hoevenaars, Michael Spencer and Peter Kiernan and is chaired by Arnold Hoevenaars.

## **SHARE DEALING CODE**

The Company has adopted a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules for Companies and will take steps to ensure compliance by the Board and the Group's employees with the terms of the code.

## **LONG-TERM INCENTIVE PLAN SECURITIES**

The Company has in place a long-term equity incentive plan for the key managers and associates. The securities issued pursuant to the plan (the "**LTIP Securities**") are exchangeable into ordinary shares in Tungsten, with a value equal to 15 per cent. of the increase in the actual market capitalisation of Tungsten since Admission, subject to satisfaction of the following performance condition:

- the LTIP securities are only convertible if the value of Tungsten has risen by over 8.25 per cent. per annum, subject to adjustments for capital returns to shareholders; and
- the LTIP Securities are only convertible between five and 10 years following Admission (or earlier in the event of change of control, including removal from the Board).

The LTIP Securities will be allocated on an ongoing basis to incentivise key management, subject to long-term vesting and performance criteria.

Further details on the LTIP Securities are set out in Part VI of this document.

## PART III

### RISK FACTORS

*Any investment in the Ordinary Shares is subject to a number of risks. Accordingly, prospective investors should carefully consider the risks and uncertainties described below, together with all other information contained in this document, before making any decision to invest in the Ordinary Shares. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any or a combination of the risks described below. Additional risks and uncertainties relating to the Group's business that are not currently known to the Directors, or that the Directors currently deem immaterial, could also have a material adverse effect on the Group's business, financial condition, results of operations or prospects. If any such circumstances were to occur, the market price of the Ordinary Shares could decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances. If investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities.*

*Prospective investors should note that the risks relating to the Group, the Group's industry and the Ordinary Shares summarised in the section of this document headed "Summary" are those risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

#### **1. Risks relating to the OB10 Acquisition**

##### ***The integration of the OB10 business and/or the Bank into Tungsten may result in operating difficulties and/or other adverse consequences***

Following completion of the OB10 Acquisition, the integration of the OB10 business and/or the Bank into the Company may create unforeseen operating difficulties and expenditures and pose management, administrative and financial challenges. Specifically, integrating IT systems, operations and personnel may prove more difficult, may take longer than anticipated, and post-completion costs may prove more expensive than anticipated. The integration of the businesses may require significant time and effort on the part of the Group's management and potential third party contractors. The challenges of integrating the businesses may also be exacerbated by differences between the Group's and the businesses' operational and business cultures, difficulties in maintaining internal controls and difficulties in establishing control over cash flows and expenditures which could have an adverse effect on the Group's business, financial condition and results of operations.

##### ***The Group may fail effectively to manage the expansion expected to result from the combination of the two businesses***

The Directors believe that in order to fully maximise the opportunities that exist from the acquisition of OB10, further expansion of the customers and transactions across the OB10 network will be required. The Group's future success will therefore depend, in part, on such expansion occurring and, to the extent that it does, the Group's ability to manage this anticipated expansion effectively. As a standalone entity, OB10 has a history of operating losses and there can be no assurance that its combination with the Company will result in the Group achieving profitability or expanding significantly. To the extent that significant expansion does occur, such expansion is expected to place demands on management, support functions, accounting, technology, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.

***If goodwill, or other intangible assets acquired become impaired, the Group might have to take charges against earnings***

In connection with the accounting for the OB10 Acquisition, the Group is expected to record an amount of goodwill and other intangible assets. Under IFRS, the Group must assess, at least annually and potentially more frequently, whether the value of the goodwill and other intangible assets have been impaired.

Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Group's results of operations and shareholders' equity in future periods.

## **2. Risks relating to the Group and its business**

### **Risks relating to OB10**

***OB10 is dependent on a relatively small number of large buyers and their supplier networks and their interest in value-added services***

A large proportion of the historical transaction value processed by OB10 has been concentrated in a relatively small number of large buyer groups and their supplier networks. By way of illustration, in the financial year ended 30 April 2013, OB10's top 22 buyers accounted for approximately 75 per cent. of total transaction value processed (although OB10's revenue is driven principally by transaction and customer volumes and is therefore less affected by this). To date, OB10's buyer retention has been a particularly strong feature evidenced by the fact that only two buyers left the platform in each of the two financial years ended 30 April 2012 and 30 April 2013 (and all were low revenue accounts). However, there can be no assurance that OB10 may not lose further clients from the platform.

The loss of all or a substantial proportion of the business provided by one or more of the OB10's top buyers (including the loss of buyers on the termination or non-renewal of their contracts with OB10 or with the relevant BPO) could have a material adverse effect on the Group's business. In addition, the rate of penetration of the Group's value-added services is in part dependent upon the decisions taken by these buyers and their suppliers.

***The OB10 network may fail to attract new customers in a cost effective manner***

A key strategy of the Company is to focus on expanding the number of customers onto the OB10 network. If OB10 were to fail to attract new buyers and suppliers and maintain relationships with its existing buyers and suppliers, its growth may be impaired. Furthermore, the performance of OB10 is also affected by its ability to convert a buyer's supplier base onto the OB10 platform. The Group's profitability and revenue growth will also depend on OB10's ability to increase its customer base in a cost-effective manner. Although OB10 has spent significant financial resources on programmes to attract new customers, including enhanced web and auto-enrolment facilities to enable more cost-effective growth, there can be no assurance that these efforts will be successful in doing so. Any failure to maintain OB10's current level of customers or to attract new customers could have an adverse effect on the Group's business and operations and its ability to deploy value-added services.

***OB10's is dependent on a number of third parties for the operation of its business***

OB10 has relationships with a number of key third party suppliers who will provide products and services to the Group including in some jurisdictions the provision of country level compliance services. For example, OB10 has chosen to outsource a number of services, including data storage to Computacenter (UK) Limited and A&T Global Services LLC, production maintenance and support and software development to Luxoft USA Inc, the provision of staff to provide key services such as implementation, mapping and support to Client X and compliant service provision to Buzon-e in Mexico. The Group is reliant on these third parties to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the products and services they provide. The Group may not be successful in recovering any losses which result from the failure of third party suppliers to comply with their contractual obligations. Any significant disruption in the supply of products and services to the Group, or the inability to negotiate reasonable terms of renewal, or find suitable replacement suppliers, if the relevant agreements expire or are

terminated, could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

In addition, OB10 has placed an increasing reliance on attracting new buyers onto the OB10 platform through BPOs. This introduces a second relationship risk as buyers could leave the platform should they terminate their contracts with the BPO provider or should the BPO provider decide to adopt a different solution to its e-invoicing offering to their buyers and terminate its relationship with OB10. In addition, the assignment of the e-invoicing contract to a BPO partner could result in a reduced ability of the Group to market the added value services it is proposing to offer (such as invoice finance and TungstenAnalytics) to such buyers.

***OB10 depends on key information technology and communication systems which may fail or be subject to disruption***

OB10's operations are highly dependent on technology and communications systems, including the internet. The efficient and uninterrupted operation of the systems, technology and networks on which OB10 relies and its ability to provide customers with reliable access to its products and services is fundamental to the success of OB10's business. Any damage, malfunction, failure or interruption of or to systems, networks or technology used by OB10 (including bespoke software developed by OB10's in house IT team and third party contractors, "off-the-shelf" non-bespoke licence software, open source software, hardware stored at OB10's two datacentres, hosting arrangements and the internet) could result in a lack of confidence in OB10's services and a possible loss of existing customers to its competitors or could expose OB10 to higher risk or losses, with a consequential material adverse effect on OB10's operations and results. OB10's IT systems may also be damaged or interrupted by increases in usage and may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of OB10's infrastructure or the telecommunications could lead to significant costs and disruptions that could reduce revenue, harm OB10's business reputation and have a material adverse effect on the operations, financial performance and prospects of OB10. If OB10's connection to the internet is interrupted or not available, OB10 may not be able to provide customers with its products and services.

OB10's systems are vulnerable to damage or interruption from manual intervention, natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial of service attacks and other events. OB10's systems are also vulnerable to break ins, sabotage and international acts of vandalism by internal employees and contractors as well as third parties. Any interruption in the availability of the Group website, support site or telephone systems would create a business interruption and could have a material adverse effect on the Group's operations and results.

From time to time, OB10 introduces architectural upgrades to its existing systems and problems implementing any such upgrade may lead to delays or partial or total loss of service to the Group's customers in any or all of the jurisdictions in which the Group operates and to short-term interruption to the Group's business. These types of events could expose the Group to potential liability and could have a materially adverse effect on the Group's business, financial condition and operating results.

OB10 also relies on its systems and the security of its network for the secure transmission of confidential information such as customers' address, telephone number, or the details of the products and services used, which is a critical element of OB10's operations. Whilst OB10 has not experienced any known significant network security breaches to date, any such occurrences (whether due to systems malfunction, failures by third parties, unauthorised access being gained by persons who circumvent the Group's security or otherwise) could result in the Group's current customers ceasing to do business with the Group and the Group being held criminally or civilly liable.

OB10 has disaster recovery procedures in place which include transactional data being automatically backed up in a separate secure location on a frequent basis. Whilst such procedures are intended to mitigate the effects of events such as those listed above on the Group's business, there can be no assurance that such policies can account for and protect against all eventualities or that they will be effective in preventing any interruption to the operations and systems of the Group. Whilst to date there has been no significant

malfunctioning of the Group's technology and systems, any such events could result in a lack of confidence in the Group's services, a possible loss of existing customers to its competitors and potential liabilities, with a consequential material adverse effect on the Group's operations and results.

***OB10 may fail to keep up with technological change and or make adequate investment in its information technology and communication systems***

To remain competitive, the Group, through OB10, must continue to innovate, further enhancing and improving the responsiveness, functionality, accessibility and other features of its offering. The success of the Group depends on OB10's ability to anticipate and respond to technological and legislative changes and customer demands in a timely and cost-effective manner. The Directors believe that OB10 is well placed to respond to these challenges quickly and efficiently. However, there can be no assurance that the Group will be able to effectively anticipate and respond to technological and legislative changes and customer preferences in the future. Failure to do so could have a material adverse effect on the Group's business and operating results.

***The reputation of OB10 and its ability to ensure that its customers comply with their own obligations depends to a large degree on the quality of the service OB10 provides***

OB10 provides a key service to customers in processing invoices and this service, in many cases, assists customers to comply with various contractual and local legislative requirements. The failure of OB10 to provide this service to an appropriately high standard could result in its customers being in breach of contract and/or law or regulation which could result in such customers taking action against OB10 to recover any damages suffered which resulted from such breach. In addition, OB10's success and results of operations are dependent on the strength and reputation of the service it provides. Any damage to this reputation resulting from a poor quality service could cause existing customers to withdraw their business from the Group and potential customers to be reluctant or elect not to do business with the Group. The occurrence of any of these events could have a material adverse effect on the Group's business and operating results.

***OB10's intellectual property may be the subject of infringement by third parties or claims of infringement of third parties' rights***

The Group regards the intellectual property that resides within OB10 as a significant element contributing to its future success. OB10 sought patent protection for the invoice processing aspects of the service. UK and European-wide patents were granted, but the latter was withdrawn following a challenge by numerous third parties. As a consequence of this withdrawal and non-payment of fees, the UK Patent has been allowed to lapse. However, OB10 does have a granted patent for its e-invoicing service in the US (patent no. 8,010,452). There can be no assurance that third parties will not infringe upon or misappropriate the Group's proprietary rights.

The Group may also be the subject of claims of infringement of the rights of others or party to claims to determine the scope and validity of the intellectual property rights of others. Litigation based on such claims is common amongst companies in the technology space. Such claims, whether or not valid could require the Group to spend significant sums in litigation, pay damages, re-brand or re-engineer services, acquire licences to third party intellectual property and distract management attention from the business, which may have a material and adverse effect on its business, financial condition and results of operations.

***Certain of OB10's contracts with buyers and suppliers contain change of control provisions which may be triggered by the OB10 Acquisition***

As is market practice, certain of the contracts in place between OB10 and its buyers and service providers contain standard commercial provisions which would permit such buyers and suppliers to terminate the relevant contract in the event of a change of control in OB10. The acquisition of OB10 by the Company is likely to give the relevant buyers and service providers the right to exercise their rights under these provisions. Although OB10 and the Company have been in dialogue with these buyers and suppliers in relation to this issue and have received no indication of any intention to exercise such termination rights, there can be no assurance that the buyers and service providers will not take such action, which could have an adverse effect on the Group's business and operating results.

## **Risks relating to the Bank and the provision of invoice finance**

### ***The Company may fail to obtain or experience a delay in obtaining the required regulatory approval to acquire the Bank***

The Company intends, subject to the required PRA and FCA approval being forthcoming for its acquisition of the Bank, to make invoice discounting available via the Bank.

Banks are currently authorised by the PRA, and are regulated by the PRA as to prudential matters and by the FCA as to conduct. A change of control of a bank, such as would occur on the acquisition of the Bank by the Company, may only take place with the prior approval of the PRA and the FCA. The Company and each Shareholder holding 10 per cent. or more of the voting power in or shares in the Company or who is entitled to exercise a significant influence over the Company would need to be approved by the PRA as a “controller” of the Bank prior to acquisition of the Bank by the Company. As such, should the Company at the time at which its application is formally considered by the PRA and FCA have a Shareholder that holds greater than 10 per cent. of the shares in the Company, the Company’s ability to obtain the required approvals to complete its acquisition of the Bank would be subject to such third party investor satisfying the relevant regulatory requirements.

In light of the events in the financial markets in recent years, the PRA is likely to approach applications for the acquisition of controlling interests over banks such as the Bank with increased scrutiny. The Company cannot predict what impact this may have on obtaining approval from the PRA or the conditions which may be attached or the timing of that approval. The PRA may refuse to approve the Company or another person as a controller and/or may impose conditions or restrictions on the Company’s or the Bank’s business in connection with the application to become a controller. These conditions or restrictions could have the effect of delaying or preventing the acquisition or imposing additional costs on the Company or the Bank which could have a material adverse effect on the Group’s business and operating results.

### ***The ability of the Bank to deliver its planned invoice discount offering may be adversely impacted if it does not manage its funding needs adequately***

The initial funding required by the Group in order to enable it to provide its invoice discount offering will be supplied by third party and largely bank funders. There can be no guarantee that the Company (through the Bank or otherwise) will be able to raise the additional funds required to support the future growth of the invoice finance proposition or that it will be able to raise such funds on commercially acceptable terms. Any material change in market liquidity (such as that experienced in 2008), the availability and costs of wholesale funding and latterly customer deposits or to the market in general could adversely impact the Group’s ability to source the levels of liquidity required to meet the Group’s planned invoice finance requirements. Should the Group be unable to access sufficient funds, it would be unable to deliver invoice discounting to suppliers in the manner currently contemplated which could have a material adverse effect on the Group’s business, financial condition and operating results.

### ***The Bank’s ability to deliver against its business plan may be adversely affected if it does not effectively manage its capital and liquidity ratios***

The acquisition of the Bank is still going through the required regulatory process and therefore the exact nature of the capital adequacy and liquidity ratios under which it will have to operate are yet to be confirmed. However, should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: (i) an inability to support its planned business activity; (ii) a failure to meet its regulatory requirements; or (iii) an impact on the Bank’s capacity to raise funding. This could result in the Group having to take additional measures to strengthen the Bank’s capital or liquidity position.

In addition, the existing regulatory and capital requirements adopted in the UK may change. Whilst it is not currently possible to predict with accuracy the detail of any such potential changes, it may lead the Bank to be subject to unexpected enhanced capital and liquidity requirements. Any such increased capital or liquidity requirements may constrain the Bank’s ability to execute its business plan and the provision of capital to fund the Group’s invoice discount offering.



***Adoption by suppliers of Tungsten's invoice discounting proposition might be slower than the Directors anticipate***

The business plan of the Group is predicated on its ability to provide its invoice discount offering into OB10's captive network of suppliers. Should the suppliers on the OB10 platform decide not to utilise the Group's invoice discount offering, or should the take up be slower than anticipated by the Directors, this could have a material impact on the future financial performance of the Group.

***The results of the Group could be impacted by bad debts from the invoice finance offering***

The Directors believe that the functionality of the OB10 platform, together with the predominantly investment grade nature of the buyer groups on the platform (who represent the source of repayment to the Bank once the supplier elects to utilise the Group's invoice finance capability) provides the Bank with the ability to minimise bad debts.

However, the Group's business will involve providing invoice discounting to a large number of customers and there is no guarantee that the Group will not suffer from material impairments to its loan book as a result of, for example, a deterioration of general economic conditions or issues affecting the business sectors within which OB10's customers are based. If the Group were to suffer material impairments to its invoice discounting operations, this could have a material adverse effect on the results of the Group's operations and its future financial condition.

***The Bank's ability to deliver against its business plan will be affected should there be any interruption or failure of the Bank's information technology***

The Bank's technological infrastructure will be critical to the operation of the Group's businesses and delivery of products and services to its customers. The Group is already in the process of acquiring the necessary IT infrastructure to enable it to commence operations. Should there be any delay in getting this necessary IT in place, this could impact the timing of the Group's ability to offer its invoice discount facility into the OB10 network.

Once established, the Bank's technological efficiency and automation will be important to the control environment required of a regulated entity. The ability of the Bank's software to function properly will depend on the Group's ability to protect its network infrastructure, computer equipment and client files against damage from human error, power loss or other systems failures. Whilst the Bank will have in place measures to protect itself in the event of such occurrences (such as data back-up and off-site data storage) should the Bank's IT infrastructure fail or be interrupted, this could impact the future performance of the Group. In addition, financial services regulators expect that systems will be resilient and able to handle unexpected stresses. Any failure of the Group's systems could result in the FCA or PRA (or any other applicable regulator) taking regulatory enforcement action against the Group.

***The board of directors of the Bank will be subject to regulatory requirements and fiduciary duties which may conflict with the interests of the Company and or the Group as a whole***

Although the Bank will be a wholly-owned subsidiary of the Company on completion of the Bank Acquisition, the Bank will be subject to ongoing regulation by the PRA and the FCA. In addition, the Bank will have its own board of directors who will be required to act within the regulatory framework applicable to the Bank and who will have fiduciary duties as directors to the Bank rather than to the Group or the Company. Although the proposed chairman and chief executive officer of the Bank will also be Directors of the Company, there can be no assurance that the interests of the Bank's board of directors will not conflict with those of the Company and/or the Group as a whole.

***The powers given to regulators by the Banking Act 2009 and the proposed Recovery and Resolution Directive could materially impact the Group***

Under the Banking Act 2009 actions may be taken by the Bank of England and HM Treasury to address a situation where a bank is failing or is likely to fail to meet the threshold conditions for authorisation as a bank. The powers available, which apply regardless of contractual restrictions, include: (a) the power to make a share transfer instrument or order pursuant to which there may be transferred to a commercial

purchaser or nominee of, or a company wholly owned by, HM Treasury, all or some of the securities (as defined in section 14 of the Banking Act 2009) issued by the Bank or the Company (in its capacity as a bank holding company) and warrants for such shares and bonds; and (b) the power to transfer all or some of the property, rights and liabilities of the Bank to a commercial purchaser or a Bank of England entity. Compensation may (but is not guaranteed to be) payable in the context of share transfer instruments and orders and property transfer instruments. The Banking Act 2009 also vests power in the Bank of England to override, vary or impose contractual obligations between the Bank and the Company (in its capacity as a bank holding company) for reasonable consideration in order to enable any transferee or successor of the Bank or the Company to operate effectively. The European Commission's proposed Recovery and Resolution Directive also includes proposals giving authorities wide powers to intervene when an institution is not meeting, or is unlikely to meet, prudential requirements, including by appointing a special manager to take over management of the institution as well as a number of resolution powers which can be used by regulators to resolve a failing institution. The proposed powers are similar to those granted to the UK authorities under the Banking Act 2009 as set out above, including the power to resolve the Company (in its capacity as a bank holding company). The Recovery and Resolution Directive has not yet been finalised and at this stage it is unclear when it will be finalised and the form the final text will take.

### **Risks relating to the licence agreement with @UK**

#### ***The Company's licence agreement with @UK may fail to deliver the expected costs savings to OB10's buyer network***

Although the Directors believe that significant cost savings should be achieved by OB10's buyer network via the application of price variance and price benchmarking to the line-level granularity of OB10's e-invoice data, there can be no assurance that such cost savings will be generated at the expected levels or at all, nor that the buyers will elect to adopt this service. Failure of these spend analytics to deliver the expected costs savings to OB10 buyers could have a material adverse effect on the Group's future results of operations.

The software related to the provision of TungstenAnalytics is to be installed on OB10's servers and within OB10's environment. Although the Group has assessed the requirements for such an installation there is a risk that the software will not perform as required following the installation. In addition, the software related to the provision of TungstenAnalytics is being provided by a third party. Should this third party fail to update the technology to address the changing demands of the market or should this third party itself be subject to challenges relating to the software and intellectual property utilised in the TungstenAnalytics software, this could have an impact on the Group's ability to successfully deploy the TungstenAnalytics offering to the OB10 buyer network.

#### ***The Company's licence agreement with @UK may not be renewed on expiry of the initial five year term***

The Company's licence agreement with @UK operates on a five year rolling basis, with extension being subject to mutual agreement each year. There can be no assurance that the parties to the agreement will agree to renew it beyond the initial five years. In the event that the agreement lapses (after five years or any year thereafter), the Group would either need to develop its own spend analytics solution or enter into an arrangement with another third party for its provision. Until such time as the Group was able to successfully pursue either of these routes, it would not be able to offer the value-added services associated with the spend analytics technology which could have a material adverse effect on the Group's business and operating results.

### **Risks relating to the Group**

#### ***The Group will depend on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business***

The Group will rely on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business (including for specialised positions to work within the Bank and work with specific technological and/or analytics expertise). The successful management and operations of the Group are reliant upon the contributions of its senior management team and other key personnel. In addition, the Group's future success depends in part on its ability to continue to recruit,

motivate and retain highly experienced and qualified employees. The loss of service of any of the Group's senior management team or other key personnel, or an inability of the Group to attract new personnel, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may be subject to privacy or data protection failures***

The Group will be subject to regulation regarding the use of customer data. The Group will process sensitive customer data as part of its business and therefore must comply with strict data protection and privacy laws in the jurisdictions in which it operates. The Group will rely on third party contractors as well as its own employees to maintain its databases and will seek to ensure that procedures are in place to ensure compliance with the relevant data protection regulations. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of customer data were otherwise to occur, the Group could face liability under data protection laws. This could also result in the loss of the goodwill of its customers and deter new customers which would have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is subject to regulatory risks and changes affecting e-invoicing and invoice financing***

In addition to regulation of the internet, the banking sector and e-commerce is rapidly evolving and there are an increasing number of directly applicable laws and regulations. It is possible that additional laws and regulations may be enacted with respect to the internet or e-invoicing, covering issues such as industry standards, user privacy, law enforcement, pricing, taxation, content liability, data encryption, copyright protection, and quality of products and services. The requirement to comply with and the adoption of such new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material adverse effect on the Group's business and on the results of its operations.

***The Group may become the subject of or involved with significant litigation***

Whilst the Group will take such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group. Any litigation brought in the future involving the Group's products or services, for example, a breach of data protection laws or an assertion that OB10's IT breaches the intellectual property rights of third parties (for which OB10 indemnifies its customers), could have a material adverse effect on the Group's business.

There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

The Group also faces potential liability for claims of breach of contract negligence and breach of data protection laws. For example, computer failures may result in the Group distributing incorrect data. The Group's insurance may not necessarily cover any of the claims that customers or others may bring against the Group or may not be adequate to protect it against all liability that may be imposed. Any such litigation or regulatory investigation or actions brought in the future could have a material adverse effect on the Group's business, financial condition and operating results.

***The Group could become subject to competition***

The Group faces competition in relation to each of its separate offerings including a number of companies that operate in either the e-invoice or the invoice discount market. In addition, TungstenAnalytics faces competition for customers where such customers have an existing, typically proprietary, spend analysis tool. Although the Directors do not believe there is any direct competitor that offers services identical to all those offered by the Group, given its planned provision of e-invoicing, invoice discounting and spend analytics, if

the competitive environment within these individual offerings were to increase significantly, this could have a material adverse effect on the Group's operations and future financial results.

***The Group could be exposed to adverse movements in currency exchange rates***

Since the Group will report its financial results in sterling, fluctuations in rates of exchange between the sterling and non-sterling currencies may have a material adverse effect on the Group's results of operations. The Group will generate its revenues in a variety of currencies, including the euro, sterling and US dollars. As a result, some of the Group's financial assets will be denominated in these currencies and fluctuations in these currencies could adversely affect its financial results. The Group does not propose to engage in any currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. If the Group were to determine that it was in its best interests to enter into any currency hedging transactions in the future, there can be no assurance that it will be able to do so or that such transactions, if entered into, will materially reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. In addition, if, for any reason, exchange or price controls or other restrictions on the conversion of one currency into another currency were imposed, the Group's business could be adversely affected. There can be no assurance such fluctuations in the future will not have a material adverse effect on revenues from international sales and, consequently the Group's business, operating results and financial condition.

***The Group could become subject to adverse economic conditions***

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit.

The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

The Group may be affected by general market trends which are unrelated to the performance of the Group itself. The Group's success will depend on market acceptance of the Group's products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

***The Group's insurance policies could be inadequate to cover the cost of claims made against the Group***

While the Group maintains commercial insurance at a level it believes is appropriate against risks commonly insured in the industry, there is no guarantee that it will be able to obtain the desired levels of cover on acceptable terms in the future. Therefore, the Group's operations could suffer losses which may not be fully compensated by insurance. In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Group's insurance policies. Any of the foregoing could have a material adverse impact on the Group's operating results, business prospects and financial condition.

***The Group is subject to taxation risks***

Any change in the Company's or its subsidiaries tax status or a change in tax legislation could affect the Company's ability to provide returns to shareholders. Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change

in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax which may increase the Group's taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial and operating results.

There is also a risk that the nature of OB10's business creates a liability to register and account for sales tax in certain US states. If this occurs and tax is due retrospectively it may not be possible to recover the amounts in full from the respective customers.

OB10 provides a service to customers which is intended to ensure tax compliance in various countries. It is possible that tax authorities find that full compliance has not been achieved and OB10 may become directly or indirectly liable for costs of remediation or penalties.

OB10 also benefits from tax credits under the UK's research and development tax credits regime. Any future change to that regime leading to a material reduction or elimination of OB10's ability to claim tax credits could have a material adverse impact on OB10's cash flows and financial position.

