

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

The Directors accept responsibility for the information contained in this document, other than that relating to the Concert Party and persons connected with them, for which each party accepts responsibility as set out below except for the recommendation relating to Resolution 1 set out in paragraph 12.2 of the Chairman’s letter, for which the Independent Board accepts responsibility.

Each member of the Concert Party accepts responsibility for the information contained in this document relating to the Concert Party or otherwise expressly referable to the Concert Party. To the best of the knowledge and belief of each member of the Concert Party (who