***The costs of compliance with AIM corporate governance and accounting requirements are significant***

The Company may incur significant costs associated with its public company reporting requirements, including costs associated with applicable AIM corporate governance requirements. The Company expects to incur significant legal and financial compliance costs as a result of these rules and regulations.

***The Company is likely to be classified as a "passive foreign investment company" for US federal income tax purposes***

The Company believes that it is likely to be classified as a passive foreign investment company (a "PFIC") for US federal income tax purposes. This will result in material adverse US federal income tax consequences to US Shareholders, including having gains realised on the sale of Ordinary Shares treated as ordinary income, and having potentially punitive interest charges apply to those gains and to distributions by the Company. In addition, dividends paid by the Company will not be eligible for long term capital gains rates that may be applicable to certain non-corporate US Shareholders. Further, US Shareholders will not be able to make a qualified electing fund election with respect to the Company. For a detailed discussion of the consequences of the Company being classified as a PFIC, see "United States Federal Income Taxation—Passive Foreign Investment Company" in this document. US Shareholders are urged to consult with their own tax advisors with respect to the US tax consequences of investing in Ordinary Shares.

### **3. Risks relating to the Company's Ordinary Shares**

***General risks of investing in shares traded on AIM***

Application has been made for the Ordinary Shares to be admitted to AIM, a market designated primarily for emerging or smaller companies. The AIM Rules are less onerous than those of the UK's Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List. Further, neither the London Stock Exchange nor the FCA (in its capacity as the UK Listing Authority) has examined or approved the contents of this document. It may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares are quoted on the Official List. The share price of publicly traded early stage companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some not specific to the Group and its operations. Furthermore, there is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

***The Ordinary Shares may be subject to market price volatility and the market price of the shares in the Company may decline in response to developments that are unrelated to the Group's operating performance***

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

***The future performance of the Company cannot be guaranteed***

There is no certainty and no representation or warranty is given by any person that the Company or OB10 will be able to achieve any returns referred to in this document. The financial operations of OB10 and the Company may be adversely affected by general economic conditions, by conditions within the UK banking market generally or by the particular financial condition of other parties doing business with the Company.

***There is no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained***

Prior to Admission there is no public market for the Ordinary Shares. As a consequence, there can be no assurance that an active trading market will develop after Admission or, if developed, that an active trading market will be sustained. The Company cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market or how liquid such a market might become. Investors may experience greater price volatility and less efficient execution of buy and sell orders than expected.

The Company cannot guarantee that it will always retain a quotation on AIM. If the Company fails to do so, certain investors may decide to sell their Ordinary Shares, which could have an adverse impact on the share price. Additionally, if in the future the Company decides to obtain a listing on another exchange, in addition to AIM or as an alternative, this may affect the liquidity of the Ordinary Shares traded on AIM.

***The Directors and certain post-admission significant shareholders will retain a significant interest in and will continue to exert substantial influence over the Company following Admission and their interests may differ from or conflict with those of other Shareholders***

On Admission, the Directors, in particular Edmund Truell, will have substantial holdings of Ordinary Shares. Accordingly, such Directors may possess sufficient voting power to be able to influence certain matters requiring Shareholder approval, including the election of directors and the approval of certain business decisions. There could also be a conflict between the interests of such Directors and the interests of the Company's other Shareholders with respect to, for instance, dividend policy.

***The Company may not make dividend payments in the future***

The ability of the Company to pay dividends in the future will depend on, among other things, the Group's future profit, financial position, regulatory capital requirements, distributable reserves, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. The Company's ability to pay dividends is also subject to the requirements of the laws of England and Wales, which permits the distribution of dividends only out of distributable reserves. Furthermore, because the Company is a holding company, the Company's ability to pay dividends depends primarily upon receipt of sufficient funds from its subsidiaries. Additionally, the payment of dividends by the Company may, in certain instances, be subject to statutory restrictions, and regulatory restraints or other potential and economic factors. The inability on the part of any of its subsidiaries to pay dividends would negatively affect the amount of funds available to the Company to pay dividends. There can therefore be no assurance as to the level of future dividends (if any) that may be paid by the Company.

***The market price of the shares could be negatively affected by sales of substantial amounts of such shares in the public markets, including following the expiry of the lock-up period, or the perception that these sales could occur***

There can be no assurance that those Shareholders subject to the Lock-in Agreements will not effect transactions upon the expiry of the lock-in or any earlier waiver of the provisions of the lock-in. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could materially adversely affect the market price of the Ordinary Shares.

If the Company's existing Shareholders were to sell, or the Company were to issue a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be materially adversely affected.

***Future issues of Ordinary Shares may result in immediate dilution of existing shareholders***

The Company may decide to issue additional Ordinary Shares in the future in subsequent public offerings or private placements to fund the future regulatory capital and funding requirements of the Group. If existing Shareholders do not subscribe for additional Ordinary Shares on a *pro rata* basis in accordance with their existing shareholdings, this will dilute their existing interests in the Company. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Placing Shares. In addition, the issue of additional shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price.

***Shareholders outside the United Kingdom may not be able to subscribe for future issues of Ordinary Shares***

In order to undertake future equity fund raisings, the Company would be required to increase its issued share capital. In the case of certain increases in the Company's issued share capital, the Company's existing Shareholders would be entitled to pre-emption rights pursuant to the 2006 Act unless such rights have been waived by a special resolution of the Shareholders at a general meeting or, in certain circumstances, pursuant to the Articles. Shareholders outside the United Kingdom may not be able to exercise their pre-emption rights over Ordinary Shares unless the Company decides to comply with applicable local laws and regulations.

In addition, US Shareholders may not be entitled to exercise their pre-emption rights unless the Ordinary Shares or any other equity securities issued by the Company, are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The Company has no current intention of seeking such registration and would evaluate, at the time of any future equity offering, whether the offer would qualify for an exemption or is not subject to the registration requirements of the Securities Act, as well as the indirect benefits to the Company of enabling US Shareholders to exercise rights and any other factors that the Company considered appropriate at the time, prior to making a decision on whether to utilise an available exemption, from the registration requirements of the Securities Act. Similar issues may arise in relation to other overseas jurisdictions.

## PART IV

### HISTORICAL FINANCIAL INFORMATION ON OB10 LIMITED AND THE COMPANY

#### (A) FINANCIAL INFORMATION RELATING TO OB10 LIMITED

##### CONSOLIDATED INCOME STATEMENT

*For the years ended 30 April 2011, 2012 and 2013*

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Revenue	4	15,327	16,340	17,825
Employee costs (excluding share based compensation)	5(a)	(9,294)	(9,606)	(10,116)
Share based compensation		(149)	(273)	(505)
Depreciation and amortisation	12, 13	(518)	(437)	(274)
Other operating costs	6	(8,256)	(8,893)	(10,095)
<b>Group operating loss</b>		<b>(2,890)</b>	<b>(2,869)</b>	<b>(3,165)</b>
Finance costs	7	(43)	(25)	(327)
Finance income	8	6	11	4
Net finance costs		(37)	(14)	(323)
<b>Loss before taxation</b>		<b>(2,927)</b>	<b>(2,883)</b>	<b>(3,488)</b>
Taxation	10	53	312	177
<b>Loss for the year</b>		<b>(2,874)</b>	<b>(2,571)</b>	<b>(3,311)</b>
<b>Loss per share (expressed in pence per share):</b>				
Basic and diluted loss per share	11	(9.49)	(7.80)	(10.03)

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 30 April 2011, 2012 and 2013

	2011 £'000	2012 £'000	2013 £'000
Loss for the year	(2,874)	(2,571)	(3,311)
Other comprehensive income/(loss):			
<i>Items that may be subsequently reclassified to the income statement</i>			
Foreign exchange rate gains/(losses)	4	44	(149)
Total other comprehensive income/(loss)	4	44	(149)
<b>Total comprehensive loss for the year, net of tax</b>	<u>(2,870)</u>	<u>(2,527)</u>	<u>(3,460)</u>

Items in the statement above are disclosed net of tax.

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Accumu- lated losses £'000	Total equity £'000
<b>Balance at 1 May 2010</b>		30	40,759	120	(44,433)	(3,524)
Loss for the year		–	–	–	(2,874)	(2,874)
<i>Other comprehensive income</i>						
Currency translation differences		–	–	4	–	4
<b>Total other comprehensive income</b>		–	–	4	–	4
<b>Total comprehensive income/(loss)</b>		–	–	4	(2,874)	(2,870)
<i>Transactions with owners</i>						
Issue of new shares for cash	20	3	3,935	–	–	3,938
Value of employee services		–	–	–	149	149
<b>Transactions with owners</b>		3	3,935	–	149	4,087
<b>Balance at 30 April 2011</b>		33	44,694	124	(47,158)	(2,307)
Loss for the year		–	–	–	(2,571)	(2,571)
<i>Other comprehensive income</i>						
Currency translation differences		–	–	44	–	44
<b>Total other comprehensive income</b>		–	–	44	–	44
<b>Total comprehensive income/(loss)</b>		–	–	44	(2,571)	(2,527)
<i>Transactions with owners</i>						
Issue of new shares for cash	20	–	25	–	–	25
Value of employee services		–	–	–	273	273
<b>Transactions with owners</b>		–	25	–	273	298
<b>Balance at 30 April 2012</b>		33	44,719	168	(49,456)	(4,536)

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Accumu- lated losses £'000</i>	<i>Total equity £'000</i>
<b>Balance at 1 May 2012</b>		33	44,719	168	(49,456)	(4,536)
Loss for the year		–	–	–	(3,311)	(3,311)
<i>Other comprehensive loss</i>						
Currency translation differences		–	–	(149)	–	(149)
<b>Total other comprehensive loss</b>		–	–	(149)	–	(149)
<b>Total comprehensive loss</b>		–	–	(149)	(3,311)	(3,460)
<i>Transactions with owners</i>						
Issue of new shares for cash	20	–	–	–	–	–
Value of employee services		–	–	–	505	505
<b>Transactions with owners</b>		–	–	–	505	505
<b>Balance at 30 April 2013</b>		33	44,719	19	(52,262)	(7,491)

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

As at 30 April 2011, 2012 and 2013

	Note	2010 £'000	2011 £'000	2012 £'000	2013 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	12	420	220	62	36
Property, plant and equipment	13	554	324	262	388
Total non-current assets		<u>974</u>	<u>544</u>	<u>324</u>	<u>424</u>
<b>Current assets</b>					
Trade and other receivables	15	2,556	3,197	3,971	4,391
Cash and cash equivalents	16	1,567	2,788	1,080	851
Total current assets		<u>4,123</u>	<u>5,985</u>	<u>5,051</u>	<u>5,242</u>
<b>Total assets</b>		<u>5,097</u>	<u>6,529</u>	<u>5,375</u>	<u>5,666</u>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>					
Share capital	20	30	33	33	33
Share premium		40,759	44,694	44,719	44,719
Foreign exchange reserve		120	124	168	19
Accumulated losses		(44,433)	(47,158)	(49,456)	(52,262)
<b>Equity shareholder funds</b>		<u>(3,524)</u>	<u>(2,307)</u>	<u>(4,536)</u>	<u>(7,491)</u>
<b>Total equity</b>		<u>(3,524)</u>	<u>(2,307)</u>	<u>(4,536)</u>	<u>(7,491)</u>
<b>Non-current liabilities</b>					
Borrowings	18	145	42	–	–
Deferred income	19	724	918	1,122	1,616
Total non-current liabilities		<u>869</u>	<u>960</u>	<u>1,122</u>	<u>1,616</u>
<b>Current liabilities</b>					
Borrowings	18	87	92	78	2,360
Trade and other payables	17	2,509	2,360	2,907	3,190
Deferred income	19	5,156	5,424	5,804	5,991
Total current liabilities		<u>7,752</u>	<u>7,876</u>	<u>8,789</u>	<u>11,541</u>
<b>Total liabilities</b>		<u>8,621</u>	<u>8,836</u>	<u>9,911</u>	<u>13,157</u>
<b>Total equity and liabilities</b>		<u>5,097</u>	<u>6,529</u>	<u>5,375</u>	<u>5,666</u>

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the years ended 30 April 2011, 2012 and 2013

	Note	2011 £'000	2012 £'000	2013 £'000
<b>Cash flows from operating activities</b>				
Loss before taxation		(2,927)	(2,883)	(3,488)
Adjustments for:				
Depreciation and amortisation	12, 13	518	437	274
Share based payment expense		149	273	505
Finance costs	7	43	25	327
Finance income	8	(6)	(11)	(4)
		<u>(2,223)</u>	<u>(2,159)</u>	<u>(2,386)</u>
Changes in working capital:				
Decrease in trade and other receivables		(641)	(774)	(420)
Increase in trade and other payables		315	1,165	757
Interest paid		(19)	(2)	(148)
Interest element of finance lease payments		(23)	(23)	(3)
Tax received		53	312	177
		<u>(2,538)</u>	<u>(1,481)</u>	<u>(2,023)</u>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	12	(7)	(22)	(28)
Purchase of tangible assets	13	(108)	(96)	(337)
Interest received		6	11	4
		<u>(109)</u>	<u>(107)</u>	<u>(361)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital		–	25	–
Proceeds from issue of redeemable preference shares		4,000	–	–
Cost of issue of preference share capital		(62)	–	–
Capital element of finance lease payments		(85)	(147)	(78)
Increase in borrowings		–	–	2,200
		<u>3,853</u>	<u>(122)</u>	<u>2,122</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>3,853</u>	<u>(122)</u>	<u>2,122</u>
Net increase/(decrease) in cash and cash equivalents		1,206	(1,710)	(262)
Cash and cash equivalents at 1 May		1,567	2,788	1,080
Exchange adjustments		15	2	34
Cash and cash equivalents at 30 April		<u>2,788</u>	<u>1,080</u>	<u>851</u>

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION

OB10 Limited is a company incorporated and domiciled in the UK. The address of the registered office is: 90 Fetter Lane, London EC4A 1EN. The Company is the holding company of OB10 Limited and its subsidiaries (collectively, the “Group”), whose principal activity is the provision of electronic invoice delivery (e-invoicing) to two main categories of customers: suppliers and buyers.

This consolidated historical financial information has been approved by the Board of Directors on 20 September 2013.

## 2. ACCOUNTING POLICIES

### (a) *Basis of preparation*

This historical financial information presents the financial track record of the Group for the three years ended 30 April 2013 and is prepared for the purposes of admission to the Alternative Investment Market (“AIM”) operated by the London Stock Exchange. This special purpose financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the Listing Rules, in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), and with those parts of the 2006 Act as applicable to companies reporting under IFRS.

The Group’s transition date to IFRS is 1 May 2010. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions under IFRS 1.

This Consolidated historical financial information is prepared in accordance with IFRS under the historical cost convention. The historical financial information is presented in thousands of pounds sterling (“£”) except when otherwise indicated.

The principal accounting policies adopted in the preparation of the Consolidated financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### (b) *Going concern*

This historical financial information relating to the Group has been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The use of the going concern basis relies on the receipt of the net proceeds from the offer of shares of Tungsten Corporation plc, the owner of the Group following the admission of Tungsten Corporation plc’s ordinary shares to AIM.

### (c) *New standards, amendments and interpretations*

*Standards, amendments and interpretations effective and adopted by the Group:*

IFRS is expected to be applicable, in so far as this is currently known, to the first annual financial statements of the Group, which will be for the year ended 30 April 2014, have been applied. The accounting policies adopted in the presentation of the Consolidated historical financial information reflect the adoption of the following new standards which are not yet effective for the Group’s reporting period:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective for annual periods beginning on or after 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment does not have a material impact on the Consolidated financial information.

- **IAS 12 (amendment), ‘Income taxes’** on deferred taxes (endorsed for annual periods beginning on or after 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment did not have a material impact on the Consolidated financial statements.
- **IAS 19, (revised 2012), ‘Employee benefits’** (effective for annual periods beginning on or after 1 January 2013). This amendment introduces changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment did not have a material impact on the amounts of defined benefit scheme liabilities and related costs and gains/(losses) recognised in the Consolidated financial statements. The amendment did not have a material impact on the Consolidated financial statements.
- **IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting** (effective for annual periods beginning on or after 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a material impact on the Consolidated financial information.
- **IFRS 13 ‘Fair value measurement’** (effective for annual periods beginning on or after 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard did not have a material impact on the Consolidated financial information.
- **Annual improvements 2011** (effective for annual periods beginning on or after 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the Consolidated financial information.
- **Amendment to IFRS 1, ‘First time adoption’, on government loans** (effective for annual periods beginning on or after 1 January 2013). This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. This amendment did not have a material impact on the consolidated financial information.

*Standards, amendments and interpretations which are not effective or early adopted by the Group:*

- **IAS 27 (revised 2011), ‘Separate financial statements’** (endorsed for annual periods beginning on or after 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 ‘The effect of changes in foreign exchanges rates’, IAS 28 ‘Investments in associates’, and IAS 31 ‘Interests in joint ventures’, apply prospectively for annual periods beginning on or after 1 July 2009. The amendment is not expected to have a material impact on the Consolidated financial information.
- **IAS 28 (revised 2011), ‘Investments in associates and joint ventures’** (endorsed for annual periods beginning on or after 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not expected to have a material impact on the Consolidated financial information.
- **IAS 32 (amendment), ‘Financial instruments – Presentation’** on asset and liability offsetting (endorsed for annual periods beginning on or after 1 January 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is yet to assess the impact of IAS 32 on its Consolidated financial information.

- **IFRS 10 ‘Consolidated financial statements’** (endorsed for annual periods beginning on or after 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the Consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard is not expected to have a material impact on the consolidation of subsidiaries.
- **IFRS 11 ‘Joint arrangements’** (endorsed for annual periods beginning on or after 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a material impact on the Consolidated financial information, as the Group has historically applied equity method to account for its joint venture interests.
- **IFRS 12 ‘Disclosure of interests in other entities’** (endorsed for annual periods beginning on or after 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess the impact of IFRS 12 on the Consolidated financial information.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (endorsed for annual periods beginning on or after 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments are not expected to have a material impact on the Consolidated financial information.
- **IFRS 9 ‘Financial instruments’, on ‘Classification and measurement’** (effective for annual periods beginning on or after 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess the impact of IFRS 9 on its Consolidated financial information.
- **IASB issues narrow-scope amendments to IAS 36, ‘Impairment of assets’** (effective for annual periods beginning on or after 1 January 2014) These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment is not expected to have a material impact on the consolidated financial information.

(d) ***Basis of consolidation***

*Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights. The financial information of subsidiaries is included in the Consolidated financial information from the date that control commences until the date that control ceases.



#### *Transactions eliminated on consolidation*

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated financial information.

(e) ***Foreign currency translation***

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Group's presentation currency is pounds sterling.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating costs'.

#### *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The following exchange rates were applied for £1 at 30 April:

	2011	2012	2013
United States dollar	1.6680	1.6239	1.5564
Euro	1.1243	1.2269	1.1806
Mexican peso	n/a	21.1207	18.9205
Bulgarian lev	2.1989	2.3996	2.3090
Malaysian Ringgit	4.9405	4.9138	4.7354

(f) ***Property, plant and equipment***

#### *Owned assets*

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

#### *Leased assets*

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Leasehold improvements – depreciated over term of lease
- Fixture and fittings – 25% on cost
- Computer equipment – 20-50% on cost

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

#### (g) *Intangible assets*

##### *OB10 platform development costs*

Internal costs that are incurred during the development of significant and separately identifiable computer software for use in the business are capitalised where the software is integral to the generation of future economic benefits. Internal costs that are capitalised are limited to incremental costs specific to the project.

##### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is stated at historic purchase cost less accumulated amortisation.

##### *Amortisation*

Amortisation of OB10 platform development costs and computer software is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. OB10 platform development costs and computer software are being amortised over 5 years.

#### (h) *Impairment of non-financial assets*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

(i) ***Financial assets and financial liabilities***

*Classification*

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. Loans and receivables comprise mainly cash and cash equivalents and certain trade and other receivables.

*Impairment of financial assets*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within 'other operating costs' in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the income statement.

*Financial liabilities*

Financial liabilities of the Group include financial liabilities carried at amortised cost. The financial liabilities in the consolidated statement of financial position comprise of borrowings and certain trade and other payables.

(j) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities.

(k) ***Trade and other payables***

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(l) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(m) **Employee benefits**

*Share-based payment transactions*

The Group operates on an equity-settled, share-based compensation plan, the OB10 Share Incentive Plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted calculated using appropriate option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

All outstanding options under the OB10 Share Incentive Plan will vest on completion of the OB10 Acquisition Agreement.

(n) **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material and provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(o) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

*Preference share capital*

Preference share capital is classified as equity as the Group has full discretion over the transfer of benefits associated with the shares.

(p) **Revenue**

*Services rendered*

Revenue is the total amount receivable by the group for services provided less VAT and trade discounts. E-invoicing services are provided to the three principal categories of customer being integrated suppliers (who transmit invoices via OB10 through a file export), buyers (recipients of OB10 invoices) and web form users (who transmit invoices to OB10 through a web input sheet).

Revenue is recognised as follows:

- transaction fees – these are recognised in revenue in the period in which the customer transacts via the ‘OB10’ service and,
- initial fees, annual subscriptions and other e-invoicing delivery related services – these are recognised in revenue over the period over which the services are delivered. Where transactions are paid for but not processed, such revenue is deferred according to contractual terms.

(q) **Leases**

The costs associated with operating leases are taken to the income statement on a straight line basis over the period of the lease. Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a “finance lease”, the accounting policy for which is disclosed in (f).

(r) ***Net finance costs***

*Finance costs*

Finance costs comprise interest payable on borrowings, direct issue costs and foreign exchange losses.

*Finance income*

Finance income comprises interest receivable on funds invested, and foreign exchange gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

(s) ***Income tax***

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(t) ***Segment reporting***

IFRS 8 requires the Group to disclose information about its operating segments and the geographical areas in which it operates. It requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating officer in order to allocate resources to the segment and assess its performance.

Operating segments are reported in a manner consistent with the internal reporting to the Board of directors which has been identified as the chief operating decision maker. The Board of directors consists of the Executive Directors and the Non-Executive directors.

(u) ***Employee benefits: Pension obligations***

The group operates a defined contribution plan. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's Consolidated financial information under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Consolidated financial information.

#### ***Revenue Recognition***

Revenue from the initial fees, annual subscriptions and other e-invoicing delivery related services is recognised over the period over which the services are delivered. Where transactions are paid for but not processed, such revenue is deferred according to contractual terms, representing the anticipated period for transactions being processed. The management reviews the historical record of transactions processed under each contract and relevant estimates to determine whether the deferral period for revenue recognition is appropriate or any changes to existing deferral period are required.

#### ***Share based payments***

The management measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the stock option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 5. If other assumptions are used, the value derived for the equity instruments could be significantly impacted.

### **4. SEGMENTAL REPORTING**

Management has determined the operating segments based on the operating reports reviewed by the Board of directors that are used to assess both performance and strategic decisions. Management has identified that the Board of directors is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Board of Directors considers the business from geographical perspective and split it into the following three main areas where revenue is generated: European Union, America and Asia. There is no intersegment trading.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the group being the provision of electronic invoice delivery (e-invoicing) and other related services.



	2013			
	<i>EU</i>	<i>America</i>	<i>Asia</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>				
Total revenue from external customers	11,278	6,111	436	17,825
<b>EBITDA</b>	(2,144)	(776)	29	(2,891)
Management fee	691	(2,171)	1,480	–
Depreciation and amortisation	(119)	(126)	(29)	(274)
Segment operating profit/(loss)	(2,263)	(902)	–	(3,165)
Finance income				4
Finance cost				(327)
Loss before taxation				(3,488)
<b>Total assets</b>	4,148	1,263	255	5,666
<b>Total liabilities</b>	(9,151)	(3,797)	(209)	(13,157)
<b>Additions in the year</b>				
Intangible assets	28	–	–	28
Property, plant and equipment	282	37	18	337

The Group's revenue generated by the Company, being incorporated in the UK, is included within the EU reportable segment and amounts to £10,172,000 (2012: £9,664,000; 2011: £8,820,000).

## 5. EMPLOYEES AND DIRECTORS

### (a) Staff costs for the Group during the year:

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	8,218	8,547	8,729
Defined contribution pension cost (note 5 (d))	524	550	625
Employer's national insurance contributions and similar taxes	552	509	762
Total employee costs (excluding share based compensation)	9,294	9,606	10,116
Share based compensation	149	273	505
	9,433	9,879	10,621

Average monthly number of people (including Executive Directors) employed:

	<i>2011</i>	<i>2012</i>	<i>2013</i>
By reportable segment			
EU	70	78	87
Americas	38	36	41
Asia	82	86	87
	190	200	215



(b) **Directors' emoluments**

	2011	2012	2013
	£'000	£'000	£'000
Aggregate emoluments	576	682	649
Share-based compensation	75	178	174
Defined contribution pension	68	90	93
Sums paid to third parties for directors' services	0	40	40

The amounts paid to third parties for director's services were paid to FF&P Private Equity Ltd for services of Henry Sallitt and Azini Capital Partners LLP for services of Nick Habgood respectively, who are directors of the Company.

The number of directors accruing benefits under the defined contribution pension scheme was four (2012: four; 2011: four).

*Highest paid director*

	2011	2012	2013
	£'000	£'000	£'000
Aggregate emoluments	179	220	183
Share-based compensation	12	107	117
Defined contribution pension	8	30	33

The directors are considered to be key management.

(c) **Share based payments**

The group operates one share option scheme, The OB10 Share Incentive Plan, under which the group's equity-settled share-based payments are comprised.

The options issued under The OB10 Share Incentive Plan are both EMI HMRC Approved options and Unapproved options. The exercise of all options is subject to continued employment.

All outstanding options under the OB10 Share Incentive Plan will vest on completion of the OB10 Acquisition Agreement.

A reconciliation of option movements over the year to April 2013 is shown below:

	2011		2012		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 May	4,132,600	0.87	3,947,921	0.88	9,346,543	0.51
Granted	9,001	–	6,663,732	0.40	1,231,650	0.40
Forfeited/Cancelled	(193,680)	0.67	(1,202,610)	1.08	(1,178,222)	0.55
Exercised	–	–	(62,500)	0.40	–	–
Outstanding at 30 April	3,947,921	0.88	9,346,543	0.51	9,399,971	0.49
Exercisable at 30 April	3,198,772	0.98	3,889,431	0.68	5,310,090	0.57

The weighted average fair value of the options granted in the year was £0.12 (2012: £0.16; 2011: n/a).

Date of Issue	Options as at 30 April 2010		Option exercised	Options as at 30 April 2011		Exercise price £	Option Life
	EMI Options	Options granted/ (cancelled)		Options as at 30 April 2011	Exercise price £		
01/03/2005	15,900	–	–	15,900	1.30	10	
01/02/2006	195,959	(7,000)	–	188,959	1.00	10	
01/07/2006	13,000	(1,000)	–	12,000	1.00	10	
21/11/2006	7,500	–	–	7,500	1.30	10	

<i>Date of Issue</i>	<i>Options as at 30 April 2010</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2011</i>	<i>Exercise price £</i>	<i>Option Life</i>
13/05/2007	86,988	(3,000)	–	83,988	1.30	10
23/08/2007	67,200	(10,000)	–	57,200	1.30	10
24/08/2007	82,265	(100)	–	82,165	1.30	10
08/04/2008	3,000	–	–	3,000	1.30	10
05/09/2008	60,500	(12,000)	–	48,500	1.30	10
06/02/2009	2,000	(2,000)	–	–	1.30	10
12/01/2010	693,098	(58,960)	–	634,138	0.40	10
28/04/2010	200,000	(61,120)	–	138,880	0.40	10
28/04/2010	539,963	–	–	539,963	1.00	10
28/04/2010	79,998	–	–	79,998	1.30	10

<i>Date of Issue</i>	<i>Options as at 30 April 2010</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2011</i>	<i>Exercise price £</i>	<i>Option Life</i>
25/10/2001	4,000	–	–	4,000	3.94	10
01/02/2006	488,000	9,001	–	497,001	1.00	10
01/02/2006	500	–	–	500	1.30	10
02/08/2006	27,500	(2,500)	–	25,000	1.30	10
04/12/2006	200,000	–	–	200,000	1.30	10
13/12/2006	40,000	–	–	40,000	1.00	10
01/04/2007	10,000	–	–	10,000	1.00	10
13/05/2007	46,500	(1,000)	–	45,500	1.30	10
04/06/2007	30,000	–	–	30,000	1.00	10
23/08/2007	95,347	(4,000)	–	91,347	1.30	10
03/09/2007	30,000	–	–	30,000	1.30	10
08/04/2008	33,000	(10,000)	–	23,000	1.30	10
05/09/2008	87,500	(8,000)	–	79,500	1.30	10
06/02/2009	33,500	(3,000)	–	30,500	1.30	10
12/01/2010	580,402	(10,000)	–	570,402	0.40	10
01/04/2010	250,003	–	–	250,003	1.00	10
28/04/2010	24,075	–	–	24,075	1.00	10
28/04/2010	104,902	–	–	104,902	1.30	10

<i>Date of Issue</i>	<i>Options as at 30 April 2011</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2012</i>	<i>Exercise price £</i>	<i>Option Life</i>
01/03/2005	15,900	(13,900)	–	2,000	1.30	10
01/02/2006	188,959	(153,959)	–	35,000	1.00	10
01/07/2006	12,000	–	–	12,000	1.00	10
21/11/2006	7,500	–	–	7,500	1.30	10
13/05/2007	83,988	(59,188)	–	24,800	1.30	10
23/08/2007	57,200	(52,500)	–	4,700	1.30	10
24/08/2007	82,165	(27,165)	–	55,000	1.30	10
08/04/2008	3,000	–	–	3,000	1.30	10
05/09/2008	48,500	(21,500)	–	27,000	1.30	10
12/01/2010	634,138	(14,888)	–	619,250	0.40	10
28/04/2010	138,880	–	–	138,880	0.40	10
28/04/2010	539,963	(269,966)	–	269,997	1.00	10
28/04/2010	79,998	(79,998)	–	–	1.30	10
28/07/2011	–	1,223,703	–	1,223,703	0.40	10
28/07/2011	–	10,000	–	10,000	1.30	10
01/12/2011	–	29,997	–	29,997	0.40	10
19/04/2012	–	62,500	(62,500)	–	0.40	10

<i>Date of Issue</i>	<i>Options as at 30 April 2011</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2012</i>	<i>Exercise price £</i>	<i>Option Life</i>
25/10/2001	4,000	(4,000)	–	–	3.94	10
01/02/2006	497,001	(55,000)	–	442,001	1.00	10
01/02/2006	500	–	–	500	1.30	10
02/08/2006	25,000	(12,500)	–	12,500	1.30	10
04/12/2006	200,000	–	–	200,000	1.30	10
13/12/2006	40,000	(40,000)	–	–	1.00	10
01/04/2007	10,000	–	–	10,000	1.00	10
13/05/2007	45,500	(45,500)	–	–	1.30	10
04/06/2007	30,000	(30,000)	–	–	1.00	10
23/08/2007	91,347	(40,347)	–	51,000	1.30	10
03/09/2007	30,000	–	–	30,000	1.30	10
08/04/2008	23,000	(3,000)	–	20,000	1.30	10
05/09/2008	79,500	(40,500)	–	39,000	1.30	10
06/02/2009	30,500	(22,000)	–	8,500	1.30	10
12/01/2010	570,402	(87,722)	–	482,680	0.40	10
01/04/2010	250,003	–	–	250,003	1.00	10
28/04/2010	24,075	(24,075)	–	–	1.00	10
28/04/2010	104,902	(104,902)	–	–	1.30	10
28/07/2011	–	4,762,529	–	4,762,529	0.40	10
28/07/2011	–	15,000	–	15,000	1.00	10
01/12/2011	–	520,003	–	520,003	0.40	10
01/03/2012	–	40,000	–	40,000	0.40	10

<i>Date of Issue</i>	<i>Options as at 30 April 2012</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2013</i>	<i>Exercise price £</i>	<i>Option Life</i>
01/03/2005	2,000	–	–	2,000	1.30	10
01/02/2006	35,000	–	–	35,000	1.00	10
01/07/2006	12,000	–	–	12,000	1.00	10
21/11/2006	7,500	–	–	7,500	1.30	10
13/05/2007	24,800	(2,000)	–	22,800	1.30	10
23/08/2007	4,700	(1,000)	–	(3,700)	1.30	10
24/08/2007	55,000	–	–	55,000	1.30	10
08/04/2008	3,000	–	–	3,000	1.30	10
05/09/2008	27,000	(22,000)	–	5,000	1.30	10
12/01/2010	619,250	(6,000)	–	613,250	0.40	10
28/04/2010	138,880	–	–	138,880	0.40	10
28/04/2010	269,997	–	–	269,997	1.00	10
28/07/2011	1,223,703	(28,000)	–	1,195,703	0.40	10
28/07/2011	10,000	–	–	10,000	1.30	10
01/12/2011	29,997	–	–	29,997	0.40	10
01/07/2012	–	1,231,650	–	1,231,650	0.40	10

<i>Date of Issue</i>	<i>Options as at 30 April 2012</i>	<i>Options granted/ (lapsed) (cancelled)</i>	<i>Option exercised</i>	<i>Options as at 30 April 2013</i>	<i>Exercise price £</i>	<i>Option Life</i>
01/02/2006	442,001	(204,278)	–	237,723	1.00	10
01/02/2006	500	–	–	500	1.30	10
02/08/2006	12,500	–	–	12,500	1.30	10
04/12/2006	200,000	–	–	200,000	1.30	10
01/04/2007	10,000	–	–	10,000	1.00	10
23/08/2007	51,000	(70,000)	–	11,000	1.30	10
03/09/2007	30,000	–	–	30,000	1.30	10
08/04/2008	20,000	–	–	20,000	1.30	10
05/09/2008	39,000	–	–	39,000	1.30	10
06/02/2009	8,500	–	–	8,500	1.30	10
12/01/2010	482,680	–	–	482,680	0.40	10
01/04/2010	250,003	–	–	250,003	1.00	10
28/07/2011	4,762,529	(860,000)	–	3,902,529	0.40	10
28/07/2011	15,000	–	–	15,000	1.00	10
01/12/2011	520,003	–	–	520,003	0.40	10
01/03/2012	40,000	(14,944)	–	25,056	0.40	10

The fair value of the options is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below.

<i>Grant Date Year</i>	<i>Year to 30 April 2011</i>	<i>Year to 30 April 2012</i>	<i>Year to 30 April 2013</i>
Expected Life of Options (years)	3	3	<1
Exercise Prices	£0.40	£0.40	£0.40
Market values of underlying shares	£0.40	£0.40	£0.40
Risk free rate	0.57%	2.00%	0.57%
Expected share price volatility	42%	58%	42%
Expected dividend yield	0%	0%	0%
Range of fair value per option	£0.00	£0.16	£0.12

The group uses historical data to estimate option exercise and employee termination within the valuation model. The risk free rates for the periods within the contractual life of the option are based on the UK base rates at the time of grant. Expected volatilities are based on implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The weighted average vesting period is 0.5 years (2012: 3 years; 2011: 2 years). The compensation cost that has been charged against income in respect of share options and for continuing operations for the group was £505,000 (2012: £273,000; 2011: £149,000). The charge was included in staff costs. The share based payment expense in 2013 has been accelerated to reflect the mandatory exercise of such options on a change of control which will occur on Admission.

(d) **Retirement benefits**

The Group offers membership of the OB10 Limited Pension Scheme to eligible employees, the only pension arrangements operated by the Group. The scheme is a defined contribution scheme and the pensions cost in the year was £683,000 (2012: £509,000; 2011: £552,000).

**6. OTHER OPERATING COSTS**

	<i>2011 £'000</i>	<i>2012 £'000</i>	<i>2013 £'000</i>
Outsourced staff costs	1,064	1,345	1,540
Travel and entertaining	1,061	1,073	1,133
Systems costs	2,441	2,734	3,320
Office costs	1,500	1,571	1,712
Professional support	985	969	885
Marketing	504	452	464
Impairment of trade receivables	274	198	332
Other	427	551	709
	<u>8,256</u>	<u>8,893</u>	<u>10,095</u>

**7. FINANCE COSTS**

	<i>2011 £'000</i>	<i>2012 £'000</i>	<i>2013 £'000</i>
Interest costs:			
Interest payable on borrowings	20	2	324
Interest arising from finance leases	23	23	3
Finance costs	<u>43</u>	<u>25</u>	<u>327</u>

Included in interest payable on borrowings in 2013 is £239,000 of accelerated amortisation of finance charges payable on loan notes repayable on a change of control.

## 8. FINANCE INCOME

	2011 £'000	2012 £'000	2013 £'000
Interest income	<u>6</u>	<u>11</u>	<u>4</u>

## 9. AUDITOR REMUNERATION

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors at costs as detailed below:

	2011 £'000	2012 £'000	2013 £'000
Fees payable to Company's auditor and its associates for the audit of Consolidated financial statements	43	44	45
Fees payable to Company's auditor and its associates for other services:			
– The audit of Company's subsidiaries	10	11	1
– Non-audit services	7	33	74
– Tax advisory services	36	37	24
	<u>96</u>	<u>125</u>	<u>144</u>

## 10. TAXATION

	2011 £'000	2012 £'000	2013 £'000
<b>Analysis of credit in year</b>			
Current tax on profits for the year			
Research and development tax credit	53	312	177
<b>Total current tax</b>	<u>53</u>	<u>312</u>	<u>177</u>
<b>Total deferred tax</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Income tax credit</b>	<u>53</u>	<u>312</u>	<u>177</u>

The tax charge for the year differs from the standard rate of corporation tax in the UK 24 per cent. (2012: 26 per cent., 2011: 28 per cent.). The differences are explained below:

	2011 £'000	2012 £'000	2013 £'000
Loss on ordinary activities before tax	<u>2,927</u>	<u>2,883</u>	<u>3,488</u>
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 23.92 per cent. (2012: 25.83 per cent., 2011: 27.83 per cent.)	(815)	(745)	(834)
Effects of:			
Other expenses not deductible	6	6	72
Enhanced relief for Research and Development Expenditure	(28)	(26)	(24)
Losses carry forwards not recognised	837	765	786
Adjustments in respect of prior years	53	312	177
<b>Total taxation credit</b>	<u>53</u>	<u>312</u>	<u>177</u>

The standard rate of Corporation Tax in the UK changed from 26 per cent. to 24 per cent. with effect from 1 April 2012. Accordingly, the Company's profits for the 2013 accounting period are taxed at an effective rate of 24 per cent. and will be taxed at 23 per cent., falling to 21 per cent. in the future.

In addition to the changes in rates of Corporation tax disclosed above a further change to the UK Corporation tax system was announced in the March 2013 UK Budget Statement. A reduction to the main rate is proposed

to reduce the rate by 1 per cent. per annum to 22 per cent. by 1 April 2014. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1 per cent. per year to 22 per cent. by 2 April 2014 are expected to be enacted separately each year.

### Deferred tax

The deferred tax asset remains unprovided due to the uncertainty surrounding the timing of its utilisation. The unprovided deferred tax asset, which has been calculated at a rate of 23 per cent. (2012: 24 per cent., 2011: 26 per cent.) is as follows:

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Carried forward trading losses	10,842	8,697	10,843
Shared based payments	298	326	447
	<u>11,140</u>	<u>9,023</u>	<u>11,290</u>

### 11. LOSS PER SHARE

	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss for the year	<u>(2,874)</u>	<u>(2,571)</u>	<u>(3,311)</u>
Weighted average number of ordinary shares in issue for the basic and diluted loss per share	30,271,254	32,953,278	33,013,381
Basic and diluted loss per share (in pence per share)	<u>(9.49)</u>	<u>(7.80)</u>	<u>(10.03)</u>

The weighted average number of ordinary shares includes both 10,507,704 of ordinary shares (2012: 10,507,704; 2011: 10,445,204) and 22,505,677 of preferred and B preferred shares (2012: 22,505,677; 2011: 22,505,677) converted to ordinary shares as equal voting rights apply. Conversion can occur at the holders' request. The conversion rate applied is one to one.

### 12. INTANGIBLE ASSETS

	<i>OB10 platform development costs</i>	<i>2011 Computer Software</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>			
At 1 May	969	183	1,152
Additions	–	7	7
Exchange adjustment	–	(1)	(1)
At 30 April	<u>969</u>	<u>189</u>	<u>1,158</u>
<i>Accumulated amortisation</i>			
At 1 May	578	154	732
Charge for the year	180	26	206
At 30 April	<u>758</u>	<u>180</u>	<u>938</u>
<i>Net book amount</i>			
At 1 May	<u>391</u>	<u>29</u>	<u>420</u>
At 30 April	<u>211</u>	<u>9</u>	<u>220</u>

	<i>OB10 platform development costs £'000</i>	<i>2012 Computer Software £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 May	969	189	1,158
Additions	–	22	22
At 30 April	<u>969</u>	<u>211</u>	<u>1,180</u>
<i>Accumulated amortisation</i>			
At 1 May	758	180	938
Charge for the year	171	9	180
At 30 April	<u>929</u>	<u>189</u>	<u>1,118</u>
<i>Net book amount</i>			
At 30 April	<u>40</u>	<u>22</u>	<u>62</u>

	<i>OB10 platform development costs £'000</i>	<i>2013 Computer Software £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 May	969	211	1,180
Additions	–	28	28
Exchange adjustment	–	2	2
At 30 April	<u>969</u>	<u>241</u>	<u>1,210</u>
<i>Accumulated amortisation</i>			
At 1 May	929	189	1,118
Charge for the year	40	14	54
Exchange adjustment	–	2	2
At 30 April	<u>969</u>	<u>205</u>	<u>1,174</u>
<i>Net book amount</i>			
At 30 April	<u>–</u>	<u>36</u>	<u>36</u>

### 13. PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold improvements £'000</i>	<i>Fixtures and fittings £'000</i>	<i>2011 Computer equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At 1 May	361	376	1,225	1,962
Additions at cost	3	12	91	106
Disposals	–	–	(9)	(9)
Exchange adjustments	(6)	(10)	(64)	(80)
At 30 April	<u>358</u>	<u>378</u>	<u>1,243</u>	<u>1,979</u>



	2011			
	<i>Leasehold improvements £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<i>Accumulated depreciation</i>				
At 1 May	305	287	816	1,408
Charge for the year	43	40	229	312
Disposals	–	–	(8)	(8)
Exchange adjustments	(5)	(7)	(45)	(57)
At 30 April	<u>343</u>	<u>320</u>	<u>992</u>	<u>1,655</u>
<i>Net book amount</i>				
At 1 May	<u>56</u>	<u>89</u>	<u>409</u>	<u>554</u>
At 30 April	<u>15</u>	<u>58</u>	<u>251</u>	<u>324</u>
	2012			
	<i>Leasehold improvements £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At 1 May	358	378	1,243	1,979
Additions at cost	–	3	185	188
Disposals	–	(1)	–	(1)
Exchange adjustments	2	3	18	23
At 30 April	<u>360</u>	<u>383</u>	<u>1,446</u>	<u>2,189</u>
<i>Accumulated depreciation</i>				
At 1 May	343	320	992	1,655
Charge for the year	12	36	209	257
Disposals	–	(1)	–	(1)
Exchange adjustments	2	1	13	16
At 30 April	<u>357</u>	<u>356</u>	<u>1,214</u>	<u>1,927</u>
<i>Net book amount</i>				
At 30 April	<u>3</u>	<u>27</u>	<u>232</u>	<u>262</u>

	2013			
	<i>Leasehold improvements £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At 1 May	360	383	1,446	2,189
Additions at cost	233	3	101	337
Disposals	(55)	(82)	(108)	(245)
Exchange adjustments	5	8	44	57
At 30 April	543	312	1,483	2,338
<i>Accumulated depreciation</i>				
At 1 May	357	356	1,214	1,927
Charge for the year	31	15	174	220
Disposals	(55)	(82)	(108)	(245)
Exchange adjustments	5	7	36	48
At 30 April	338	296	1,316	1,950
<i>Net book amount</i>				
At 30 April	205	16	167	388

#### **Finance lease commitments**

Included in computer equipment are assets held under finance leases with a net book value of £nil (2012: £135,000; 2011: £162,000) and accumulated depreciation of £670,000 (2012: £535,000; 2011: £411,000).

## **14. INVESTMENTS**

### **Principal subsidiary undertakings of the Group**

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

Principal subsidiary undertakings of the Group at 30 April 2013 are presented below:

<i>Subsidiary</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Proportion of ordinary shares held by parent %</i>	<i>Proportion of ordinary shares held by the Group %</i>
OB10 Inc	Electronic invoice delivery	USA	100	100
OB10 Sdn Bhd	Electronic invoice delivery			
	Shared services office	Malaysia	100	100
OB10 GmbH	Electronic invoice delivery	Germany	100	100
OB10 (Schweiz) GmbH	Shared services office	Switzerland	100	100
OB10 S.A.P.I. de C.V.	Electronic invoice delivery	Mexico	100	100
OB10 EOOD	Shared services office	Bulgaria	100	100

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

## 15. TRADE AND OTHER RECEIVABLES

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables due but not past due	1,194	1,540	1,738	1,777
Trade receivables past due	433	724	902	1,743
Trade receivables past due but impaired	(75)	(130)	(105)	(281)
Trade receivables – net	<u>1,552</u>	<u>2,134</u>	<u>2,535</u>	<u>3,239</u>
Other receivables	192	141	291	348
Accrued income	–	184	302	206
Prepayments	812	738	843	598
	<u>2,556</u>	<u>3,197</u>	<u>3,971</u>	<u>4,391</u>

Trade and other receivables are all current and any fair value difference is not material. Trade and receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Great British pound	638	491	373	355
Euro	387	552	764	888
United States dollar	507	1,062	1,315	1,855
Mexican peso	–	–	25	45
Malaysian Ringgit	20	29	58	96
	<u>1,552</u>	<u>2,134</u>	<u>2,535</u>	<u>3,239</u>

Movements on the group provision for impairment of trade receivables are as follows:

	2011	2012	2013
	£'000	£'000	£'000
At 1 May	75	130	105
Provision for receivables impairment	274	198	332
Receivables written off during the year as uncollectible	(219)	(223)	(156)
At 30 April	<u>130</u>	<u>105</u>	<u>281</u>

The creation and release of provision for impaired receivables have been included in 'other operating costs' in the income statement (note 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

## 16. CASH AND CASH EQUIVALENTS

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,567	2,788	1,080	852

The following amounts were held in foreign currencies:

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Great British pound	879	1,983	511	195
United States dollar	376	210	257	275
Euro	262	188	168	320
Mexican peso	–	–	40	37
Bulgarian lev	–	–	11	11
Malaysian Ringgit	50	407	93	13
	<u>1,567</u>	<u>2,788</u>	<u>1,080</u>	<u>851</u>

## 17. TRADE AND OTHER PAYABLES

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Trade payables	1,050	914	1,583	1,708
Other financial liabilities	121	264	–	–
Other tax and social security payable	191	211	213	305
Accruals and other payables	1,147	971	1,111	1,177
Trade and other payables due within 1 year	<u>2,509</u>	<u>2,360</u>	<u>2,907</u>	<u>3,190</u>

The fair value of financial liabilities approximates their carrying value due to short maturities. The carrying amounts of the Group's trade payables and other financial liabilities are denominated in the following currencies:

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
Great British pound	791	804	994	1,075
United States dollar	275	231	452	453
Euro	63	108	104	139
Malaysian Ringgit	42	35	33	41
	<u>1,171</u>	<u>1,178</u>	<u>1,583</u>	<u>1,708</u>

## 18. BORROWINGS

	2010	2011	2012	2013
	£'000	£'000	£'000	£'000
<b>Non-current</b>				
Finance lease liabilities	<u>145</u>	<u>42</u>	<u>–</u>	<u>–</u>
<b>Current</b>				
Finance lease liabilities	87	92	78	–
Bank borrowings	–	–	–	1,685
Shareholder loan notes	–	–	–	675
	<u>87</u>	<u>92</u>	<u>78</u>	<u>2,360</u>
<b>Total Borrowings</b>	<u>232</u>	<u>134</u>	<u>78</u>	<u>2,360</u>

## Bank borrowings

In July 2012, the Group entered into a loan agreement with Silicon Valley Bank (“SVB”) with a Working Capital Line facility (the “WCL Facility”) and a Sterling term loan facility (the “Term Loan”) of £250,000. The amount available under the WCL facility to the Group is defined as the lowest of \$2.4 million or 80 per cent. of the borrowing base as defined in the agreement (the “Available Amount”). The percentage is subject to change at the bank’s discretion.

The WCL Facility has two years maturity period with interest payable monthly. Principal is payable upon maturity date unless the aggregate amount of outstanding borrowings is higher than the Available Amount when the excess should be repaid. The interest rate comprises of two elements: finance charge, equal to SVB prime rate plus 2.5 per cent. p.a. and collateral handling fee, equal to 1.2 per cent. p.a. on the average monthly financed receivable balance. The collateral handling fee is payable in case of the total of unrestricted cash and unwithdrawn borrowing is less than £1 million.

The contractual interest rate under the Term Loan is 10 per cent. and the interest is payable monthly. Principal of the Term Loan is payable in 36 equal instalments on a monthly basis.

The Group’s loan agreement is subject to financial covenant clauses, whereby the Group is required to meet minimum levels of EBITDA and cash balance. The Group did not fulfil the EBITDA requirement as of April 2013. The loan covenants have been reset at a cost of £20,000 and waiver in relation to the breach of covenant has been obtained.

The management believes that the borrowings will be repaid within the next 12 months due to a change of control.

## Shareholder loan notes

In February 2013, the Group has received a loan from shareholders through Lynx Capital Ventures Limited and Rose Nominees Limited of the sum of £500,000. The interest rate of 12 per cent. is accrued daily and payable upon redemption. A 100 per cent. redemption premium is payable on maturity. The redemption date is the earliest of February 2016 or the date of change of control.

## Interest rate profile of interest bearing borrowings

	2010		2011		2012		2013	
	<i>Debt</i>	<i>Interest</i>	<i>Debt</i>	<i>Interest</i>	<i>Debt</i>	<i>Interest</i>	<i>Debt</i>	<i>Interest</i>
	<i>£'000</i>	<i>rate</i>	<i>£'000</i>	<i>rate</i>	<i>£'000</i>	<i>rate</i>	<i>£'000</i>	<i>rate</i>
<b>Floating rate borrowings</b>								
Bank borrowings	—	—	—	—	—	—	1,685	10%
<b>Total bank borrowings</b>								
<b>Fixed rate borrowings</b>								
Shareholder loan notes	—	—	—	—	—	—	675	12%
Finance lease liabilities	232	14%	134	14%	78	15%	—	—
<b>Weighted average cost of drawn borrowings</b>	<u>232</u>	<u>14%</u>	<u>134</u>	<u>14%</u>	<u>78</u>	<u>15%</u>	<u>2,360</u>	<u>11%</u>

The carrying amounts and fair value of the current borrowing in all periods and non-current borrowings in 2011 are the same.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Great British pound	–	–	–	867
United States dollar	232	134	78	1,493
	<u>232</u>	<u>134</u>	<u>78</u>	<u>2,360</u>

### Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Gross finance lease liabilities – minimum lease payments				
No later than 1 year	107	178	84	–
Later than 1 year and no later than 5 years	257	84	–	–
	<u>364</u>	<u>262</u>	<u>84</u>	<u>–</u>
Future finance charges on finance lease liabilities	49	26	3	–
<b>Present value of finance lease liabilities</b>	<u>232</u>	<u>134</u>	<u>78</u>	<u>–</u>

### 19. DEFERRED INCOME

	2011 £'000	2012 £'000	2013 £'000
Balance at 1 May	5,880	6,158	6,624
Invoiced during the year	15,822	16,792	18,552
Released to revenue	(15,327)	(16,340)	(17,825)
Exchange adjustments	(217)	14	50
At 30 April	<u>6,158</u>	<u>6,624</u>	<u>7,401</u>
Accrued Income (note 15)	184	302	206
Deferred Income at 30 April	<u>6,342</u>	<u>6,926</u>	<u>7,607</u>

Deferred income is expected to unwind as follows:

	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Within 1 year	5,156	5,424	5,804	5,991
Between 1 and 3 years	724	918	1,122	1,616
	<u>5,880</u>	<u>6,342</u>	<u>6,926</u>	<u>7,607</u>

## 20. SHARE CAPITAL

	2010 £'000	2011 £'000	2012 £'000	2013 £'000
<b>Issued and fully paid</b>				
10,507,704 ordinary shares of 0.1p each (2011: 10,445,204; 2012: 10,507,704)	11	11	11	11
19,428,755 preferred shares of 0.1p each (2011: 19,428,755; 2012: 19,428,755)	19	19	19	19
3,076,922 'B' preferred shares of 0.1p each (2011: 3,076,922; 2012: 3,076,922)	–	3	3	3
	<u>30</u>	<u>33</u>	<u>33</u>	<u>33</u>

### Description of shares

On a realisation event the proceeds are distributed first to the B preferred shareholders, receiving an amount equal to twice the issue price of their shares and then to the preferred shareholders, receiving an amount equal to the issue price of their shares. The balance will be shared pro-rata across both ordinary, preferred and B preferred shareholders.

No options over ordinary shares were exercised during the year ended 30 April 2013(2012: 62,500 by Paul Hewitt, the Chairman of the Group and 2011: nil).

### Dividends

No dividends have been paid or declared in 2011, 2012 and 2013.

### Dividends on preferred shares

In the event of a sale of the company a liability of £624,233 in relation to the cumulative, unpaid preference dividends attaching to former D preference shares will crystallise. This dividend has been classified as equity and is contingent on a change of control and will be settled out of proceeds.

## 21. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

### Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

### Foreign exchange reserve

The foreign exchange reserve represents the difference arising from the changes to foreign exchange rates upon assets and liabilities of overseas subsidiaries.

### Accumulated losses

Cumulative net gains and losses recognised in the Group income statement.

## 22. COMMITMENTS AND CONTINGENCIES

### (a) Capital commitments

The Group has no capital commitments.

### (b) Operating lease commitments

The Group has leases various properties under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future annual payments under non-cancellable operating leases as follows:

	2011	2012	2013
	£'000	£'000	£'000
Within 1 year	101	106	81
Later than 1 year and less than 5 years	268	172	363
	<u>369</u>	<u>278</u>	<u>444</u>

## 23. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the board of directors. The group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative.

### (a) Market risk

#### (i) Foreign exchange risk

The group operates in the US, Malaysia, Germany, Switzerland, Mexico and Bulgaria and is therefore exposed to foreign exchange risk. Foreign exchange risk arises on sales and purchases made in foreign currencies and on recognised assets and liabilities and net investments in foreign operations.

The group monitors its exposure to currency fluctuations on an ongoing basis. The group uses foreign currency bank accounts to reduce its exposure to foreign exchange risk.

At 30 April 2013 if Sterling had weakened/strengthened by 10 per cent. against the US dollar with all other variables held constant, post-tax profit for the year would have been £80,000 (2012: £117,000; 2011: £93,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and US dollar-denominated borrowings.

#### (ii) Interest rate risk

The group's interest rate risk arises from the group's borrowings as disclosed in Note 18. Where possible the group seeks to fix the interest rates that it pays to mitigate the risk of interest rate fluctuations. Accordingly both the term loan and the Shareholder loan notes carry a fixed rate of interest. However the Receivable backed facility carries a variable rate of interest. As at 30 April 2013 the group's borrowings at fixed rates were denominated in Sterling and the variable interest rate borrowings denominated in US dollars. At 30 April 2013 the group had drawn loan balances of £0.7m denominated in Sterling and \$2.3m in US dollars.



The group has not entered into an interest rate swap to mitigate the variable interest rate risk.

At 30 April 2013, a change in the UK interest rates would not have an impact on the group as these loans are at fixed rates.

At 30 April 2013, if the Prime rate on US dollar-denominated borrowings at that date had been 0.5 per cent. higher/lower with all other variables held constant, post-tax profit for the year would have been £54,000 (2012: nil; 2011: nil) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) **Credit risk**

The group has no concentrations of credit risk. The group has policies in place to ensure that sales of services are made to clients with an appropriate credit history. Cash and cash equivalents are held with reputable institutions.

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties. Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

(c) **Liquidity risk**

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plan and covenant compliance requirements on its borrowings.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of financial liabilities.

	2010		2011		2012		2013	
	Less than 3 months	Between 3 months and 1 year	Less than 3 months	Between 3 months and 1 year	Less than 3 months	Between 3 months and 1 year	Less than 3 months	Between 3 months and 1 year
	£'000		£'000		£'000		£'000	
Borrowings	(87)	(145)	(92)	(42)	(78)	–	(2,360)	–
Trade and other payables	(1,171)	–	(1,178)	–	(1,583)	–	(1,708)	–

**Capital risk management**

The aim of the group is to maintain sufficient funds to enable it to make suitable investments and incremental acquisitions whilst minimising recourse to bankers and/or shareholders.

Capital risk measures such as gearing ratios are not currently relevant to the group.

**24. RELATED PARTY TRANSACTIONS**

Directors compensation is given in note 5.

Other related party transactions with the Company are as follows:

Luke McKeever holds a directorship in Metia Group Ltd. Metia Group Ltd provides services to the Group in relation to advertising and marketing. The total amount for such services provided by Metia Group Ltd was £46,000 (2012: £34,000; 2011: nil) and £46,000 is outstanding as at 30 April 2013 (2012: £12,000; 2011: nil).

Joan Beck was paid £6,000 during the year (2012: £6,000; 2011: £6,000) for his services as a non-executive Director of the Company. No balances are outstanding at 30 April 2013 (2012: nil; 2011: nil).

The Non-executive Director fees paid during the year to Paul Hewitt, Nick Habgood and Henry Sallitt were £30,000, £20,000 and £20,000 respectively (2012: nil, £20,000, £20,000 respectively; 2011: nil). The total balances outstanding at 30 April 2013 were £19,000 (2012: £10,000; 2011: nil). Payments are made to Azini Capital Partners LLP for Nick Habgood and to FF&P Private Equity Ltd for Henry Sallitt.

The Company has received a loan from shareholders of the sum of £500,000 which is outstanding at 30 April 2013. Such amounts were loaned as at 1 February 2013 and are repayable on change of control. See Note 25 in relation to a further loan from shareholders of the amount of £1 million after the balance sheet date.

These transactions are trading relationships which are made at market value. The Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2013, 2012 or 2011 regarding related party transactions.

## **25. POST BALANCE SHEET EVENTS**

In July 2013, the shareholders provided £1 million in the form of a shareholder loan for general corporate purposes. This £1 million loan is repayable on a change of control.

After the balance sheet date, the shareholders of the Group entered into a conditional agreement with Tungsten Corporation Plc for the acquisition of the Group by Tungsten Corporation plc, which is conditional on Admission.

## **26. EXPLANATION OF TRANSITION TO IFRS**

As stated in Note 2 these are the first financial statements prepared in accordance with IFRS. The date of the Group transition to IFRS is 1 May 2010 (the “Transition date”).

The accounting policies described in Note 2 were applied when preparing Consolidated Financial Statements for the years ended 30 April 2011, 2012 and 2013 and the Consolidated Statement of Financial Position as at the Transition Date.

In preparing its opening IFRS Consolidated Statement of Financial Position and adjusting amounts reported previously in the financial statements prepared in accordance with UK GAAP (Generally Accepted Accounting Practice in the UK, previous GAAP), the Group has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

### **Exceptions and Exemptions used during transition to IFRS**

The Group has applied the following mandatory exception required by IFRS 1 in the conversion from UK GAAP to IFRS:

#### **Estimates**

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

## **Adjustments Made in Connection with Transition to IFRS**

The following material adjustments were made to the UK GAAP financial statements in connection with the transition to IFRS:

### ***a. Reclassifications***

To align the presentation of certain items of assets and liabilities, income and expenses with the requirements of IFRS, the Group made a number of reclassifications from the UK GAAP financial statements.

The major reclassifications were:

1. software assets previously classified as tangible fixed assets, reclassified to intangible assets;
2. finance leases from other creditors to borrowings;
3. non-current portion of deferred income from current liabilities to non-current liabilities; and
4. share based compensation

### ***b. Other adjustments***

Other adjustments include all other adjustments required to make the financial statements compliant with IFRS and adjustments to deferred taxes necessary as a consequence of previous adjustments.

An adjustment has been made to reflect the expense of unutilised employee vacation at each year end where the unused entitlement can be carried forward to the following year.

An adjustment has been to reflect deferred revenue which has not yet been earned at each year end. Such adjustment has been reflected in the opening balance sheet.

Reconciliations to IFRS of data provided under previous GAAP are provided in the tables below.

### **Impact on the cash flow statements**

The Group has made a number of reclassifications to the numbers reported under UK GAAP in order to present its cash flows in accordance with IFRS. These reclassification adjustments have no significant impact on the results presented for each type of the Group's activities.

Below the reconciliations of Consolidated balance sheet as of 30 April 2010, 2011 and 2012; and Consolidated income statement for the year ended 30 April 2011 and 2012 are provided.

## Reconciliation of Consolidated Balance Sheet as of 30 April 2010

	<i>Adjustments</i>					<i>Under IFRS £'000</i>
	<i>Under previous UK GAAP £'000</i>	<i>Reclassification (1-2, 4) Computer software, finance leases and deferred income £'000</i>	<i>Vacation accrual £'000</i>	<i>Deferred income £'000</i>	<i>Total impact of change to IFRS £'000</i>	
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets	391	29	–	–	29	420
Property, plant and equipment	583	(29)	–	–	(29)	554
Total non-current assets	<u>974</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>974</u>
<b>Current assets</b>						
Trade and other receivables	2,556	–	–	–	–	2,556
Cash and cash equivalents	1,567	–	–	–	–	1,567
Total current assets	<u>4,123</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,123</u>
<b>Total assets</b>	<u>5,097</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,097</u>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>						
Share capital	30	–	–	–	–	30
Share premium	40,759	–	–	–	–	40,759
Foreign exchange reserve	120	–	–	–	–	120
Accumulated losses	(43,717)	–	(202)	(514)	(716)	(44,433)
<b>Equity shareholder funds</b>	<u>(2,808)</u>	<u>–</u>	<u>(202)</u>	<u>(514)</u>	<u>(716)</u>	<u>(3,524)</u>
<b>Total equity</b>	<u>(2,808)</u>	<u>–</u>	<u>(202)</u>	<u>(514)</u>	<u>(716)</u>	<u>(3,524)</u>
<b>Non-current liabilities</b>						
Borrowings	145	–	–	–	–	145
Deferred income	–	724	–	–	724	724
Total non-current liabilities	<u>145</u>	<u>724</u>	<u>–</u>	<u>–</u>	<u>724</u>	<u>869</u>
<b>Current liabilities</b>						
Borrowings	–	87	–	–	87	87
Trade and other payables	2,394	(87)	202	–	115	2,509
Deferred income	5,366	(724)	–	514	(210)	5,156
Total current liabilities	<u>7,760</u>	<u>(724)</u>	<u>202</u>	<u>514</u>	<u>(8)</u>	<u>7,752</u>
<b>Total liabilities</b>	<u>7,905</u>	<u>–</u>	<u>202</u>	<u>514</u>	<u>716</u>	<u>8,621</u>
<b>Total equity and liabilities</b>	<u>5,097</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,097</u>

## Reconciliation of Consolidated Balance Sheet as of 30 April 2011

	<i>Adjustments</i>					<i>Under IFRS £'000</i>
	<i>Under previous UK GAAP £'000</i>	<i>Reclassification (1-2, 4) Computer software, finance leases and deferred income £'000</i>	<i>Vacation accrual £'000</i>	<i>Deferred income £'000</i>	<i>Total impact of change to IFRS £'000</i>	
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets	211	9	–	–	9	220
Property, plant and equipment	333	(9)	–	–	(9)	324
Total non-current assets	<u>544</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>544</u>
<b>Current assets</b>						
Trade and other receivables	3,197	–	–	–	–	3,197
Cash and cash equivalents	2,788	–	–	–	–	2,788
Total current assets	<u>5,985</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,985</u>
<b>Total assets</b>	<u>6,529</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,529</u>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>						
Share capital	33	–	–	–	–	33
Share premium	44,694	–	–	–	–	44,694
Foreign exchange reserve	124	–	–	–	–	124
Accumulated losses	(46,774)	–	(133)	(251)	(384)	(47,158)
<b>Equity shareholder funds</b>	<u>(1,923)</u>	<u>–</u>	<u>(133)</u>	<u>(251)</u>	<u>(384)</u>	<u>(2,307)</u>
<b>Total equity</b>	<u>(1,923)</u>	<u>–</u>	<u>(133)</u>	<u>(251)</u>	<u>(384)</u>	<u>(2,307)</u>
<b>Non-current liabilities</b>						
Borrowings	42	–	–	–	–	42
Deferred income	–	918	–	–	918	918
Total non-current liabilities	<u>42</u>	<u>918</u>	<u>–</u>	<u>–</u>	<u>918</u>	<u>960</u>
<b>Current liabilities</b>						
Borrowings	–	92	–	–	92	92
Trade and other payables	2,319	(92)	133	–	41	2,360
Deferred income	6,091	(918)	–	251	(667)	5,424
Total current liabilities	<u>8,410</u>	<u>(918)</u>	<u>133</u>	<u>251</u>	<u>(534)</u>	<u>7,876</u>
<b>Total liabilities</b>	<u>8,452</u>	<u>–</u>	<u>133</u>	<u>251</u>	<u>384</u>	<u>8,836</u>
<b>Total equity and liabilities</b>	<u>6,529</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,529</u>

## Reconciliation of Consolidated Income Statement for the year ended 30 April 2011

	Adjustments				Total impact of change to IFRS £'000	Under IFRS £'000
	Under previous UK GAAP £'000	Reclassification (2) Share based compensation £'000	Vacation accrual £'000	Deferred income £'000		
	Revenue	15,530	–	–		
Employee costs	(9,512)	149	69	–	218	(9,294)
Share based compensation	–	(149)	–	–	(149)	(149)
Depreciation and amortisation	(518)	–	–	–	–	(518)
Other operating costs	(8,256)	–	–	–	–	(8,256)
<b>Group operating loss</b>	<b>(2,756)</b>	<b>–</b>	<b>69</b>	<b>(203)</b>	<b>(134)</b>	<b>(2,890)</b>
Finance costs	(43)	–	–	–	–	(43)
Finance income	6	–	–	–	–	6
Net finance costs	(37)	–	–	–	–	(37)
<b>Loss before taxation</b>	<b>(2,793)</b>	<b>–</b>	<b>69</b>	<b>(203)</b>	<b>(134)</b>	<b>(2,927)</b>
Taxation	53	–	–	–	–	53
<b>Loss for the year</b>	<b>(2,740)</b>	<b>–</b>	<b>69</b>	<b>(203)</b>	<b>(134)</b>	<b>(2,874)</b>
Loss for the year	(2,740)	–	69	(203)	(134)	(2,874)
Other comprehensive income: <i>Items that may be subsequently reclassified to the income statement</i>						
Foreign exchange rate gains	4	–	–	–	–	4
Total other comprehensive income	4	–	–	–	–	4
<b>Total comprehensive loss for the year, net of tax</b>	<b>(2,736)</b>	<b>–</b>	<b>69</b>	<b>(203)</b>	<b>(134)</b>	<b>(2,870)</b>

## Reconciliation of Consolidated Balance Sheet as of 30 April 2012

	Adjustments				Total impact of change to IFRS £'000	Under IFRS £'000
	Under previous UK GAAP £'000	Reclassification (1-2, 4) Computer software, finance leases and deferred income £'000	Vacation accrual £'000	Deferred income £'000		
	<b>Assets</b>					
<b>Non-current assets</b>						
Intangible assets	40	22	–	–	22	62
Property, plant and equipment	284	(22)	–	–	(22)	262
Total non-current assets	324	–	–	–	–	324
<b>Current assets</b>						
Trade and other receivables	3,971	–	–	–	–	3,971
Cash and cash equivalents	1,080	–	–	–	–	1,080
Total current assets	5,051	–	–	–	–	5,051
<b>Total assets</b>	<b>5,375</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,375</b>

	<u>Adjustments</u>					
	<i>Under previous UK GAAP</i>	<i>Reclassification (1-2, 4) Computer software, leases and deferred income</i>	<i>Vacation accrual</i>	<i>Deferred income</i>	<i>Total impact of change to IFRS</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>						
Share capital	33	–	–	–	–	33
Share premium	44,719	–	–	–	–	44,719
Foreign exchange reserve	168	–	–	–	–	168
Accumulated losses	(49,143)	–	(119)	(194)	(313)	(49,456)
<b>Equity shareholder funds</b>	<u>(4,223)</u>	<u>–</u>	<u>(119)</u>	<u>(194)</u>	<u>(313)</u>	<u>(4,536)</u>
<b>Total equity</b>	<u>(4,223)</u>	<u>–</u>	<u>(119)</u>	<u>(194)</u>	<u>(313)</u>	<u>(4,536)</u>
<b>Non-current liabilities</b>						
Deferred income	–	1,122	–	–	1,122	1,122
Total non-current liabilities	–	1,122	–	–	1,122	1,122
<b>Current liabilities</b>						
Borrowings	–	78	–	–	78	78
Trade and other payables	2,866	(78)	119	–	41	2,907
Deferred income	6,732	(1,122)	–	194	(928)	5,804
Total current liabilities	9,598	(1,122)	119	194	(809)	8,789
<b>Total liabilities</b>	<u>9,598</u>	<u>–</u>	<u>119</u>	<u>194</u>	<u>313</u>	<u>9,911</u>
<b>Total equity and liabilities</b>	<u>5,375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,375</u>

#### Reconciliation of Consolidated Income Statement for the year ended 30 April 2012

	<u>Adjustments</u>					
	<i>Under previous UK GAAP</i>	<i>Reclassification (2) Share based compensation</i>	<i>Vacation accrual</i>	<i>Deferred income</i>	<i>Total impact of change to IFRS</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	16,282	–	–	58	58	16,340
Employee costs	(9,893)	273	14	–	287	(9,606)
	–	(273)	–	–	(273)	(273)
Depreciation and amortisation	(437)	–	–	–	–	(437)
Other operating costs	(8,893)	–	–	–	–	(8,893)
<b>Group operating loss</b>	<u>(2,941)</u>	<u>–</u>	<u>14</u>	<u>58</u>	<u>72</u>	<u>(2,869)</u>
Finance costs	(25)	–	–	–	–	(25)
Finance income	11	–	–	–	–	11
Net finance costs	(14)	–	–	–	–	(14)
<b>Loss before taxation</b>	<u>(2,955)</u>	<u>–</u>	<u>14</u>	<u>58</u>	<u>72</u>	<u>(2,883)</u>
Taxation	312	–	–	–	–	312
<b>Loss for the year</b>	<u>(2,643)</u>	<u>–</u>	<u>14</u>	<u>58</u>	<u>72</u>	<u>(2,571)</u>

	<i>Adjustments</i>				<i>Total impact of change to IFRS to £'000</i>	<i>Under IFRS £'000</i>
	<i>Under previous UK GAAP £'000</i>	<i>Reclassification (2) Share based compensation £'000</i>	<i>Vacation accrual £'000</i>	<i>Deferred income £'000</i>		
Loss for the year	(2,643)	–	14	58	72	(2,571)
Other comprehensive income:						
<i>Items that may be subsequently reclassified to the income statement</i>						
Foreign exchange rate gains	44	–	–	–	–	44
Total other comprehensive income	44	–	–	–	–	44
<b>Total comprehensive loss for the year, net of tax</b>	<b>(2,599)</b>	<b>–</b>	<b>14</b>	<b>58</b>	<b>72</b>	<b>(2,527)</b>



**(B) ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION  
RELATING TO OB10 LIMITED**

The Directors  
Tungsten Corporation plc  
Vestry House  
Laurence Pountney Hill  
London  
EC4R 0EH  
United Kingdom

Charles Stanley Securities (the “**Nominated Adviser**”)  
25 Luke Street  
London  
EC2A 4AR  
United Kingdom

11 October 2013

Dear Sirs

**The historical financial information of OB10 Limited and its subsidiaries.**

We report on the financial information set out above (the “**OB10 IFRS Financial Information**” of OB10 Limited and its subsidiaries for the three years ended 30 April 2013). The OB10 IFRS Financial Information has been prepared for inclusion in the admission document dated 11 October 2013 (the “**Admission Document**”) of Tungsten Corporation plc on the basis of the accounting policies set out in note 2 to the OB10 IFRS Financial Information. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The Directors of Tungsten Corporation plc are responsible for preparing the OB10 Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the OB10 IFRS Financial Information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to OB10 Limited’s circumstances, consistently applied and adequately disclosed.

**Opinion**

In our opinion, the OB10 IFRS Financial Information gives, for the purposes of the Admission Document dated 11 October 2013, a true and fair view of the state of affairs of the OB10 Limited and its subsidiaries as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

**PricewaterhouseCoopers LLP**

*Chartered Accountants*

**(C) FINANCIAL INFORMATION RELATING TO TUNGSTEN CORPORATION PLC**

**CONSOLIDATED INCOME STATEMENT**

*For the period 2 February 2012 to 30 April 2013*

	<i>Notes</i>	<i>£</i>
Revenue		–
Administrative expenses	5	(4,905,055)
Fair Value benefit of LTIP Incentives	15	(5,040,000)
<b>Operating loss</b>		<u>(9,945,055)</u>
Finance income	8	19,599
<b>Loss before income tax</b>		<u>(9,925,456)</u>
Income tax	9	–
<b>Loss for the period</b>		<u>(9,925,456)</u>
Loss attributable to: Owners of the parent		<u>(9,925,456)</u>
<b>Loss per share:</b>		
Basic and diluted loss per share	14	(23.36)

The notes on pages 88 to 96 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the period 2 February 2012 to 30 April 2013*

	£
<b>Loss for the period</b>	(9,925,456)
<b>Other comprehensive income</b>	
Income tax relating to components of other comprehensive income	–
<b>Other comprehensive income for the period, net of income tax</b>	<u>(9,925,456)</u>
<b>Total comprehensive income for the period</b>	(9,925,456)
Total comprehensive income attributable to: Owners of the parent	<u>(9,925,456)</u>

The notes on pages 88 to 96 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2013

	<i>Notes</i>	<i>£</i>
<b>Assets</b>		
<b>Non current assets</b>		
Trade and other receivables	10	<u>220,372</u>
		220,372
<b>Current assets</b>		
Trade and other receivables	10	84,349
Prepaid consideration for acquisition	11	1,200,000
Cash and cash equivalents	12	<u>3,396,991</u>
		4,681,340
<b>Total assets</b>		<u><u>4,901,712</u></u>
<b>Equity</b>		
<b>Shareholders' equity</b>		
Called up share capital	13	9,610,001
Share based payment reserves	13, 15	5,040,000
Retained earnings		<u>(9,925,456)</u>
<b>Total equity</b>		<u><u>4,742,545</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	16	<u>177,167</u>
<b>Total liabilities</b>		<u>177,167</u>
<b>Total equity and liabilities</b>		<u><u>4,901,712</u></u>

The notes on pages 88 to 96 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		<i>Share based</i>		<i>Retained</i>	<i>Total</i>
	<i>Notes</i>	<i>Share capital</i>	<i>payment reserve</i>	<i>earnings</i>	
		£	£	£	£
<b>Balance at 2 February 2012</b>		–	–	–	–
Loss for the period		–	–	(9,925,456)	(9,925,456)
Issue of share capital	13	9,610,001	–	–	9,610,001
Fair value of LTIP Shares and LTIP Securities	13,15	–	5,040,000	–	5,040,000
<b>Balance at 30 April 2013</b>		<u>9,610,001</u>	<u>5,040,000</u>	<u>(9,925,456)</u>	<u>(4,724,545)</u>
<b>Total comprehensive income for the period</b>		<u>9,610,001</u>	<u>5,040,000</u>	<u>(9,925,456)</u>	<u>(4,724,545)</u>

The notes on pages 88 to 96 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 2 February 2012 to 30 April 2013

	<i>Notes</i>	<i>£</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	17	(5,032,609)
Net cash from operating activities		<u>(5,032,609)</u>
<b>Cash flows from investing activities</b>		
Interest received		19,599
Prepaid consideration for acquisition		<u>(1,200,000)</u>
Net cash from investing activities		<u>(1,180,401)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of TCGL B and C shares	13	9,560,000
Proceeds from issue of Ordinary Shares of the Company		50,001
Net cash from financing activities		<u>9,610,001</u>
<b>Increase in cash and cash equivalents</b>		<u>3,396,991</u>
<b>Cash and cash equivalents at beginning of period</b>		<u>–</u>
<b>Cash and cash equivalents at end of period</b>	12	<u>3,396,991</u>

The notes on pages 88 to 96 are an integral part of these consolidated financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 2 FEBRUARY 2012 TO 30 APRIL 2013**

### **1. GENERAL INFORMATION**

Tungsten Corporation PLC (the ‘Company’) and its subsidiary (together, the ‘Group’) have the purpose of acquiring undervalued companies in the financial services space.

The Company is a public limited company, which is incorporated and domiciled in the UK. The address of its registered office is Vestry House, Laurence Pountney Hill, London, EC4R 0EH.

On 19 March 2013, Tungsten entered into a conditional share purchase agreement to acquire the share capital of FIBI Bank (UK) PLC (“FIBI Bank”) and paid a non refundable deposit of £1,200,000 to the First International Bank of Israel Limited. Satisfaction of the conditions, which include the consent of the Prudential Regulation Authority and Financial Conduct Authority to the change in control of FIBI Bank, remain in progress.

On 29 August 2013, Tungsten signed a five year rolling licence agreement with @UK plc to deploy its analytical software technology to enable Tungsten Analytics to be delivered across Tungsten’s global e-invoicing network following the acquisition of OB10 Limited.

On 4 September 2013, Tungsten entered into a conditional share purchase agreement to acquire the share capital of OB10 Limited and subsidiaries (“OB10 Group”), a leading global business-to-business (“B2B”) e-invoicing network, for £99 million.

The consolidated financial statements were approved by the Board of Directors on 20 September 2013.

### **2. ACCOUNTING POLICIES**

#### **Basis of preparation**

The consolidated financial statements of Tungsten Corporation PLC have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the 2006 Act that applies to companies reporting under IFRS, and IFRIC interpretations. The principal accounting policies have been applied consistently throughout the period. The consolidated financial statements have been prepared under the historical cost convention.

#### **Going concern**

This historical financial information relating to the Group has been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The use of the going concern basis relies on the receipt of the net proceeds from the offer of shares and the admission to AIM.

#### **New standards, amendments and interpretations**

This is the first set of consolidated financial statements of the Group since the Company’s incorporation on 2 February 2012. As such, the Group applied all applicable IFRS standards and all applicable interpretations as endorsed in the EU by 30 April 2013.

Standards, amendments and interpretations which are not effective or early adopted by the Group:

The following standards, amendments and interpretations become effective subsequent to the period ended 30 April 2013 and do not impact the accounting policies adopted for this current period. None of these are expected to have any impact on the Group in future periods.

IAS 12 (amendment), ‘Income taxes’ on deferred taxes (effective 1 May 2013).

IAS 19, (revised 2011), ‘Employee benefits’ (effective 1 May 2013).

IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting (effective 1 May 2013).



IFRS 13 'Fair value measurement' (effective 1 May 2013).

Annual improvements 2011 (effective 1 May 2013).

IAS 27 (revised 2011), 'Separate financial statements' (effective 1 May 2014).

IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective 1 May 2014).

IAS 32 (amendment), 'Financial instruments – Presentation' on asset and liability offsetting (effective 1 May 2014).

IFRS 10 'Consolidated financial statements' (effective 1 May 2014).

IFRS 11 'Joint arrangements' (effective 1 May 2014).

IFRS 12 'Disclosure of interests in other entities' (effective 1 May 2014).

IFRS 9 'Financial Instruments'

IFRS 1 'First time adoption of International Financial Reporting Standards' (effective for annual periods beginning on or after 1 January 2013)

### **Consolidation**

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### **Segment reporting**

IFRS 8 requires the Group to disclose information about its operating segments and the geographical areas in which it operates. It requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating officer in order to allocate resources to the segment and assess its performance. As the Group's sole business activity is the identification and acquisition of companies, the Group has only one operating segment. Therefore the reconciliation of the measures used in assessing the business to the reported results is set out in the Group's Statement of Comprehensive Income.

### **Share-based payments**

The Founders (Edmund Truell and Daniel Truell), the other Directors, members and employees of Disruptive Capital and other associates of the Founders are entitled to purchase B and/or C shares in TCGL. The shares are treated as equity settled share based payments, which vest on grant date.

The fair value, under IFRS 2, of the share based payment reward in excess of the amount subscribed is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised in full as the B and C shares are considered to have vested at the time of the grant as there are no service conditions attaching to them.

### **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as

interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

### **Financial assets**

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

### **Prepaid Consideration**

Deposits paid for acquisitions are held as prepayments until such time as the acquisition is completed (i.e. meets the definition of an acquisition under IFRS 3, Business Combinations) or a decision is reached by the Board not to proceed with the acquisition, at which time the deposit is either refunded or charged to the income statement if not refundable.

### **Trade and other receivables**

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses.

### **Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### **Share capital**

Ordinary shares are classified as equity.

### **Trade and other payables**

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

## **3. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to the financial risks in relation to liquidity.

### **Liquidity risk**

The liquidity risk of each Group entity is managed centrally by the Directors of the Group.

The Group aims to mitigate liquidity risk by carefully selecting acquisitions and creditors. This is managed via authorisation limits operating up to Group Board level.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Share based payments

The IFRS 2 fair value for services received in return for shares issued is based on the IFRS 2 fair value of the TCGL B Shares (“LTIP Shares”) and the TCGL C shares (“LTIP Securities”) issued.

The IFRS 2 fair value of the LTIP Shares has been determined using an expected returns approach which considers the probability weighted expected return from a number of possible scenarios to arrive at the fair value. The LTIP Shares are assumed to be auto converted to a percentage (which depends upon the size of the acquisition) of the then issued ordinary shares of Tungsten on the satisfaction of the non-vesting conditions within two years. No dividend is assumed. If the venture is not successful, some capital would be returned to the LTIP Shares, after costs.

The LTIP Securities also have a non-vesting condition, as set out in Note 15. The fair value of the LTIP Securities has been determined using a model derived from the Black-Scholes option pricing model using the following assumptions:

	<i>LTIP Securities</i>
Risk free interest rate	1.3%
Expected dividend yield	–
Expected volatility	30%

The risk free interest rate was based on the UK Gilt rates on date of grant in May 2012. No dividends were expected. The expected equity volatility was estimated by considering the historic share price volatility of listed comparable companies. The share price will be determined by the capital raising. The number of shares these awards relate to is therefore indeterminate until the IPO price is determined. Therefore no disclosure of the number of shares or options outstanding is included. The expected time from the date of admission to the date of exercise for the LTIP Securities was estimated at 10 years.

## 5. ADMINISTRATIVE EXPENSES

	£
Directors’ salaries and social security	591,866
Transaction costs	3,340,065
Advisory fees	333,358
Office accommodation	209,333
Irrecoverable VAT	133,952
Post and stationery	67,414
Advertising	69,057
Auditors remuneration	25,000
Other expenses	135,010
<b>Administrative expenses</b>	<b><u>4,905,055</u></b>

The transaction costs relate to the aborted IPO in 2012. Other Administrative costs are £5,040,000 in relation to the fair value benefit of the LTIP Incentives.

## 6. AUDITOR REMUNERATION

During the period the Group (including overseas subsidiaries) obtained the following services from the Company’s auditor and its associates:

	£
Fees payable to the Company’s auditor and its associates for the audit of the parent company and consolidated financial statements	<u>25,000</u>

## 7. DIRECTOR REMUNERATION

The Directors' remuneration is excluding the impact of the Directors' portion of the fair value benefit of the LTIP incentives.

	£
Wages and salaries	529,038
Social security costs	62,828
	<u>591,866</u>

The Group has no employees other than Edmund Truell, who is a Director of the Company's subsidiary.

The average monthly number of directors during the period was as follows:

	<i>Number</i>
Directors	<u>5</u>

Information regarding the highest paid Director is as follows:

	£
Emoluments	<u>125,962</u>

None of the Directors have or had any share options other than LTIP Securities during the period. Edmund Truell and Daniel Truell subscribed to the LTIP Shares and all Directors to the LTIP Securities (see note 15). Of the £5,040,000 fair value benefit of the LTIP Shares and LTIP Securities, £1,255,730 is attributable to the Directors of which £13,180 is attributable to the highest paid Director.

## 8. NET FINANCE INCOME

	£
Finance income	19,227
Deposit account interest	372
Other interest receivable	<u>19,599</u>

## 9. INCOME TAX

### Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the period:

	£
Loss before tax	(9,925,456)
<b>Loss before tax multiplied by the rate of corporation tax in the UK of 24.2%</b>	<b>(2,401,960)</b>
Tax effect of:	
– Losses in Guernsey subject to 0 per cent. corporation tax	694,345
– IFRS 2 Share based payment expense not deductible for tax purposes	1,219,680
– Tax losses for which no deferred income tax asset was recognised	487,935
<b>Income tax expense</b>	<b><u>–</u></b>

The standard rate of Corporation Tax in the UK changed from 26 per cent. to 24 per cent. with effect from 1 April 2012 and changed to 23 per cent. with effect from 1 April 2013. Accordingly, the Company's losses for the period are taxed at an effective rate of 24.2 per cent.

In addition to the changes in rates of Corporation tax disclosed above a further change to the UK Corporation tax system was announced in the March 2013 UK Budget Statement. A reduction to the main rate is proposed to reduce the rate by 1 per cent. per annum to 22 per cent. by 1 April 2014. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1 per cent. per year to 22 per cent. by 2 April 2014 are expected to be enacted separately each year. The overall effect of the change in the tax rate to 22 per cent. has no impact on the financial statements of the Group as no tax assets are recognised as detailed below.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Group did not recognise deferred income tax assets of £487,935 in respect of losses amounting to £487,935 that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

## 10. TRADE AND OTHER RECEIVABLES

### Non current assets

	£
Loans to Disruptive Capital (note 18)	220,372

The interest on the loan is calculated at a rate of 3 month LIBOR + 1 per cent. p.a. compounded quarterly, for a period of five years. The loan matures on 1 January 2018.

### Current assets

	£
VAT	39,886
Prepayments	2,578
Amounts owed to Disruptive Capital	24,147
Other	17,738
	<u>84,349</u>

## 11. PREPAID CONSIDERATION FOR ACQUISITION

	£
Prepaid consideration for acquisition	1,200,000

The prepaid consideration is non-refundable.

## 12. CASH AND CASH EQUIVALENTS

	£
Bank accounts	3,396,991

## 13. SHARE CAPITAL

<i>Number (Authorised and Allotted)</i>	<i>Class</i>	<i>Description</i>	<i>Nominal Value</i>	<i>Amount £</i>
500,010	Ordinary shares		£0.10	50,001
5,800,000	Ordinary Class B shares	LTIP Shares	£1.00	5,800,000
3,760,000	Ordinary Class C shares	LTIP Securities	£1.00	3,760,000
<u>9,610,001</u>				<u>9,610,001</u>

The company issued 1 share of £1 at incorporation. At 10 April 2012, a further 50,000 shares of £1 were issued and paid. These are A ordinary shares.

On 10 May 2012 a share split occurred and the nominal value of the ordinary shares decreased to £0.10 per share resulting in the number of ordinary shares authorised and allotted of 500,010 at 30 April 2013.

The 5,800,000 ordinary shares (“LTIP Shares”) relate to the financial instruments (the non-voting Class B Shares) which will exchange into ordinary shares in the Company on the satisfaction of the non-vesting conditions. The Class B shares have a nominal value of £1 each so designated on issue.

The 3,760,000 ordinary shares (“LTIP Securities”) represent class C shares, exchangeable into ordinary shares in the Company on satisfaction of the non-vesting conditions and have a nominal value of £1 each so designated on issue.

#### 14. LOSS PER SHARE

	£
Loss for the year	9,925,456
Weighted average number of ordinary shares in issue for the basic and diluted loss per share	424,953
<b>Basic and diluted loss per share</b>	<u>23.36</u>

The weighted average number of ordinary shares reflects the share split as if it has occurred on the date of issuance of 50,000 £1 shares, 10 April 2012.

#### 15. SHARE BASED PAYMENTS

Class B – The Company invited the Founders of the Group (Edmund Truell and Daniel Truell), the other Directors, members and employees of Disruptive Capital and other associates of the Founders to subscribe for B shares in the Company, under the terms of the TCGL articles of association. The Founders were issued “LTIP Shares” in May 2012 which are B ordinary shares in TCGL. These LTIP Shares are designed to reward the subscribers for their initial capital commitment to the Company and have a non-vesting condition of a successful fund raising and Admission on the London Stock Exchange followed by a suitable acquisition. On acquisition these shares can be exchanged for a portion of shares in the Company (from 5 per cent. to 1 per cent.) dependent on the market capitalisation of the Company post flotation.

Class C – In addition to the LTIP Shares, the Founders, the other Directors, members and employees of Disruptive Capital and other associates of the Founders were invited to subscribe to LTIP Securities which are C ordinary shares in TCGL. The LTIP Securities were designed to encourage the subscribers to use their best efforts to grow the Company within 5 to 10 years following an acquisition and to maximise value for holders of ordinary shares by entitling the Founders to a share of the upside in the Company’s value once a hurdle TSR rate of 8.25 per cent. has been achieved.

The LTIP Shares and LTIP Securities have been treated as equity settled shares based payments and are considered to be vested at time of grant as there are no service conditions attaching to them.

The Company has determined that the fair value, under IFRS 2, of these share based payments is £14,600,000. Share based payment expense of £5,040,000 has been recognised in the consolidated statement of comprehensive income representing the fair value benefit over and above the amount paid by the related parties of £1 per share (totalling £9,560,000).

Of the £5,040,000 fair value benefit, £1,255,730 is attributable to the Directors.

#### 16. TRADE AND OTHER PAYABLES

Current:

	£
Social security and other taxes	17,845
Other liabilities	22,898
Accrued expenses	136,424
	<u>177,167</u>

## 17. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	£
Loss before income tax	(9,925,456)
Finance income	(19,599)
Fair value benefit of LTIP Incentives	5,040,000
	<u>(4,905,055)</u>
Increase in trade and other receivables	(304,721)
Increase in trade and other payables	177,167
<b>Cash generated from operations</b>	<b><u>(5,032,609)</u></b>

## 18. RELATED PARTY TRANSACTIONS

<i>Related party relationship</i>	<i>Transaction type</i>	<i>Transaction amount</i> £	<i>Balance owed/ (owing)</i> £
Disruptive Capital Finance LLP (Disruptive Capital)	Advisory fees, office accommodation and other fees (note 10)	1,188,357	(24,147)
Disruptive Capital Finance LLP (Disruptive Capital)	Loan (see note 10)	–	(220,372)

### LTIP Shares and LTIP Securities (see note 15)

<i>Related Party</i>	<i>IFRS 2 Fair Value</i> £	<i>Cash Paid</i> £	<i>Share Based Payment</i> £
Partners, employees and advisers of Disruptive Capital	1,256,822	822,960	433,862
Directors	3,637,630	2,381,900	1,255,730
RIL	9,297,573	6,088,000	3,209,573
Other	407,975	267,140	140,835
<b>Total</b>	<b><u>14,600,000</u></b>	<b><u>9,560,000</u></b>	<b><u>5,040,000</u></b>

Disruptive Capital provides services to the Group for the purposes of identifying and recommending investment opportunities. After Admission this arrangement will be terminated. An additional fee of £2 million (exclusive of VAT) will be payable to Disruptive Capital on Admission. Disruptive Capital is a limited liability partnership set up and controlled by a charity founded by Edmund and Daniel Truell, (the Truell Charitable Foundation).

Rockhopper Investments Limited (“**RIL**”) owns 100 per cent. of the share capital of the Group. RIL is the wholly owned subsidiary of the Rockhopper Cell of Barclays Wealth PCC (No 1) Limited, the investment vehicle of Edmund Truell and his wider family.

Other related service providers to the Group subscribed to the LTIP Shares and LTIP Securities.

In addition, RIL has also lent £700,000 on a non recourse basis to Daniel Truell, a Director of the Company, to fund his acquisition of LTIP Shares and LTIP Securities. This is charged at 4 per cent. per annum and is repayable out of the first proceeds arising from his holding of any shares in the Company.

Transactions with Directors are set out in note 7.

## **19. EVENTS AFTER THE REPORTING PERIOD**

The Group has signed a 5 year rolling licence agreement with @UK to deploy its analytical software technology to enable TungstenAnalytics to be delivered across Tungsten's global e-invoicing network following the acquisition of OB10 Limited.

On 4 September 2013 the Group entered into a conditional share purchase agreement to acquire the OB10 Group.

On 25 September 2013 the Group entered into an exchange right deed which grants certain rights to the LTIP shares and securities holders.



**(D) ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION  
RELATING TO TUNGSTEN CORPORATION PLC**

The Directors  
Tungsten Corporation plc  
Vestry House  
Laurence Pountney Hill  
London  
EC4R 0EH  
United Kingdom

Charles Stanley Securities (the "Nominated Adviser")  
25 Luke Street  
London  
EC2A 4AR  
United Kingdom

11 October 2013

Dear Sirs

**The historical financial information of Tungsten Corporation plc (the "Company") and its subsidiary.**

We report on the financial information set out above (the "Company IFRS Financial Information" of Tungsten Corporation plc and its subsidiary for the period 2 February 2012 to 30 April 2013). The Company IFRS Financial Information has been prepared for inclusion in the admission document dated 11 October 2013 (the "Admission Document") of the Company on the basis of the accounting policies set out in note 2 to the Company IFRS Financial Information. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "AIM Rules") and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the Company IFRS Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Company IFRS Financial Information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Company IFRS Financial Information gives, for the purposes of the Admission Document dated 11 October 2013, a true and fair view of the state of affairs of the Company as at the date stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

**PricewaterhouseCoopers LLP**

*Chartered Accountants*

## PART V

### TERMS AND CONDITIONS OF THE PLACING

#### IMPORTANT INFORMATION ON THE PLACING FOR INVITED PLACEEES ONLY.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED, (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE EU PROSPECTUS DIRECTIVE (WHICH MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE) (THE “PROSPECTUS DIRECTIVE”); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

#### 1. Introduction

Each person that is invited to and which confirms its agreement (whether orally or in writing) to Canaccord to subscribe for Placing Shares under the Placing (the “Placee”) will be bound by these terms and conditions and will be deemed to have accepted them.

A Placee shall, without limitation, become so bound if Canaccord confirms to the Placee its allocation. Following such confirmation, each Placee undertakes to promptly return a completed form of confirmation in the form supplied by Canaccord (the “Form of Confirmation”).

#### 2. Agreement to Subscribe for Placing Shares

Conditional on: (i) Admission occurring not later than 8.00 a.m. on 16 October 2013 (or such later date as the Company, Canaccord and Charles Stanley may agree in writing, not being later than 8.00 a.m. on 31 October 2013); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms on or before Admission; and (iii) Canaccord confirming to the Placees their allocation of Placing Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Placing Shares allocated to it by Canaccord at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

#### 3. Payment for Placing Shares

Each Placee must pay the Placing Price for the Placing Shares issued to the Placee in the manner and by the time directed by Canaccord as set out in the Form of Confirmation. In the event of any failure by any Placee to pay as so directed by Canaccord, the relevant Placee shall be deemed hereby to have appointed Canaccord or any nominee of Canaccord to use its reasonable endeavours to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment shall not have been made as directed by Canaccord

and to indemnify Canaccord on demand in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales. A sale of all or any of such Placing Shares shall not release the relevant Placee from the obligation to make such payment for Placing Shares to the extent that Canaccord or its nominee has failed to sell such Placing Shares at a consideration which after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned exceeds the Placing Price per Placing Share.

#### **4. Representations and Warranties**

By agreeing to subscribe for Placing Shares, each Placee who confirms their agreement to subscribe for Placing Shares will (for itself and any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company and Canaccord that:

- 4.1 the exercise by Canaccord or Charles Stanley of any rights or discretion under the Placing Agreement shall be within the absolute discretion of Canaccord and Charles Stanley and neither Canaccord or Charles Stanley need have any reference to a Placee and shall have no liability to a Placee whatsoever in connection with any decision to exercise or not to exercise any such right. Each Placee agrees that it has no rights against Canaccord, Charles Stanley, the Company and any of their respective directors and employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999;
- 4.2 in agreeing to subscribe for Placing Shares under the Placing, it is relying solely on this document and any supplementary admission document issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company or the Placing. It agrees that neither the Company, Canaccord or Charles Stanley, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 4.3 the content of this document is exclusively the responsibility of the Company and the Board and apart from the liabilities and responsibilities, if any, which may be imposed on Canaccord or Charles Stanley under any regulatory regime, neither Canaccord, Charles Stanley nor any person acting on their behalf nor any of their affiliates makes any representation, express or implied, nor accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by them or on its or their behalf in connection with the Company, the Placing Shares or the Placing;
- 4.4 it will indemnify on an after-tax basis and hold harmless the Company, Canaccord and/or Charles Stanley and their respective Affiliates and any person acting on its behalf from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in these terms and conditions;
- 4.5 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Placing Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, Canaccord or Charles Stanley or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- 4.6 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person;

- 4.7 it agrees that, having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations contained in this document, that it is acquiring Placing Shares solely on the basis of this document and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Placing Shares;
- 4.8 it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by Canaccord, Charles Stanley or the Company;
- 4.9 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 4.10 it has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the merits and risks of its subscription for the Placing Shares, and it is able to bear the economic risk and financial risk (including sustaining a complete loss) of the subscription for such Placing Shares;
- 4.11 it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation;
- 4.12 it has the power under its constitutional documents and has obtained all necessary consents and authorities (including, without limitation, all relevant members' resolutions) to subscribe and pay for the Placing Shares comprised in the manner proposed and to enter into and perform its obligations pursuant to these terms and conditions, and there are no governmental or regulatory consents or other third party approvals, authorisations or orders required in order for it to subscribe and pay for the Placing Shares in the manner proposed and to enter into and perform its obligations pursuant to these terms and condition that have not been or will not prior to Admission have been obtained;
- 4.13 the payment for the Placing Shares will comply with and will not violate any agreements to which it is a party or by which it or any of its properties or assets is bound and which is material to its participation and its obligations in respect thereof;
- 4.14 it accepts and acknowledges that (i) the Placing Shares have not been and will not be registered under the Securities Act and, subject to certain exemptions under the Securities Act, may not be offered or sold within the United States; (ii) the Company has not filed a prospectus or similar document with any applicable securities regulatory authority of any province or territory of Canada, no document in relation to the Placing has been or will be lodged with, or registered by, the Australian Securities and Investments Commission and no registration statement has been, or will be filed with the Japanese Ministry of Finance in relation to the Placing Shares; and (iii) subject to certain exceptions the Placing Shares may not be offered or sold directly or indirectly within Canada, Australia, Japan or any other Prohibited Jurisdiction or to or for the account or benefit of any national, citizen or resident of such countries or of the Prohibited Jurisdictions;
- 4.15 the Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and, if within the United States, solely to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.
- 4.16 it acknowledges and agrees that it will not offer or sell, directly or indirectly, any of the Placing Shares in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- 4.17 it acknowledges that until 40 days after the commencement of the Placing, an offer or sale of Placing Shares within the United States by any dealer (whether or not participating in the Placing) may violate

the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act;

- 4.18 if it is located in the United Kingdom, it is (i) a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) in the course of its business and are a “Qualified Investor” (as defined above) and it will acquire, manage and dispose of the Placing Shares (as principal or agent) for the purposes of its business and (ii) not intending to offer or sell or otherwise deal with the Placing Shares in any way which would result in an offer to the public in the United Kingdom within the meaning of FSMA or in any other jurisdiction or require registration or prospectus publication or similar actions in any other jurisdiction;
- 4.19 if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction’s laws and regulations;
- 4.20 to the extent that it is located outside the United Kingdom but in the EEA, it is a “Qualified Investor” (as defined above);
- 4.21 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.22 it acknowledges that it is an “investment professional” (within the meaning of Article 19(5) of the FPO) or a “high net worth company” (within the meaning of Article 49(2) of the FPO) or a “qualified investor” (within the meaning of section 86(1)(a) of FSMA);
- 4.23 it confirms that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which it is permitted to do so pursuant to section 21 of FSMA;
- 4.24 it acknowledges that after giving effect to its acquisition of the Placing Shares, it will inform the Company, Canaccord and Charles Stanley if such acquisition will cause it to be required to make a notification to the Company in accordance with Rule 5.1.2R of the Disclosure Rules and Transparency Rules;
- 4.25 it acknowledges that neither Canaccord nor Charles Stanley nor any of their respective affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of Canaccord or Charles Stanley or any of their affiliates and that Canaccord, Charles Stanley and any of their affiliates do not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing;
- 4.26 it acknowledges that where it is subscribing for Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Placing Shares for each such account; (ii) to make on each such account’s behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company, Canaccord and/or Charles Stanley. It agrees that the provision of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;

- 4.27 it acknowledges that neither the Placee nor, as the case may be, their clients, expect Canaccord or Charles Stanley to have any duties or responsibilities to the Placee similar or comparable to the duties of “best execution” and “suitability” imposed by The Conduct of Business Source Book contained in The Financial Conduct Authority’s Handbook of Rules and Guidance, and that neither Canaccord nor Charles Stanley is acting for the Placee or its clients, and that neither Canaccord nor Charles Stanley will be responsible to the Placee or its clients for providing the protections afforded to its customers;
- 4.28 it irrevocably appoints any Director and any director of Canaccord to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- 4.29 it accepts that if the Placing does not proceed or the conditions to the Placing Agreement are not satisfied or the Placing Shares for which valid application are received and accepted are not admitted to listing and trading on AIM for any reason whatsoever then none of the Company, Canaccord and Charles Stanley or any of their affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.30 in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing and that its application is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.31 it agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Canaccord and/or the Company may require proof of identity of the Placee and related parties and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, Canaccord and/or the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify Canaccord and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 4.32 it agrees that it is aware of, has complied with and will comply with its obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- 4.33 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Canaccord, the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription for the Placing Shares are no longer accurate, it shall promptly notify Canaccord and the Company;
- 4.34 where it or any person acting on behalf of it is dealing with Canaccord, any money held in an account with Canaccord on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the Financial Conduct Authority which therefore will not require Canaccord to segregate such money, as that money will be held by Canaccord under a banking relationship and not as trustee;

- 4.35 any of its clients, whether or not identified to Canaccord or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Canaccord or any of its affiliates or agents for the purposes of the rules of the Financial Conduct Authority or for the purposes of any other statutory or regulatory provision;
- 4.36 it accepts that the allocation of Placing Shares shall be determined by Canaccord (in consultation with the Company) in its absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as it may determine; and
- 4.37 time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.

## **5. Supply and Disclosure of Information**

If Canaccord or the Company or any of their agents request any information in connection with a Placee's agreement to subscribe for Placing Shares under the Placing or to comply with any relevant legislation, such Placee must promptly disclose it to them.

## **6. Miscellaneous**

- 6.1 The rights and remedies of Canaccord and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 6.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 6.3 Each Placee agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Placing Shares under the Placing and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Canaccord, Charles Stanley and the Company, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.
- 6.4 In the case of a joint agreement to subscribe for Placing Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 6.5 Canaccord, Charles Stanley and the Company expressly reserve the right to modify the Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined.
- 6.6 The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraphs paragraph 17.1 of Part VI of this document.
- 6.7 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Form of Confirmation issued by Canaccord until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 16 October 2013, or such later date as the Company, Canaccord and Charles Stanley may agree in writing not being later than 31 October 2013, application monies will be returned without interest at the risk of the applicant.



## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors (whose names are set out on page 7 of this document) and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have each taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

#### 2. THE COMPANY AND THE SUBSIDIARY

- 2.1 The Company was incorporated with limited liability under the laws of England and Wales under the 2006 Act on 2 February 2012, with registered number 7934335, under the name Plumbrook Limited.
- 2.2 On 28 March 2012, pursuant to a special resolution passed on 16 March 2012, the Company changed its name to Tungsten Corporation Limited.
- 2.3 On 26 April 2012, pursuant to special resolutions passed on 25 April 2012, the Company was re-registered as a public limited company and changed its name to Tungsten Corporation plc.
- 2.4 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created, is the 2006 Act and the subordinate legislation made under it.
- 2.5 The Company's registered and head office is at Vestry House, Laurence Pountney Hill, London EC4R 0EH, United Kingdom. The Company's telephone number is +44 (0)20 3435 5680.

#### 3. SUBSIDIARIES

- 3.1 The Company is the holding company of the Group. Prior to completion of the Acquisitions, other than the Subsidiary, the Company did not have any subsidiaries. Following completion of the Acquisitions, the Company will have the following subsidiaries, details of which are set out in the table below:

<i>Company name</i>	<i>Principal Activity</i>	<i>Country of Incorporation</i>	<i>Percentage ownership</i>	<i>Proportion of voting power</i>
Tungsten Corporation	Special purpose			
Guernsey Limited	acquisition company	Guernsey	100	100
OB10 Limited	Electronic invoice services	England and Wales	100	100
OB10 Inc	Electronic invoice services	Delaware, USA	100 (by OB10)	100
OB10 (Schweiz) GmbH	Electronic invoice services	Switzerland	100 (by OB10)	100
OB10 SAPI de CV	Electronic invoice services	Miguel Hidalgo, Distrito Federal, Mexico	OB10 (99.998%) and OB10 Inc (0.002%)	OB10 (99.998%) and OB10 Inc (0.002%)
OB10 GmbH	Electronic invoice services	Germany	100 (by OB10)	100
OB10 Sdn Bhd	Electronic invoice services	Malaysia	100 (by OB10)	100
OB10 EOOD	Electronic invoice services	Bulgaria	100 (by OB10)	100
FIBI Bank (UK) PLC	International and domestic banking services	United Kingdom	100 (by Tungsten)	100
FIBI Nominees Limited	Nominee activities	United Kingdom	100 (by FIBI Bank (UK) PLC)	100

- 3.2 The Subsidiary was incorporated with limited liability under the laws of Guernsey under the Companies (Guernsey) Law, 2008 on 22 February 2012, with registered number 54698, under the name Plumbrook (Guernsey) Limited. The Subsidiary's registered and head office is at Western Suite, Ground Floor, Mill Court, La Charroterie, St. Peter Port, Guernsey, GY1 1EJ.
- 3.3 On 15 March 2012, the Subsidiary changed its name to Tungsten Corporation Guernsey Limited.

#### 4 SHARE CAPITAL

4.1 On incorporation one ordinary share of £1.00 was issued fully paid to Clifford Chance Nominees Limited and was acquired by Rockhopper Investments Limited on 28 February 2012.

4.2 Since incorporation the share capital of the Company has changed as follows:

- (a) on 10 April 2012, the share capital of the Company was increased by the issue of 50,000 Ordinary Shares to Rockhopper Investments Limited at a subscription price of £1.00 each (in order to enable the Company to be re-registered as a public limited company);
- (b) on 25 April 2012, the share capital of the Company was sub-divided from 50,001 ordinary shares of £1.00 each into 500,010 ordinary shares of £0.10 each and its share capital was re-classified into Ordinary Shares with a nominal value of £0.10 each; and
- (c) the changes set out at paragraph 4.6 below.

4.3 The following table shows the issued and fully paid share capital of the Company at the date of this document:

	<i>Issued and Credited</i>		
	<i>Nominal Value (£)</i>	<i>as fully paid Number</i>	<i>Amount paid up (£)</i>
Ordinary Shares	50,001	11,404,746	50,001

4.4 Assuming completion of the Placing and the OB10 Acquisition, the issued and fully paid share capital of the Company immediately following Admission is expected to be as shown in the following table:

	<i>Issued and Credited</i>		
	<i>Nominal Value (£)</i>	<i>as fully paid Number</i>	<i>Amount paid up (£)</i>
Ordinary Shares	0.00438	100,000,000	438,422

4.5 The issued share capital of the Subsidiary consists of 1 A Ordinary Share which is held by the Company, and 5,800,000 B Ordinary Shares (the LTIP Shares) issued on 4 May 2012 at a subscription price of £1 each in which the Founders, the other Non-Executive Directors and certain partners, employees and consultants of Disruptive Capital are interested and 3,760,000 C Ordinary Shares issued on 4 May 2012 at a subscription price of £1 each in which the Founders, the Non-Executive Directors and certain partners, employees and consultants of Disruptive Capital are interested. The A Ordinary Share in the Subsidiary are only transferable with the consent of the holders of 75 per cent. of the LTIP Shares and of 75 per cent. of the LTIP Securities.

4.6 Pursuant to a shareholder resolution dated 10 October 2013 each ordinary share of the Company of £0.10 was consolidated into one ordinary share of £50,001 and such share was then subdivided into 11,404,746 Ordinary Shares of £0.00438 each.

4.7 The Placing Shares, the Consideration Shares and the Ordinary Shares issued in exchange for LTIP Shares will be issued in accordance with the following shareholder resolution, passed on 10 October 2013 and conditional on Admission taking place, which:

- (a) generally and unconditionally authorised the Directors in accordance with the section 551 of the 2006 Act to allot shares or grant rights to subscribe for, or convert securities into, shares in the Company up to an aggregate nominal amount of £561,140, of which shares with a nominal value of (i) up to £330,000 are to be issued pursuant to the Placing; (ii) up to £60,000 are to be issued as Consideration Shares in connection with the OB10 Acquisition; (iii) up to £25,000 are to be issued in exchange for LTIP Shares; and (iv) up to £146,140 (amounting to no more than one third of the issued share capital of the Company immediately following Admission) shall be authorised for allotment for general corporate purposes, with such authority to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2014; and

- (b) empowered the Directors to allot securities (within the meaning of section 560 of the 2006 Act) for cash as if section 561 of the 2006 Act did not apply to such allotment: (i) pursuant to the authority referred to in paragraph 4.7(a)(i); (ii) in respect of issues by way of rights to shareholders; and (iii) otherwise up to an aggregate nominal amount of £21,921 (representing five per cent. of the issued share capital of the Company immediately following Admission) in the period ending 15 months after the passing of the resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2014.

4.8 Pursuant to a shareholder resolution dated 10 October 2013 and conditional upon Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company following Admission is to be reduced by £50 million and the amount so reduced is to be credited as a distributable reserve to be established in the Company's books of account which shall be capable of being applied in any manner in which the Company's profits available for distribution are able to be applied.

4.9 Pursuant to a shareholder resolution dated 10 October 2013, the Directors were authorised for the purposes of section 701 of the 2006 Act to make one or more market purchases (as defined in section 693(4) of the 2006 Act) of its Ordinary Shares, such power to be limited:

- (a) to a maximum number of 14,999,999 Ordinary Shares;
- (b) by the condition that the minimum price which may be paid for an Ordinary Share is 0.438 pence and the maximum price which may be paid for an Ordinary Share is the highest of:
  - (i) an amount equal to five per cent. above the average market value of an Ordinary Share for the five Business Days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and
  - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, in each case, exclusive of expenses;

such authority to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2014, but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

4.10 Save as disclosed in this document:

- (i) no share or loan capital of the Company has been issued or is proposed to be issued;
- (ii) no person has any preferential subscription rights for any share capital of the Company;
- (iii) there are no shares of the Company held by or on behalf of itself or by any member of the Group;
- (iv) no share or loan capital of the Company is currently under option or agreed conditionally or unconditionally to be put under option; and
- (v) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

## **5. ARTICLES OF ASSOCIATION OF THE COMPANY**

5.1 The Company's objects are unlimited.

5.2 The Articles contain (amongst other things) provisions to the following effect.

(i) ***Voting Rights***

Subject to disenfranchisement as provided in 5.2(iv) below and subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

The Company's major shareholders do not have different voting rights.

(ii) ***Transfer of shares***

The Ordinary Shares are in registered form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations 2001, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations 2001.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:

- (A) in respect of only one class of shares;
- (B) in favour of not more than four transferees;
- (C) duly stamped (if required); and
- (D) delivered for registration to the registered office of the Company or at such other place as the Directors may decide and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

If the Directors refuse to register a transfer of a certificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

Under the Articles, if the Board becomes aware that any Ordinary Shares are owned directly or beneficially by a person in circumstances which would or might result in: (a) the Company incurring a liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantages in connection with the Company being, or being required to register as, an "investment company" under the Investment Company Act; (b) the Company being unable to rely on any offering-related exemption under the Investment Company Act; or (c) the assets of the Company being deemed to be assets of a Plan Investor (in each case, a "prohibited person"), the Board may give notice to the member requiring him either: (i) to provide the Board within 30 days of receipt of such notice with sufficient documentary evidence to satisfy the Board that such person is not a prohibited person; or (ii) to sell or transfer his shares to a person who is not a prohibited person within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer. Where condition (i) or (ii) is not satisfied within 30 days after the serving of the notice, the Board is entitled to arrange for the sale of the relevant shares on behalf of the member at the best price reasonably obtainable at the relevant time. If the Company cannot effect a sale of the relevant shares within five business days of its first attempt to do so, the member will be deemed to have forfeited his shares.

If the ownership of shares by a member will or may result in the Company's assets being deemed to constitute "plan assets" under the Plan Asset Regulations, the shares held by such

member will be deemed to be held in trust by the member for such charitable purposes as the member may determine (provided that the trust beneficiaries may not be prohibited persons), and the member shall not have any beneficial interest in the shares.

(iii) ***Dividends***

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors.

The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to dividends arise. All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall cease to remain owing by the Company.

(iv) ***Disclosure of interests in shares***

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice in accordance with section 793 of the 2006 Act requiring such member or other person to supply to the Company in writing all or any such information as is referred to in sections 821 to 825 of the 2006 Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares. The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares, the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

(v) ***Distribution of assets on a winding up***

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the 2006 Act, divide amongst the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

(vi) ***Changes in share capital***

(A) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination as the Directors may determine. Subject to the 2006 Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

(B) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.

(C) Subject to the 2006 Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the 2006 Act, purchase its own shares.

(vii) ***Variation of rights***

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be

varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class (excluding treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders.

(viii) ***Directors' interests***

- (A) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with the 2006 Act the nature of his interest.
- (B) A Director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with the 2006 Act the nature of his interest.
- (C) Provided that he has declared his interest in accordance with paragraph (i), a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (D) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (E) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:
  - (1) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (2) the giving to a third party of any guarantee, security or indemnity in respect of a debt or any obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (3) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
  - (4) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he and any connected person with him is interested do not on aggregate represent one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (5) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates;
  - (6) any proposal concerning the purchase or maintenance of insurance against any liability to the Company or any subsidiary undertaking of the Company which would otherwise attach to all or any of the Directors;

- (7) him or any person connected with him being interested in LTIP Shares and/or LTIP Securities; and
  - (8) him or any person connected with him being affiliated with any external manager providing management and/or other services to the Company.
- (F) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (G) The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.
- (ix) **Remuneration of Directors**
- (A) The fees payable by the Company to the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of such fees shall not exceed £1,000,000 per annum) to be divided amongst them in such proportion and manner as the Directors may determine. The fees payable to the Directors pursuant to the Articles are distinct from any salary, remuneration or other amount payable to them by the Company. The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
  - (B) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
  - (C) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.
- (x) **Retirement of Director**
- At each annual general meeting, one-third (or the number nearest to one-third) of the Directors shall retire from office, in accordance with the provisions set out in the Articles.
- A Director who retires at an annual general meeting may, if willing to act, be re-appointed.
- A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age. A retiring Director who is re-elected will continue in office without a break.
- (xi) **Borrowing powers**
- The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital. The Directors shall have unrestricted borrowing powers.
- (xii) **Chairman's casting vote**
- The Chairman of the Board will have a casting vote in the event of a tied Board.

(xiii) *Shareholder meetings*

The Board shall convene the first meeting (being an annual general meeting) of the Company within such time as may be required by the 2006 Act. Thereafter general meetings (which are annual general meetings) shall be held once at least in each subsequent calendar year. All meetings other than annual general meetings shall be called general meetings. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the 2006 Act, shall forthwith convene a general meeting.

Unless consent to short notice is obtained in accordance with the provisions of the 2006 Act, an annual general meeting shall be called by at least 21 clear days' notice. Every other general meeting shall subject to the provisions of the 2006 Act, be called by at least 14 clear days' notice. Subject to any other restrictions, every notice of meeting shall be given to all the members, all other persons who are at the date of the notice entitled to receive notices from the Company and to the Directors and Auditors.

Every notice of meeting shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such. Every notice calling a meeting for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution.

(xiv) *Website communication with Shareholders*

The Articles enable the Company to use its website as a means of sending or supplying documents or information to members. Before communicating with a member by means of its website, the Company must have asked the member, individually, to agree (generally or specifically) that the Company may send or supply documents or information to him by means of a website. A member shall be deemed to have agreed that the Company may send or supply a document or information to him by means of a website if no response indicating a refusal of the request is received within 28 days (or such longer period as the Directors may specify). When communicating with members by means of website communications, the Company must notify the intended recipient (by post or other permitted means) of the presence of a document or information on the website, the address of the website and place that it appears and how to access the document on the website.

## 6. DIRECTORSHIPS AND PARTNERSHIPS

6.1 In addition to their directorships of the Company, the Directors are, or have been, members of the administrative, management or supervisory bodies ("**Directorships**") or partners of the following companies or partnerships, at any time in the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships and partnerships</i>	<i>Former Directorships and partnerships</i>
Arnold Hoevenaars (Chairman and Non-Executive Director)	Tungsten Corporation Investments Limited Partnership Incorporated Foundation Beheer SNS REAAL Foundation SNS REAAL Fund Pension Fund PFZW Unilever pension fund University Nyenrode	Crucell NV Accounting Plaza BV Theatre Orpheus Atlant Zorggroep



<i>Name</i>	<i>Current Directorships and partnerships</i>	<i>Former Directorships and partnerships</i>
Edmund Truell <i>(Chief Executive Officer)</i>	Tungsten Corporation Guernsey Limited The Truell Conservation Foundation Disruptive Capital Finance LLP Curzon Park Capital Limited CSS Scotland Limited London Pension Fund Authority Flexible Securities Limited Miura (Holdings) Ltd Truell International Permit Solutions Limited Ice Floe Limited HEV Guernsey Limited Niobium Corporation Limited Tantalum Corporation Limited	Lysanda Limited Pension Management Services Limited Pension Holding Company (UK) 3 Limited Pension Insurance Corporation Limited Cornhill Corporation LLP Galapagos Conservation Trust HEV (Holdings) Limited Sidmouth Flexible Forestry Limited DSCSS Securitisations Advisors LLP
Daniel (“Danny”) Truell <i>(Non-Executive Director)</i>	Wellcome Trust Finance plc Wellcome Trust GP Limited Wellcome Trust Investments 1 Unlimited Wellcome Trust Investments 2 Unlimited Wellcome Trust Investments 3 Unlimited Wellcome Trust Residential 1 Limited Wellcome Trust Residential 2 Limited South Kensington Estate Nominees (No. 1) Limited South Kensington Estate Nominees (No. 2) Limited Gower Place Investments Limited Capital Structured Solutions Limited Truell Conservation Foundation	Wellcome Trust Finance (No. 2) Limited Sidmouth Flexible Forestry Limited
Peter Kiernan <i>(Non-Executive Director)</i>	Tungsten Corporation Investments Limited Partnership Incorporated Old Bailey 2005 LLP GS Private Equity Partners 2002 Employee Fund Offshore, LP GS Distressed Opportunities Employee Fund Offshore, LP Whitehall Street International Fund 2001 (Corporate), LP The Ireland Fund of Great Britain Limited LFCM Holdings LLC	Lazard & Co. Holdings Limited Lazard & Co., Limited Lazard & Co. Services Limited Lazard Services Holdings Limited

<i>Name</i>	<i>Current Directorships and partnerships</i>	<i>Former Directorships and partnerships</i>
Michael Spencer <i>(Non-Executive Director)</i>	Tungsten Corporation Investments Limited Partnership Incorporated Bordeaux Index Limited C&UCO Properties Limited City Index Group Limited DD&CO Limited DDCAP Limited DDGI Limited European Derivatives Clearing House Limited Finsbury Fine Art LLP Finsbury Sailing LLP ICAP Plc ICAP Shipping International Limited Intercapital Bonds Limited Intercapital Brokerage Services Limited Intercapital Debt Trading IPGL Limited IPGL Property Funds Limited Sirai LLP The Conservative Party Foundation Limited	City Index (Holdings) Limited Garban-Intercapital Management Services Limited ICAP Management Services Limited ICAP Securities USA LLC Imagine No.2 LLP Intercapital Limited Numis Corporation Plc Sheffield Haworth Limited TSF-ICAP Currency Options Limited The Engine Group Limited Voltapalm Limited Vote No Limited Weekend City Press Review Limited (The)
Luke McKeever <i>(Executive Director)</i>	OB10 Limited Metia Group Limited	Portrait Software Limited Portrait Software UK Limited Portrait Software International Limited Quadstone Trustee Company Ltd Quadstone Paramics Limited
Jeffrey Belkin <i>(Chief Financial Officer)</i>	Tantalum Corporation Limited Niobium Corporation Limited Lysanda Limited Truell International Permit Systems Limited Flexible Securities Limited STV Nominee Limited STV GP Limited Disruptive Capital Limited Disruptive Capital Finance LLP Curzon Park Capital Limited Niobium Corporation Limited Tantalum Corporation Limited	DS (Scotland) GP Limited Duke Street Investment Management Limited Duke Street III Limited Duke Street General Partner Limited Duke Street V Limited Duke Street Pension Trustees Limited Duke Street Management Services Limited Duke Street VII Limited Duke Street Capital Limited Duke Street Capital (North) Limited Duke Street Capital Investments Limited Duke Street Capital Luxembourg Sarl Med LX1 Anh-My SA Luxert SA

<i>Name</i>	<i>Current Directorships and partnerships</i>	<i>Former Directorships and partnerships</i>
Jeffrey Belkin (Chief Financial Officer) (continued)		Duke Street Capital Holdings SA Duke Street Capital V Verwaltungs GmbH DSC V Beteiligungs GmbH
Philip Ashdown (Executive Director)	Disruptive Capital Finance LLP Silvermine Partners LLP Warwick University Business School	None

6.2 The current business address of each of the Directors (in such capacity) is the registered office address of the Company.

6.3 Other than as disclosed above as at the date of this document, no Director:

- (i) has any unspent convictions in relation to any indictable offences; or
- (ii) has been bankrupt, or embed into an individual voluntary arrangement; or
- (iii) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditor's voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

## 7. DIRECTORS' INTERESTS

Save as disclosed in the tables below, no Directors nor any member of their immediate families has or will have immediately prior to or immediately following Admission any interests (beneficial or non-beneficial) in the share capital of the Company.

	<i>Interests immediately prior to Admission</i>					
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>	<i>No. (and percentage of LTIP Shares)</i>		<i>No. (and percentage of LTIP Securities)</i>	
<b>Director</b>			<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Arnold Hoevenaars	–	–	17,948	0.3%	7,052 <sup>1</sup>	0.2%
Edmund Truell	11,404,746 <sup>3</sup>	100 <sup>4</sup>	3,889,495 <sup>4</sup>	67.1%	2,563,354 <sup>4</sup>	68.2%
Danny Truell	–	–	464,000	8.0%	526,400 <sup>1</sup>	14.0%
Michael Spencer	–	–	337,427	5.8%	132,573 <sup>1</sup>	3.5%
Peter Kiernan	–	–	185,585	3.2%	72,915 <sup>1</sup>	1.9%
Luke McKeever	–	–	–	0.0%	100,266 <sup>1</sup>	2.7%
Jeffrey Belkin	–	–	256,778	4.4%	52,500 <sup>1</sup>	1.4%
Philip Ashdown	–	–	232,000	4.0%	61,600 <sup>1</sup>	1.6%

	<i>No. of Ordinary Shares</i>	<i>Interests immediately following Admission</i>		<i>No. (and percentage of LTIP Securities) No.</i>	<i>%</i>
		<i>Percentage of issued ordinary share capital</i>			
<b>Director</b>					
Arnold Hoevenaars	15,472	0.0%	7,052 <sup>1</sup>	0.2%	
Edmund Truell	14,757,759 <sup>3</sup>	14.8% <sup>3</sup>	2,563,354 <sup>4</sup>	68.2%	
Danny Truell	400,000	0.4%	526,400 <sup>1</sup>	14.0%	
Michael Spencer	780,485 <sup>2</sup>	0.8% <sup>2</sup>	132,573 <sup>1</sup>	3.5%	
Peter Kiernan	175,987 <sup>5</sup>	0.2%	72,915 <sup>1</sup>	1.9%	
Luke McKeever	395,058	0.4%	100,266 <sup>1</sup>	2.7%	
Jeffrey Belkin	221,360	0.2%	52,500 <sup>1</sup>	1.4%	
Philip Ashdown	200,000	0.2%	61,600 <sup>1</sup>	1.6%	

1. The aggregate number of LTIP Shares (prior to Admission) and Securities in which Arnold Hoevenaars, Peter Kiernan, Danny Truell, Luke McKeever, Jeffrey Belkin, Philip Ashdown and Michael Spencer are interested, directly or indirectly, are held by TCI (acting by its general partner, Magellanic GP Limited) in which Arnold Hoevenaars, Peter Kiernan, Danny Truell and Michael Spencer are limited partners. Magellanic GP Limited is a Guernsey registered company owned as to 100 per cent. by Edmund Truell.
2. The aggregate number of Ordinary Shares in which Michael Spencer is indirectly interested are registered in the name of IPGL Limited, a private holding company controlled by Michael Spencer and his family interests, and this number includes 489,600 Ordinary Shares which will be subscribed for in the Placing.
3. The aggregate number of Ordinary Shares in which Edmund Truell is interested, directly or indirectly, are registered in the name of Rockhopper Investments Limited, subscribed to permit the Company to be re-registered as a public limited company.
4. The aggregate number of LTIP Shares (prior to Admission) and LTIP Securities in which Edmund Truell is interested (3,889,495 LTIP Shares and 2,563,354 LTIP Securities) are held by TCI (acting by its general partner, Magellanic GP Limited) in which Edmund Truell is a limited partner and Rockhopper Investments Limited. Magellanic GP Limited is a Guernsey registered company owned as to 100 per cent. by Edmund Truell.
5. The aggregate number of Ordinary Shares in which Peter Kiernan is interested includes 16,000 Ordinary Shares which will be subscribed for in the Placing.

## **8. FOUNDERS' OTHER SIGNIFICANT INTERESTS**

- 8.1 The Founders each have significant investment interests, other than in relation to the Company, in entities across different segments of the financial services sector. These interests include:
  - (i) Edmund Truell's indirect holding (together with other persons deemed to be connected with him) of 22.79 per cent. of the issued share capital in IFG Group plc;
  - (ii) Edmund Truell's indirect majority ownership (held through Rockhopper Investments Limited (an entity affiliated with Edmund Truell)) of Gentoo Holdings Limited. Gentoo Fund Services Limited, the Company Secretary, is wholly owned by Gentoo Holdings Limited;
  - (iii) Edmund Truell's economic ownership of 48.19 per cent. of the equity of Miura (Holdings) Ltd and control over 60.14 per cent. of the voting rights in the same (in each case through Rockhopper Investments Limited);
  - (iv) Edmund Truell, Danny Truell and The Truell Conservation Foundation (an entity that is controlled by Edmund Truell and Danny Truell as two of its three trustees) (together with management and other persons who are deemed to be connected to such persons) hold approximately four per cent. of the issued share capital in Pension Corporation and a carried interest entitlement of 19.28 per cent. of the combined outperformance of Pension Corporation and Tusk LP Inc once hurdle rates have been met. The profit attributable to Edmund Truell and Danny Truell as trustees on such holding in Pension Corporation is either already held by The

Truell Conservation Foundation or is pledged to The Truell Conservation Foundation. Interests held by Pension Insurance Corporation are not described in this document;

- (v) Edmund Truell and Danny Truell are two of the three trustees (the other being John Loveless, a longstanding adviser to Edmund Truell, and who is also a director of Rockhopper Investments Limited) of The Truell Conservation Foundation. The Truell Conservation Foundation wholly owns Curzon Park Capital Limited which directly controls Disruptive Capital (and consequently the Founders indirectly control Disruptive Capital);
- (vi) Rockhopper Investments Limited and other entities affiliated with Edmund Truell have wide ranging investments in leveraged loan CLO structures, which in the case of the interests held in Duchess IV Class J and Fugu Series B notes exceed a three per cent. interest in such class of securities. These CLOs are generally managed by Babson Capital Europe Limited (formerly Duke Street Capital Debt Management);
- (vii) Edmund Truell is indirectly invested in, and is on the investment committees of, the Permira Secured Credit Fund I and Fund II;
- (viii) Edmund Truell is indirectly invested in, and is on the advisory committee of, certain venture capital funds of funds (PE Technology Partners I, PE Technology II, PE Tech Partners III, PE Tech Partners IV, PE Tech Partners V, PE Tech Partners VI, PE Tech Partners VII, Adveq Europe I, Adveq Opportunity II and Adveq Asia) managed by Adveq;
- (ix) Edmund Truell is indirectly invested in, and is on the advisory committee of, certain primary and secondary private equity funds (Alpha Europe Secondary L.P. and Alpha Russia & CIS Secondary L.P.) managed by Alpha Associates; and
- (x) Rockhopper Investments Limited, the Rockhopper Family LP and other entities affiliated with Edmund Truell have residual interests in Duke Street Holdings Limited and in certain Duke Street and Duchess carry funds.

## 9. MAJOR SHAREHOLDERS AND OTHER INTERESTS

- 9.1 As at 9 October 2013 (the latest practicable date prior to the publication of this document), no person other than Rockhopper Investments Limited (and thereby Edmund Truell and members of his immediate family (including his former wife)) had a notifiable interest in the issued Ordinary Shares.

Immediately following Admission, as a result of the Placing, the following person(s) will have an interest, directly or indirectly, in at least three per cent. of the voting rights attached to the Company's share capital.

<b>Name</b>	<i>Interests immediately following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
Edmund Truell	14,757,759	14.8%
Fidelity Worldwide Investment	7,200,000	7.2%
TT International	5,608,064	5.6%
Kames Capital	5,155,349	5.2%
Wellington Management Company, LLP	5,049,000	5.0%
Schroder Investment Management	4,448,000	4.4%
GLG Partners	3,626,667	3.6%
Legal & General Investment Management	3,517,200	3.5%
Four Capital	3,400,000	3.4%

- 9.2 Immediately following Admission, Edmund Truell and members of his family will be interested in 14,757,759 Ordinary Shares in the Company representing 14.8 per cent. of the issued Ordinary Shares, such shares being registered in the name of Rockhopper Investments Limited.
- 9.3 As at 9 October 2013 and immediately following Admission save for the direct and/or indirect control exercised by Rockhopper Investments Limited which will cease upon Admission, the Company is not aware of any other person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 9.4 Those interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company do not now, and, following the Placing and Admission, will not, have different voting rights from other holders of Ordinary Shares.

## **10. DIRECTORS' LETTERS OF APPOINTMENT AND SERVICE CONTRACTS**

- 10.1 Edmund Truell was appointed a Non-Executive Director of the Company on 28 February 2012 under a letter of appointment. Such letter of appointment will be terminated, and Edmund Truell will be appointed as an Executive Director for the Company, with effect from Admission.
- 10.2 With effect from Admission, each of Luke McKeever, Philip Ashdown and Jeffrey Belkin will also be appointed an Executive Director of the Company.
- 10.3 Each of Arnold Hoevenaars, Peter Kiernan, Michael Spencer and Danny Truell was appointed a Non-Executive Director of the Company on 27 April 2012. Each of the Non-Executive Directors has entered into a letter of appointment with the Company and does not have a service contract. Under such letter of appointment each of Peter Kiernan, Michael Spencer and Danny Truell is entitled to receive a fee of £100,000 per annum with the Chairman, Arnold Hoevenaars, being entitled to a fee of £125,000 per annum.
- 10.4 The appointment of each of the Non-Executive Directors is stated to be for a fixed term, expiring 12 months (in the case of Peter Kiernan, Arnold Hoevenaars and Michael Spencer) or 36 months (in the case of Danny Truell), in each case from the date of Admission.
- 10.5 Each of the Executive Directors provides his respective services to the Company pursuant to a service contract. The principal terms of these service contracts, which are conditional on Admission, are set out below.
- 10.6 The service agreements provide for the following:

<i>Director</i>	<i>Annual Salary</i>	<i>Responsibility</i>
Edmund Truell	£360,000	Chief Executive Officer of Tungsten
Jeffrey Belkin	£210,000	Chief Financial Officer of Tungsten
Luke McKeever	£210,000	Chief Executive Officer of OB10
Philip Ashdown	£210,000	Chief Executive Officer of the Bank

The annual salaries are to be reviewed, but not necessarily increased, annually, and are subject to the Company's remuneration policy.

In addition, the Executive Directors will be entitled to a discretionary bonus. The Executive Directors are also entitled to participate, at the Company's expense, in a private medical scheme. The Company will comply with the employer pension duties in respect of each Executive Director in accordance with Part 1 of the Pensions Act 2008. The Executive Directors are each entitled to 30 days paid holiday per annum.

Each of the service agreements is terminable by either party giving the other 12 months notice in writing. The Executive Directors may be put on garden leave during their notice period, and the Company can elect to terminate their employment by making a payment in lieu of notice of up to 12 months' basic annual salary.

The employment of each Executive Director will be terminable with immediate effect without notice in certain circumstances, including where such Executive Director is disqualified from acting as a director, is guilty of a breach of the rules or regulations of any regulatory bodies relevant to the business of the Group, is guilty of gross misconduct, commits any serious, repeated or continued material breach of his obligations under the service agreement, is declared bankrupt, is convicted of a criminal offence (excluding certain road traffic offences), is guilty of any fraud or financial dishonesty or commits any act or omission which may bring him or the Group into disrepute.

The service agreements of the Executive Directors also contain post-termination restrictions which include a non-compete restriction.

- 10.7 All the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company. No compensation is payable to Directors on leaving office unless approved by an ordinary resolution of Shareholders in general meeting.
- 10.8 Save as disclosed in paragraphs 10.1 to 10.5 above, there are no existing or proposed service contracts or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company within 12 months without payment of compensation.
- 10.9 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.
- 10.10 Each of the Directors has the benefit of an indemnity provided by the Company indemnifying the Director against liabilities incurred in his office as director.

## 11. LTIP SCHEMES

The articles of incorporation of the Subsidiary confirm that the LTIP Securities (which take the form of C ordinary shares) provide the holders thereof with the right (subject to the satisfaction of the Performance Condition summarised below) to transfer those LTIP Securities as consideration for the subscription, pursuant to the Exchange Right Deed, of such number of Ordinary Shares as represents (in value terms) 15 per cent. of the increase (at the time of exercise of the right) in the actual market capitalisation of the Company over a deemed commencement market capitalisation for the Company (such deemed commencement market capitalisation equalling the product of the number of Ordinary Shares in issue (at the time of such exercise) and the adjusted issue price). The Company will however have the right (instead of issuing Ordinary Shares) to pay a cash equivalent instead of issuing Ordinary Shares, or to satisfy the exercise of the subscription rights partly by issuing Ordinary Shares and partly in cash (on the basis that holders of LTIP Securities that exercise their subscription rights on the same date shall receive the same proportion of Ordinary Shares and cash).

A holder of LTIP Securities may exercise its rights independently of the other holders of LTIP Securities and may also exercise its rights in one or more instalments (and in such circumstances the holder will receive the applicable proportion(s) of the Ordinary Shares (or cash equivalent) referred to above).

The Performance Condition is satisfied:

- (i) once the price per Ordinary Share of the Company has reached (for any 20 trading days out of 30 successive trading days, the last of such days falling not less than five and not more than 10 years following Admission) a closing price equal to the price resulting from applying an equivalent of a compound rate of return from the date of the Admission to the adjusted issue price equal to 8.25 per cent. per annum accrued daily and compounded quarterly and which, for the avoidance of doubt, will take into account any value return (such closing price, the "**Threshold Price**"); or

- (ii) on the occurrence of a change of control, subject:
- (A) where the change of control results from, or triggers, an offer to holders of the Ordinary Shares of the Company, to that offer being at an equivalent price per Ordinary Share of the Company equal to (or greater than) the Threshold Price; or
- (B) where the change of control results from the removal of either of the Founders from the board of the Company, to the Threshold Price having been previously reached for any 20 trading days out of 30 successive trading days.

If not already transferred, the LTIP Securities subscription and transfer rights will be deemed to have been exercised (i) on the Business Day prior to the date upon which a change of control (involving the acquisition of control) occurs, or (ii) on the tenth anniversary of Admission, provided that, in each case, the Performance Condition has been satisfied.

The LTIP Securities are not transferable (other than on the exercise of the subscription rights) without the prior consent of the Company, save for transfers to affiliates of the holders, the general partner of Tungsten Corporation Investments Limited Partnership Incorporated, Rockhopper Investments Limited, the Founder or an affiliate of the Founder.

If the Performance Condition has not been satisfied by the date falling 10 years from Admission, the Company will be able to acquire all of the LTIP Securities for nil consideration.

LTIP Securities do not carry voting rights. However, save with the approval of the holders of 75 per cent. of the LTIP Securities in issue from time to time:

- (i) the Subsidiary may not be voluntarily wound up;
- (ii) the Company may not sell its shares in the Subsidiary; and
- (iii) the Subsidiary must not alter its share capital, save for the allotment and issue of A ordinary shares.

Should the Company deliver the following increases in annual total shareholder returns (“TSR”), the dilutive impact on ordinary shareholders would be as illustrated in the following table:

*Year 5 outputs*

Overall 5 year increase in TSR	49%	100%	150%	200%	250%	300%
Annual TSR	8.25%	14.9%	20.1%	24.6%	28.5%	32.0%
<b>Dilution to ordinary shareholders</b>	<b>4.7%</b>	<b>7.0%</b>	<b>8.3%</b>	<b>9.1%</b>	<b>9.7%</b>	<b>10.1%</b>

## 12. TAXATION

### 12.1 UK Taxation

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC current published practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time, possibly with retroactive effect. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section, such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.



The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

#### 12.1.1 *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency or, in the case of a company, a permanent establishment with which their Ordinary Shares are connected).

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of five years or less and who disposes of all or part of his shares during that period of temporary non-residence may be liable on his return to the UK to UK tax on chargeable gains arising during the period of absence, subject to any available exemption or relief.

##### *Individuals*

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,900, for 2013/14) and after taking account of any capital losses or exemptions available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2013/14 £32,010 after the personal allowance of £9,440, subject to any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent. (being the current rate at the date of this document).

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2013/14, £10,900 for personal representatives of deceased persons and trustees for disabled persons and £5,450 for other trustees) will be charged at a flat rate of 28 per cent. (being the current rate at the date of this document).

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

##### *Companies*

Where a Shareholder is within the charge to corporation tax, a disposal or deemed disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up

to 23 per cent. for the financial year 1 April 2013 to 31 March 2014, reducing to up to 21 per cent. for the financial year 1 April 2014 to 31 March 2015). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss. In certain circumstances the loss may be available to offset against taxable income in the current year.

### 12.1.2 *Taxation of dividends*

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

#### *Individuals*

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the dividend received plus the notional 10 per cent. tax credit) (the “gross dividend”).

Individual Shareholders whose income is within the basic rate tax band (for 2013/14 £32,010 after the personal allowance, subject to any gift aid payments made) will be subject to dividend income tax on the gross dividend, at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £32,010, after the personal allowance) will be subject to dividend income tax at 32.5 per cent. subject to any gift aid payments made (the rate as at the date of this document). After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. on the gross dividend. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax on the gross dividend at 10.0 per cent. so that after allowing for the 10 per cent. notional tax credit, such persons will have no further liability to income tax on that dividend income.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

#### *Companies*

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends legislation) will not generally expect to be subject to UK tax on dividends from the Company. Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, almost all dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company (or any class of that share capital).

The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on

dividends received from the Company. Corporation tax is charged on dividends at the rate applicable to that company. UK resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

### 12.1.3 *Stamp duty and Stamp Duty Reserve Tax (“SDRT”)*

Currently dealings in Ordinary Shares held in certified form will normally be subject to stamp duty or SDRT. The transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration paid. Stamp duty will normally be paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money’s worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to a liability to stamp duty or SDRT.

The Government has announced its intention to abolish stamp duty on shares quoted on growth markets, including the Alternative Investment Market.

Where Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer to such person) or SDRT (in the case of a transfer or issue to such person) may be payable at a rate of 1.5 per cent. (rounded up if necessary, in the case of stamp duty, to the nearest multiple of £5) of the amount or value of the consideration payable or, in certain circumstances, the value of the Shares. This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme. Clearance service providers may opt under certain circumstances for the normal rates of SDRT (0.5 per cent. of the consideration paid) to apply to issues or transfers of Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of Shares into the clearance service, in which case a liability to SDRT would arise (at the rate of 0.5 per cent. of the consideration paid) on any subsequent transfers of Shares whilst in the service.

Following European Court of Justice and First Tier Tribunal judgments, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. charge on the first issue of shares into a clearance service or depositary receipt system. The applicability of the 1.5 per

cent. charge may also be affected in other circumstances. Specific professional advice should be sought before paying the 1.5 per cent. charge in any circumstances.

Special rules apply to agreements made by market intermediaries in the ordinary course of their business.

#### 12.1.4 *Inheritance tax*

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (“**IHT**”) on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (“**BPR**”) may apply to shares in trading companies once these have been held for two years. This relief will not (under current law and HMRC practice) be prevented from applying to the Ordinary Shares by the fact that the Ordinary Shares will be admitted to trading on AIM (although it does not apply to shares in companies which are listed on the Official List). However, Shareholders should take their own advice as to whether the Ordinary Shares meet the other conditions necessary to qualify for BPR. BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

#### 12.2 **United States Federal Income Taxation**

**TO ENSURE COMPLIANCE WITH US TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF US FEDERAL TAX ISSUES IN THIS DOCUMENT AS NOT WRITTEN OR INTENDED TO BE USED, AND CANNOT BE USED, BY ANY PROSPECTIVE INVESTOR FOR PURPOSES OF AVOIDING US FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE PROSPECTIVE INVESTOR, (II) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THIS PLACING, AND (III) EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE INVESTOR’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following summary is a general discussion of certain US federal income tax considerations to US Shareholders (as defined below) of acquiring, holding and disposing of Ordinary Shares. The following summary applies only to US Shareholders that purchase Ordinary Shares in the Placing, will hold Ordinary Shares as capital assets within the meaning of Section 1221 of the US Internal Revenue Code of 1986, as amended (the “**Code**”) and that are not residents of, or ordinarily resident in, the United Kingdom for tax purposes nor hold their Ordinary Shares as part of a permanent establishment in the United Kingdom. The following summary is not a complete analysis of all US federal income tax consequences that may be relevant to a prospective investor’s decision to acquire, hold or dispose of Ordinary Shares. In particular, this summary does not address US federal income tax consequences that apply to prospective investors subject to special tax rules, including, among others, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, dealers in securities or currencies, certain securities traders, traders in securities that elect to mark to market, tax-exempt entities, individual retirement and other tax-deferred accounts, investors that will hold Ordinary Shares as part of an “integrated”, “hedging” or “conversion” transaction or as a position in a “straddle” for US federal income tax purposes, investors that acquire the Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services, grantor trusts, investors that have a “functional currency” other than the US dollar, investors that will own (directly or by attribution) 10 per cent. or more (by voting

power) of the Company's stock and certain US expatriates or investors subject to the alternative minimum tax.

The summary below does not discuss the tax consequences of the purchase, ownership or disposition of Ordinary Shares under the tax laws of any state, locality or non-US jurisdiction. Prospective investors considering an investment in Ordinary Shares should consult their own tax advisors in determining the US federal, state, local, non-US and any other tax consequences to them of an investment in Ordinary Shares and the purchase, ownership and disposition thereof.

The following summary is based on the Code, the US Treasury Regulations thereunder, published rulings of the US Internal Revenue Service (the "IRS") and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this document. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and no assurances can be given that the IRS will not challenge such statement or conclusion or, if challenged, a court would uphold such statement or conclusion.

For purposes of the following summary, a "US Shareholder" is a beneficial owner of Ordinary Shares that is for US federal income tax purposes: (i) a citizen or resident alien of the United States, (ii) a corporation or other entity treated as a corporation for US federal income tax purposes, created or organised in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate, the income of which is subject to US federal income taxation regardless of its source, or (iv) a trust if (x) (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (y) the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If a partnership or other pass-through entity (including any entity or arrangement treated as a partnership or pass-through entity for US federal income tax purposes) is a beneficial owner of Ordinary Shares, the US federal income tax consequences to the partner or other owner of such partnership or pass-through entity will depend on the activities of the partnership and the status of the partners. A partnership or pass-through entity considering an investment in Ordinary Shares should consult its own tax advisors about the consequences to its partners or owners of the acquisition, ownership and disposition of Ordinary Shares by the partnership or pass-through entity.

*Based on the Company's current financial profile, including the passive nature of its assets, and further taking into account the expected acquisition of OB10, the anticipated acquisition of FIBI Bank, and the anticipated application of the remaining proceeds from the Placing, the Company believes that it likely will be treated, for US federal income tax purposes, as a passive foreign investment company ("PFIC") for 2013 and for subsequent taxable years. As more fully described under "Passive Foreign Investment Company" below, certain adverse tax consequences will apply to US Shareholders of shares in a PFIC. Potential investors in Ordinary Shares are strongly advised to consult their own tax advisors about the Company's potential status as a PFIC and the consequences of holding shares in a PFIC.*

#### **12.2.1 Distributions by the Company**

*The discussion in this section "Distributions by the Company" is subject to the additional considerations that will apply to the extent the Company is treated, for US federal income tax purposes, as a PFIC.*

Generally, the US dollar value of a cash distribution by the Company with respect to Ordinary Shares will be included in a US Holder's ordinary income as a foreign source dividend to the extent of the Company's current and accumulated earnings and profits (as determined under US federal income tax principles) at the time the US Holder receives (or constructively receives) such amount in accordance with the US Holder's usual method of accounting for US federal

income tax purposes. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's adjusted basis in Ordinary Shares and, thereafter, as capital gain from the sale or exchange of property. The Company does not calculate its earnings and profits under US federal income tax principles and, therefore, US Shareholders should expect to treat all cash distributions as dividends for these purposes. An additional 3.8 per cent, tax may apply to dividends received by certain non-corporate US Shareholders.

Dividends paid by the Company will not be eligible for the dividends-received deduction in the hands of corporate US Shareholders. In addition, the Company does not expect that dividends on Ordinary shares will constitute "qualified dividend income" that are subject to tax at long term capital gains rates in the hands of certain non-corporate taxpayers, in part because of the Company's status as a PFIC. Even if the Company were not treated as a PFIC, there can be no assurances that dividends paid by the Company will constitute qualified dividend income. US Shareholders should consult with their own tax advisors about the taxation of dividends.

A dividend paid in non-US currency will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividend is received by the US Holder, regardless of whether the non-US currency is in fact converted into US dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in the income of the US Holder to the date that the non-US currency is converted into US dollars or otherwise disposed of generally will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. US Shareholders should consult their own tax advisors regarding the US federal income tax consequences of receiving non-US currency in a distribution on Ordinary Shares.

#### 12.2.2 *Proceeds from the Sale or Other Disposition of the Ordinary Shares*

*The discussion in this section "Proceeds from the Sale or Other Disposition of the Ordinary Shares" is subject to the additional considerations that will apply to the extent the Company is treated, for US federal income tax purposes, as a PFIC.*

Upon the sale or other disposition of an Ordinary Share, a US Holder generally will recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised on the sale or other disposition determined at the spot rate on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, if the Ordinary Shares are considered to be traded on an established securities market, at the spot rate on the settlement date) and the US Holder's adjusted tax basis in the Ordinary Share. On the settlement date, a non-electing accrual basis US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date.

Generally, any capital gain or loss will be long-term capital gain or loss if the Ordinary Shares have been held for more than a year at the time of the sale or other taxable disposition. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder received a dividend that qualified for the reduced rates described above and the dividend exceeded 10 per cent. of the US Holder's basis in its Ordinary Shares. Any gain or loss generally will be US source gain or loss. In the case of a non-corporate US Holder that has held the Ordinary Share for more than one year, gain may be subject to lower rates of tax. An additional 3.8 per cent. tax on net investment income may apply to any gain on the disposition of the Ordinary Shares by certain non-corporate US Shareholders. The deductibility of capital losses is subject to limitations. US Shareholders should consult their advisors regarding how to calculate and account for proceeds from a sale or other disposition received in a currency other than the US dollar.

### 12.2.3 *Foreign Tax Credits*

In the event that distributions on Ordinary Shares to a US Holder are subject to UK taxes, the US Holder may use the amount of UK income or withholding tax as a credit against its US federal income tax liability in respect of any such payments treated as foreign source income, or as a deduction to reduce its taxable income, in each case subject to certain limitations.

A US Holder must satisfy certain requirements in order to be entitled to a credit for withholding tax imposed on any distribution taxable to the US Holder as a dividend, including requirements relating to the US Holder's holding period for Ordinary Shares. The rules relating to foreign tax credits are complex, and US Shareholders should consult their tax advisors to determine whether and to what extent a foreign tax credit might be available in connection with the receipt of distributions on Ordinary Shares and proceeds received upon the sale, exchange, retirement, or other taxable disposition of Ordinary Shares.

### 12.2.4 *Passive Foreign Investment Company ("PFIC")*

Based on the Company's current financial profile, including the passive nature of its assets, and further taking into account the expected acquisition of OB10, the anticipated acquisition of the Bank, and the anticipated application of the remaining proceeds from the Placing, the Company believes that it likely will be treated, for US federal income tax purposes, as a PFIC for 2013 and for subsequent taxable years. As more fully described below, certain adverse tax consequences will apply to US Shareholders of shares in a PFIC. Potential investors in Ordinary Shares are strongly advised to consult their own tax advisors about the Company's potential status as a PFIC and the consequences of holding shares in a PFIC.

In general, a non-US corporation will be classified as a PFIC for US federal income tax purposes if in any taxable year, after applying certain look-through rules, either (i) 75 per cent. or more of its gross income consists of passive income (e.g., dividends, interest and certain rents and royalties) or (ii) 50 per cent. or more of its assets, by value, determined on the basis of a quarterly average, consists of assets that produce, or are held for the production of, passive income. For purposes of these tests, if a non-US corporation owns directly or indirectly at least 25 per cent. (by value) of the stock of another corporation, that non-US corporation will be treated as if it held directly its proportionate share of the assets of the other corporation and directly earned its proportionate share of the other corporation's income.

If the Company were a PFIC in any year during which a US Holder owned Ordinary Shares, the US Holder generally would be subject to special rules (regardless of whether the Company continued to be a PFIC) with respect to (i) any "excess distribution" (generally, distributions received by the US Holder in a taxable year in excess of 125 per cent. of the average annual distributions received by that US Holder in the three preceding taxable years, or, if shorter, the US Holder's holding period), and (ii) any gain realised on the sale or other disposition of Ordinary Shares. Under these rules, (i) the excess distribution or gain would be allocated ratably over the US Holder's holding period, (ii) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company was a PFIC would be taxed as ordinary income, and (iii) the amount allocated to each other taxable year would be subject to US federal income tax at the highest rate of tax in effect for the taxpayer for that year, plus an interest charge on the amount of tax deemed to be deferred. The balance of the gain or the excess distribution would be treated as ordinary income in the taxable year of the disposition or distribution. Additionally, dividends will not be eligible for the dividends received deduction generally allowed to US corporations or for the preferential tax rate applicable to qualified dividend income received by individuals and certain other non-corporate persons. The US Holder would also be subject to more burdensome US tax reporting requirements.

If the Company is treated as a PFIC with respect to US Shareholders for any taxable year, to the extent any of the Company's subsidiaries, if any, are also PFICs, such US Shareholders may

be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by the Company in that proportion which the value of the Ordinary Shares such US Shareholders own bears to the value of all of the Company's Ordinary Shares, and such US Shareholders may be subject to the adverse tax consequences described above with respect to the shares of such lower-tier PFICs that they would be deemed to own. US Shareholders should consult their tax advisors regarding the application of the PFIC rules to any of the Company's subsidiaries.

US Shareholders who own Ordinary Shares generally may be able to avoid the interest charge described above by making a mark-to-market election with respect to their Ordinary Shares, provided that Ordinary Shares are “regularly traded” on a securities exchange that is a “qualified exchange” within the meaning of the applicable US Treasury Regulations. “Regularly traded,” in general, means that the Ordinary Shares are (i) traded on a qualified exchange and (ii) traded in more than *de minimis* amounts for 15 or more days during each calendar quarter. However, a special rule applies for the calendar year of an initial public offering. In such calendar year, the Ordinary Shares will be considered to be regularly traded if they are traded, other than in *de minimis* quantities, on 1/6 of the days remaining in the quarter in which the public offering occurs and on at least 15 days during each remaining quarter of the calendar year. If the initial public offering occurs in the fourth quarter, the stock must be traded, other than in *de minimis* quantities, on the greater of 1/6 of the remaining days in the quarter or 5 days. If a US Holder makes a mark-to-market election, it will be required to recognise gain for each taxable year equal to the excess of (i) the fair market value of Ordinary Shares at the end of that taxable year over (ii) the US Holder's adjusted tax basis in Ordinary Shares at the beginning of that taxable year. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the US Holder's adjusted basis in the Ordinary Shares over the fair market value of the Ordinary Shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains included in US Holder's income in prior years. Gains from an actual sale or other disposition of the Ordinary Shares (including the indirect disposition of any underlying PFIC interests upon the issuance of additional Ordinary Shares) will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Ordinary Shares will be treated as an ordinary loss to the extent of any net mark-to-market gains previously included. Any remaining loss on the sale of Ordinary Shares will be treated as capital loss. Once made, the election cannot be revoked without the consent of the IRS unless the Ordinary Shares cease to be marketable. If the Company is a PFIC for any year in which the US Holder owns Ordinary Shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that the Company may own, a US Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company that are treated as an equity interest in a PFIC for US federal income tax purposes. US Shareholders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Alternatively, a US Holder of an interest in a PFIC can sometimes avoid the interest charge described above by making a “qualified electing fund” (“**QEF**”) election to be taxed currently on its share of the PFIC's undistributed ordinary income. That election must be based on information concerning the PFIC's earnings provided by the PFIC to investors on an annual basis. The Company does not anticipate that it will make that information available to US Shareholders, and consequently it is expected that US Shareholders will not be able to make a QEF election in the event the Company is a PFIC in the current or any future taxable year.

If the Company is a PFIC, each US Holder will be required to make an annual return on IRS Form 8621, reporting certain information with respect to each PFIC in which it holds a direct or indirect interest. US Shareholders who fail to file the return could become subject to substantial penalties.



US Shareholders should consult their tax advisors regarding the PFIC rules and their application to the Company and an investment in the Ordinary Shares.

#### **12.2.5 *Withholding, Information Reporting and Other Tax Consequences***

A US Holder may be subject to information reporting on the amounts paid to it, unless it is a corporation or otherwise establishes a basis for exemption. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the requirements of the backup withholding rules. US persons required to establish their exempt status generally must provide such certification on IRS Form W-9. Non-US Shareholders generally are not subject to US information reporting and backup withholding. However, such holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through US-related financial intermediaries. Backup withholding is not an additional tax, and may be credited against the holder's US federal income tax liability or refunded to the holder, provided that the required information is furnished to the IRS.

US Shareholders that are individuals (and certain entities formed by or for US Shareholders) are required to report information with respect to their investment in the Ordinary Shares to the IRS unless the Ordinary Shares are held in an account at a domestic US financial institution. Investors who fail to report required information could become subject to substantial penalties. Investors are encouraged to consult with their own tax advisors regarding the potential information reporting obligations in respect of their investment in the Ordinary Shares.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE US FEDERAL, STATE, LOCAL AND NON-US TAX CONSEQUENCES TO THEM IN THEIR PARTICULAR CIRCUMSTANCES OF ACQUIRING, HOLDING, AND DISPOSING OF ORDINARY SHARES.

### **13. WORKING CAPITAL**

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

### **14. SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Group since 30 April 2013, being the date to which the financial information in Part IV(C) has been prepared.

There has been no significant change in the financial or trading position of the OB10 Group since 30 April 2013, being the date to which the financial information in Part IV(A) has been prepared.

### **15. LITIGATION**

There are no governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

## **16. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES**

### **16.1 Mandatory bid**

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **16.2 Squeeze out**

Under the 2006 Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

### **16.3 Sell out**

The 2006 Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **17. MATERIAL CONTRACTS**

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Group since the Company's incorporation which: (i) are, or may be, material to the Group; or (ii) contain obligations or entitlements which are, or may be, material to the Group as at the date of this document.

### **17.1 Placing Agreement**

On 11 October 2013, the Company, Canaccord, Charles Stanley and the Directors entered into the Placing Agreement pursuant to which Canaccord has agreed, conditionally upon, *inter alia*, Admission taking place not later than 8.00 a.m. on 16 October 2013, to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price and, to the extent that it is unable to procure places for any of the Placing Shares, to subscribe for such Placing Shares itself at the Placing Price.

Under the Placing Agreement, Canaccord will receive (exclusive of VAT) a corporate finance fee of £750,000 and a basic commitment commission equal to the higher of: (i) 2.25 per cent. of the

aggregate value at the Placing Price of the Placing Shares; and (ii) £1,250,000, of which a commission of 10 per cent. of such amount shall be paid by Canaccord to Charles Stanley; Charles Stanley will also receive (exclusive of VAT) a corporate finance fee of £225,000.

In addition, the Company may, in its absolute discretion, pay an additional commission of up to 1.00 per cent. of the aggregate value at the Placing Price of the Placing Shares to Canaccord and Charles Stanley. Charles Stanley may receive up to 10 per cent. in total of such additional commission.

The Company has agreed to pay all other costs, charges, fees and expenses of, or incidental to, the satisfaction of the conditions under the Placing Agreement, the Placing, the application for Admission and the issue of the Placing Shares and related arrangements (together with any VAT chargeable thereon).

The Placing Agreement, which contains certain warranties and undertakings by the Company and the Directors and indemnities from the Company in favour of Canaccord and Charles Stanley, is conditional, *inter alia*, on Admission occurring not later than 8.00 a.m. on 16 October 2013 (or such later date as the Company, Canaccord and Charles Stanley may agree in writing, not being later than 8.00 a.m. on 31 October 2013) and none of the warranties given to Canaccord and Charles Stanley prior to Admission being untrue, inaccurate or misleading in any respect.

Canaccord or Charles Stanley may terminate the Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission.

Under the Placing Agreement, the Company has agreed that it will not, without the prior written consent of Canaccord and Charles Stanley:

- (a) until the expiry of 90 days from the date of Admission:
  - (i) enter into any commitment or agreement which could materially affect the Placing or which is material in the context of the business of the Group; and
  - (ii) make or despatch any public announcement concerning the Company or in connection with the Placing;
- (b) until the expiry of 120 days from the date of Admission, offer issue, sell, contract to sell, issue options in respect of or otherwise dispose of any securities of the Company; and
- (c) until the expiry of 40 days after Admission, issue or release into the United States any press releases or announcements in connection with the Placing.

#### ***Lock-up arrangements***

Each of the Directors has undertaken to Canaccord, Charles Stanley and the Company that, with respect to any Ordinary Shares that he holds, he will not, for a period of 12 months from the date of Admission, directly or indirectly transfer, sell, mortgage, charge or otherwise dispose of the legal and/or beneficial ownership (or any interest therein) in any Ordinary Shares owned by him or a connected person except, *inter alia*, to a connected person of the Director, to any person acting in the capacity of trustee of a trust created by that Director, in acceptance of any takeover offer or pursuant to any scheme or reconstruction under section 110 of the Insolvency Act 1986.

The Placing Agreement is governed by English law.

## **17.2 Arrangements with Disruptive Capital**

A number of agreements between Company and the Subsidiary on the one hand and Disruptive Capital on the other which were entered into in May 2012 in the expectation of an admission to the main market of the London Stock Exchange. These included the ability to charge fees from the point of admission to the main market. As the admission did not take place, the Directors of the Company agreed with Disruptive Capital to engage them to provide origination, recommendation, negotiation and execution of potential investments on the basis of a charge of cost to Disruptive Capital. These arrangements were reviewed regularly by the Board and the costs approved before invoices settled.

The Company will not continue these arrangements after the Admission and will only engage with Disruptive Capital if there are services the Board consider are appropriate to obtain from them.

An aggregate of £1,293,666 has been paid to Disruptive Capital by the Company in the 12 month period to 9 October 2013, the latest practicable date prior to the publication of this document. An additional fee of £2 million (exclusive of VAT) is payable to Disruptive Capital on Admission.

### 17.3 Exchange Right Deed

The Company, the Subsidiary and the holders of LTIP Shares and LTIP Securities have entered into the Exchange Right Deed dated 25 September 2013 pursuant to which the Company has granted certain rights to the holders of LTIP Shares and LTIP Securities to subscribe for Ordinary Shares in exchange for the transfer of LTIP Shares and LTIP Securities to the Company on certain terms and conditions.

Pursuant to the terms of the Exchange Right Deed, the LTIP Shares subscription rights will be deemed to have been exercised on the date of Admission if not exercised prior to such date. Therefore, the LTIP Shares will become 5 million Ordinary Shares on Admission. Each of the holders of LTIP Shares has agreed with the Company that, subject to customary and certain other exceptions, it will not dispose of any Ordinary Shares acquired on exercise of the LTIP Shares subscription right for a period of 12 months from the date on which Ordinary Shares are issued by the Company pursuant thereto.

The Exchange Right Deed is governed by English law.

### 17.4 Registrar Agreement

The Company and the Registrar have entered into a Registrar Agreement relating to the Ordinary Shares dated 11 October 2013 (the “**Registrar Agreement**”), pursuant to which the Registrar has agreed to act as registrar to the Company and to provide transfer agency services and certain other administrative services to the Company in relation to its business and affairs with respect to the Ordinary Shares.

The Registrar is entitled to receive an annual fee for the provision of its services under the Registrar Agreement. The annual fee shall be calculated on the basis of the number of holders of shares in the Company and the number of transfers of such shares. The Registrar may increase the fee annually at the rate of the United Kingdom average weekly earnings index prevailing at that time. In addition to the annual fee, the Registrar is entitled to reimbursement for all reasonable out-of-pocket expenses incurred by it in the performance of its services.

The Registrar Agreement shall continue for an initial period of one year and thereafter shall continue, unless and until terminated by either party, by giving not less than 12 months’ written notice. Such notice may be served at any time, but may not expire earlier than the expiry of the initial period. In addition, the agreement may be terminated immediately if either party commits a material breach of the agreement which has not been remedied within 60 calendar days of a notice requesting the same, or with immediate effect upon an insolvency event in respect of either party.

The Company shall fully indemnify and keep fully indemnified the Registrar (together with its associates and any of its and their respective directors, officers, employees and agents) against all actions, proceedings, costs and damages (including any damages or compensation paid on the advice of the Registrar’s legal advisers to compromise or settle any claim and all legal costs or other expenses of investigating, negotiating and defending any claim) arising out of or in connection with the Registrar Agreement, save to the extent that the same arises from some act of fraud or wilful default on the part of the Registrar.

The Registrar may delegate the carrying out of certain matters to one of its affiliates which the Registrar considers appropriate without giving prior written notice to the Company. The Registrar will continue to be responsible for the provision of the delegated services and remain liable to the Company.

The Registrar Agreement is governed by English law.

#### 17.5 **Charles Stanley Nominated Adviser and Joint Broker Agreement**

On 11 October 2013 the Company and Charles Stanley entered into the nominated adviser and joint broker agreement pursuant to which the Company appointed Charles Stanley as its nominated adviser and joint broker in relation to and subject to Admission in accordance with the AIM Rules for Companies and the AIM Rules for Nominated Advisers.

Pursuant to the agreement, Charles Stanley will receive a retainer fee of £50,000 per annum (exclusive of VAT). In addition, the Company will pay all disbursements which Charles Stanley reasonably incurs in connection with its appointment.

The appointment of Charles Stanley as nominated adviser shall continue for a period of 12 months from Admission and shall continue thereafter unless and until terminated by either party on three months' notice. Charles Stanley has reserved the right to terminate the agreement forthwith in certain circumstances.

Under the agreement, the Company has given certain customary indemnities to Charles Stanley in connection with its engagement as the Company's nominated adviser and broker. The agreement is governed by English law.

#### 17.6 **Canaccord Joint Broker Agreement**

On 11 October 2013, the Company and Canaccord entered into the joint broker agreement pursuant to which Canaccord has agreed to act as joint broker to the Company with effect from Admission. Pursuant to the agreement, Canaccord will receive a retainer fee of £50,000 per annum (exclusive of VAT). In addition, the Company will pay all disbursements which Canaccord reasonably incurs in connection with its appointment.

#### 17.7 **OB10 Acquisition Agreement**

On 4 September 2013, the Company and the majority shareholders of OB10 who together hold, in aggregate, approximately 70 per cent. of the entire issued share capital of OB10 (the "**OB10 Majority Shareholders**") entered into a share purchase agreement (the "**OB10 Acquisition Agreement**") with a view to the Company acquiring 100 per cent of the entire issued share capital of OB10 (the "**OB10 Shares**"). The OB10 Acquisition Agreement is conditional upon, among other things, the OB10 Majority Shareholders serving a drag notice on the remaining holders of the OB10 Shares (the "**Remaining OB10 Shareholders**") in accordance with OB10's articles of association requiring such holders to transfer their respective OB10 Shares to the Company (the "**Drag Notice**"), the Company raising not less than £150 million pursuant to the Placing and the Ordinary Shares being admitted to trading on AIM.

The consideration payable by the Company to the sellers under the OB10 Acquisition Agreement is £100 million (less certain deductions) plus an amount equal to the sellers' transaction expenses (capped at £1.75 million) and certain proceeds of the exercise of share options under the OB10 Share Incentive Plan (being an amount equal to approximately £4 million). The net proceeds of the consideration are split among the sellers at the ratio of 70 per cent. in cash and 30 per cent. in the Ordinary Shares, save for certain sellers incorporated or domiciled in the US and holders of certain options over the OB10 Shares who will receive their share of consideration as to 100 per cent. in cash. The management of OB10 are also required to roll up a certain per cent. of their proceeds under the OB10 Acquisition Agreement into Ordinary Shares subject to certain vesting conditions. The Company shall, following receipt of the consideration monies, procure that certain amounts of OB10 indebtedness are repaid in full.

The OB10 Majority Shareholders have agreed to issue the Drag Notice to all the Remaining OB10 Shareholders, compelling them to transfer their respective OB10 Shares to the Company in accordance with OB10's articles of association.

The warranties provided by each of the Company and the OB10 Majority Shareholders under the OB10 Acquisition Agreement relate to title, capacity and solvency. On or before completion of the Acquisition of OB10, the management of OB10 are required to enter into a tax deed for the benefit of the Company and provide a responsibility statement confirming that, among other things, they have read the final draft of this admission document and that all statements of fact relating to OB10 contained therein are true and accurate in all material respects and are not misleading. The warranties given in the OB10 Acquisition Agreement as well as the management liability under the tax deed and the responsibility statement are subject to various limitations. The OB10 Acquisition Agreement contemplates the Company putting insurance cover in place of up to an aggregate value of £10 million with respect to any liability arising out of or in connection with the tax deed.

During the period up to completion, the OB10 Majority Shareholders are under an obligation to procure that OB10 complies with certain restrictions with respect to the conduct of its business.

#### 17.8 Share Purchase Agreement in relation to the Bank

On 19 March 2013, the Company and First International Bank of Israel Limited (the “**First International Bank**”) have entered into a share purchase agreement (the “**Bank Acquisition Agreement**”) with a view to the Company acquiring the entire issued share capital of FIBI Bank (UK) Plc (the “**Bank**”). The Bank Acquisition Agreement is conditional upon, among other things, the Company obtaining the consent of the FCA to the change of control of the Bank.

The consideration payable by the Company to the First International Bank under the Bank Acquisition Agreement is the net asset value of the Bank’s assets (expected to be approximately £20,050,000 as may be adjusted following the agreement or determination of the completion accounts) plus £10 million and less an amount equal to the Company’s transaction expenses (capped at £3.1 million). The Company has paid a deposit of £1,200,000 (refundable only in circumstances where the Bank’s banking licence is revoked prior to completion as a result of the Bank’s actions or inactions) towards the consideration payable to the First International Bank.

The Bank Acquisition Agreement provides that if the conditions are not fulfilled by 18 September 2013, the Bank Acquisition Agreement shall terminate unless the Company serves an extension notice on the First International Bank and pays an extension deposit. The Company has served the extension notice and has paid the required extension deposit to extend the anticipated completion date by one month to 18 October 2013. Completion of the Bank Acquisition Agreement must occur on or before 18 December 2013 unless the parties agree otherwise in writing.

On or before completion, the First International Bank and the Bank are required to execute a deed of trust (the “**Deed of Trust**”). Under the Deed of Trust, the Bank as the legal title holder of the existing loans retains the obligations and liabilities as well as the rights and benefits of the respective loans (including the right to receive interest and principal repayments) but has a corresponding duty to account to the First International Bank for the corresponding amount of any payment received under such loans (net of applicable withholding tax). The First International Bank, in turn, is obliged to pay or otherwise compensate the Bank for any liabilities or obligations the Bank incurs under the existing loans, including by way of an indemnity in favour of the Bank. The indemnity covers all liabilities or obligations incurred by the Bank under the existing loans (including enforcement and other expenses) other than liability arising as a result of the Bank’s negligence, bad faith, wilful misconduct or fraud.

The warranties provided by the First International Bank relate to title, capacity, solvency and compliance with applicable laws. The warranties relating to solvency and compliance with laws are subject to £1 million cap. The aggregate liability of the First International Bank under the warranties relating to title and capacity are capped at the total value of the consideration payable by the Company under the terms of the Bank Acquisition Agreement. These limitations do not apply to any claim under the warranties arising out of fraud.

Under the Bank Acquisition Agreement, the First International Bank is required to place £1 million in a retention account on completion (the “**Retention Amount**”). The Retention Amount is for the use by the Company to satisfy any warranty claims that may arise under the Bank Acquisition Agreement.

During the period up to completion, the First International Bank is under an obligation to procure that the Bank complies with certain restrictions with respect to the conduct of its business.

#### 17.9 **Licence agreement with @UK for TungstenAnalytics**

On 29 August 2013, the Company and @UK entered into an end user licence agreement (the “**Licence Agreement**”). Under the terms of the Licence Agreement, @UK granted the Company a non-exclusive worldwide licence to use and execute an agreed software package known as “spend analytics” which comprises an operating platform and installed applications relating to customer invoicing, purchase orders and purchase contracts (the “**Licence**”).

The consideration payable by the Company to @UK under the Licence Agreement comprises a one-off payment followed by regular payments pursuant to a revenue share arrangement. The one-off establishment fee of £300,000 (plus any installation costs which are capped at £150,000) is payable shortly after the installation of the relevant software plus any applicable VAT. The revenue share arrangement entitles @UK to regular payments made quarterly in arrears up to a maximum aggregate amount of £3.4 million over the course of the 5 year terms of the Licence, excluding any applicable VAT.

The Licence Agreement is conditional and commences on the date of Admission and continues for a period of five years, with an annual rolling extension of the Licence Agreement thereafter, subject to agreement of mutually agreeable terms in good faith.

### 18. **RELATED PARTY TRANSACTIONS**

Save as disclosed in notes 24 and 25 of the historical financial information relating to OB10 Limited and notes 18 and 19 of the historical financial information relating to the Company, in each case as set out in Part IV, there are no related party transactions that were entered into by the Group during the three financial years ended 30 April 2013 or during the period from 1 May 2013 up to the date of this document.

### 19. **SUBSCRIPTION AND SALE**

The Ordinary Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Ordinary Shares are being offered and sold outside of the United States in reliance on Regulation S. The Placing Agreement provides that Canaccord and Charles Stanley may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Ordinary Shares within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Ordinary Shares an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

### 20. **TRANSFER RESTRICTIONS**

Each purchaser of Ordinary Shares within the United States pursuant to Rule 144A, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A (a “**QIB**”), (b) acquiring such Ordinary Shares for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Ordinary Shares has been advised, that the sale of such Ordinary Shares to it is being made in reliance on Rule 144A.

2. It understands that such Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
3. It understands that such Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS ORDINARY SHARE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS ORDINARY SHARE.

4. The Company, the Registrar, the Joint Brokers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Ordinary Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

**Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## **21. GENERAL**

21.1 By a resolution of the Board passed on 28 February 2012, PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH, United Kingdom, were appointed as the first auditors of the Company. PricewaterhouseCoopers LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

21.2 PricewaterhouseCoopers LLP has given and has not withdrawn its consent to the inclusion in this document of its Accountant’s report in Section A of “Part IV – Financial Information of the Group” in the form and context in which it is included and has authorised the contents of that report for the purposes of Schedule 2 of the AIM Rules.

PricewaterhouseCoopers LLP has given and has not withdrawn its consent to the inclusion in this document of its Accountant’s report in Section C of “Part IV – Financial Information of the OB10 Group” in the form and context in which it is included and has authorised the contents of that report for the purposes of Schedule 2 of the AIM Rules.

21.3 The Company confirms that where information in this document has been sourced from a third party, the source of this information has been provided, this information has been accurately reproduced and



as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- 21.4 The total expenses incurred (or to be incurred) by the Company in connection with Admission and the Placing will be approximately £14 million with a further £2 million payable at the Board's discretion. The estimated net proceeds of the Placing, after deducting fees and expenses in connection with Admission, the Placing and will be approximately £144 million.
- 21.5 The terms of the LTIP Shares and of the LTIP Securities mean that there could be a material disparity between the Placing Price and the effective cash cost to the holders of LTIP Shares and LTIP Securities of any Ordinary Shares issued to the holders of LTIP Shares and LTIP Securities pursuant to the exercise of the subscription rights contained in the Exchange Right Deed. Those terms also mean that it is not possible at the date of this document to confirm what that effective cash cost would be (and therefore not possible to provide a comparison of that effective cash cost to the Placing Price).
- 21.6 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 21.7 The Placing Price of 225 pence represents a premium of 224.562 pence above the nominal value of 0.438 pence per Ordinary Share. The Placing Price is payable in full on application.
- 21.8 Save as disclosed in this document, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 21.9 Save as disclosed in this document, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.
- 21.10 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 21.11 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 21.12 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 21.13 Save as disclosed in this document, the Directors are unaware of any Director, or a member of a Director's family (as defined in the AIM Rules) who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares being admitted to AIM.

## **22. AVAILABILITY OF THIS DOCUMENT**

Copies of this document may be collected, free of charge, during normal business hours (from the date of this document until the Placing closes), from the Company's registered office at Vestry House, Laurence Pountney Hill, London EC4R 0EH, United Kingdom.

Dated: 11 October 2013

## PART VII

### DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“2006 Act”	means the Companies Act 2006 of England and Wales, as amended;
“@UK”	means @UK plc incorporated in England and Wales with company number 3732253 whose registered address is Unit 5, Jupiter House, Calleva Park, Aldermaston, Reading RG7 8NN;
“Acquisitions”	means the Bank Acquisition and the OB10 Acquisition;
“adjusted issue price”	means the Placing Price adjusted appropriately for the occurrence of: any consolidation, reclassification or sub-division of the Ordinary Shares; an open offer, placing, offer for subscription or other issue of Ordinary Shares at a discount to the prevailing market price; share repurchases or redemptions at a premium to the prevailing market price; any allotment of Ordinary Shares by way of a capitalisation of the Company’s profits or reserves; the issue or grant of options, rights or warrants where the consideration payable per Ordinary Share acquired would be at a discount to the price of Ordinary Shares immediately prior to the issue or grant of such option, right or warrant; and any other capital distribution (including dividends), reorganisation, restructuring or similar corporate action which has the effect of reducing the economic entitlement of a holder of an LTIP security;
“Admission”	means the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“AIM”	means the market of that name operated by the London Stock Exchange;
“AIM Rules”	means the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as appropriate;
“AIM Rules for Companies”	means the rules published by the London Stock Exchange entitled “AIM Rules for Companies”;
“AIM Rules for Nominated Advisers”	means the rules published by the London Stock Exchange entitled “AIM Rules for Nominated Advisers”;
“Articles”	means the articles of association of the Company, a summary of which is set out in paragraph 5 of Part VI of this document;
“Bank”	means FIBI Bank (UK) Plc;
“Bank Acquisition”	means the conditional acquisition of the Bank (subject to, <i>inter alia</i> , appropriate regulatory approvals);
“Canaccord”	means Canaccord Genuity Limited;
“certificated form” or “in certificated form”	means not in uncertificated form (that is, not in CREST);

<b>“City Code”</b>	means the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers in the United Kingdom and, from time to time, any successor or replacement body thereof;
<b>“Charles Stanley”</b>	means Charles Stanley Securities, a trading division of Charles Stanley & Co Limited;
<b>“Company” or “Tungsten”</b>	means Tungsten Corporation plc incorporated in England and Wales with company number 07934335 whose registered address is Vestry House, Laurence Pountney Hill, London EC4R 0EH;
<b>“Consideration Shares”</b>	means the new ordinary shares to be issued by the Company to the shareholders of OB10 in connection with the Acquisition;
<b>“Corporate Governance Code”</b>	means the corporate governance code for small and mid-size quoted companies published by the QCA in May 2013;
<b>“CREST”</b>	means the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland which facilitates the transfer of title to shares in uncertificated form;
<b>“CREST Manual”</b>	means the compendium of documents entitled CREST Manual issued by Euroclear UK & Ireland from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms;
<b>“CREST Regulations”</b>	means the Companies (Uncertificated Securities) (Jersey) Order 1991, as amended;
<b>“Directors” or “Board”</b>	means the directors of the Company as at the date of this document, whose names are set out on page 7 of this document;
<b>“Disruptive Capital”</b>	means Disruptive Capital Finance LLP, a limited liability partnership incorporated in England and Wales on 12 October 2010;
<b>“Drag Notice”</b>	means the drag notice issued in accordance with the terms of OB10’s articles of association by the OB10 Shareholders which are parties to the OB10 Acquisition Agreement, requiring all remaining OB10 Shareholders to sell their respective OB10 Shares to Tungsten;
<b>“DTR”</b>	means the Disclosure Rules and Transparency Rules published by the FCA;
<b>“EBITDA”</b>	means earnings before interest, tax, depreciation and amortisation;
<b>“Euroclear UK &amp; Ireland”</b>	means Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST;
<b>“Existing Ordinary Shares”</b>	means the existing ordinary shares of £0.00438 each in the capital of the Company;
<b>“Executive Directors”</b>	means Edmund Truell, Luke McKeever, Jeffrey Belkin and Philip Ashdown;
<b>“FCA”</b>	means the UK Financial Conduct Authority;
<b>“FSMA”</b>	means the UK Financial Services and Markets Act 2000, as amended;

<b>“Group”</b>	means the enlarged Tungsten group following completion of the Acquisition;
<b>“HMRC”</b>	means Her Majesty’s Revenue & Customs;
<b>“IFRS”</b>	means International Financial Reporting Standards (including International Accounting Standards);
<b>“London Stock Exchange”</b>	means London Stock Exchange plc;
<b>“New Ordinary Shares”</b>	means the Placing Shares and the Consideration Shares;
<b>“LTIP Securities”</b>	means the non-voting Class C shares in the capital of the Subsidiary;
<b>“LTIP Shares”</b>	means the non-voting Class B Shares in the capital of the Subsidiary;
<b>“Nominated Adviser”</b>	means Charles Stanley Securities;
<b>“Non-Executive Director”</b>	means Arnold Hoevenaars, Peter Kiernan, Michael Spencer and Daniel (“Danny”) Truell;
<b>“OB10”</b>	means OB10 Limited, a company incorporated in England and Wales with registered number of 03958038 and registered address of 90 Fetter Lane, London United Kingdom EC4A 1EN;
<b>“OB10 Acquisition Agreement”</b>	means the acquisition agreement entered into on or about the date of this announcement between Tungsten and certain OB10 Shareholders who together hold, in aggregate, approximately 70 per cent. of the OB10 Shares currently in issue;
<b>“OB10 Shares”</b>	means the ordinary shares in the capital of OB10;
<b>“OB10 Shareholders”</b>	means the holders of shares in OB10;
<b>“Official List”</b>	means the Official List of the UKLA;
<b>“Ordinary Shares”</b>	means ordinary shares of £0.00438 each in the capital of the Company;
<b>“Panel”</b>	means the UK Panel on Takeovers and Mergers;
<b>“Placing”</b>	means the conditional placing by Charles Stanley and Canaccord of the Placing Shares at the Placing Price in accordance with the Placing Agreement;
<b>“Placing Agreement”</b>	means the conditional agreement dated 11 October 2013, between the Company, the Directors, Charles Stanley and Canaccord relating to Admission, details of which are set out in paragraph 17.1 of Part VI of this document;
<b>“Placing Price”</b>	means £2.25 per Placing Share;
<b>“Placing Shares”</b>	means the 71,111,111 Ordinary Shares to be issued by the Company pursuant to the Placing;
<b>“PRA”</b>	means the UK Prudential Regulation Authority;
<b>“Prohibited Jurisdiction”</b>	means any non-EEA jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal

	sanction if information concerning the Placing is sent or made available to persons in that Jurisdiction;
“QCA”	means Quoted Companies Alliance;
“SEC”	means the US Securities and Exchange Commission;
“Securities Act”	means the US Securities Act of 1933, as amended;
“Share Capital”	means the issued ordinary share capital of the Company following completion of the Placing and the Acquisition;
“Shareholders”	means holders of Ordinary Shares in the Company;
“Spend Matters”	means Spend Matters Group, LLC, 530 N Lake Shore Drive, Suite 2101, Chicago IL 60611, United States;
“Sterling” or “£” or “pence”	means respectively pounds and pence sterling, the lawful currency of the United Kingdom;
“Subsidiary”	means Tungsten Corporation Guernsey Limited;
“Transaction”	means the Acquisition, the conditional acquisition of the Bank, the entry into the five year rolling licence agreement with @UK and the Placing together;
“Tungsten Board” or “Board”	means the board of directors from time to time of the Company;
“UK” or “United Kingdom”	means United Kingdom of Great Britain and Northern Ireland;
“UKLA”	means the FCA acting in its capacity as the competent authority for the purposes of Part VII of FSMA;
“uncertificated form” or “in uncertificated form”	means or recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“US” or “USA” or “United States”	means the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America;
“US Person”	has the meaning assigned to it in Regulation S under the Securities Act; and
“VAT”	means value-added tax.

## PART VIII

### GLOSSARY

<b>“any-to-any data formatting”</b>	the ability to transform any incoming data, both in terms of format and content, into a standardised internal structure and form; and the ability to transform outgoing data into any format and content required by the receiver;
<b>“AP”</b>	accounts payable;
<b>“cloud computing”</b>	a model for delivering information technology services through web-based tools and applications rather than a direct connection to a server;
<b>“B2B”</b>	business-to-business;
<b>“BPO”</b>	business process outsourcer;
<b>“double-translation”</b>	translation of inbound data in terms of format and content defined by the sender into a normalised internal format and the translation of this into an outbound format defined by the recipient;
<b>“CAGR”</b>	compound annual growth rate;
<b>“ERP”</b>	enterprise resource planning;
<b>“FMCG”</b>	fast-moving consumer goods;
<b>“meta-invoice”</b>	the internal invoice structure used by OB10 containing all possible data elements;
<b>“PO”</b>	purchase order;
<b>“SaaS”</b>	software as a service;
<b>“straight through processing”</b>	a mechanism that automates the end-to-end processing of transactions of financial instruments; and
<b>“TSR”</b>	total shareholder return.



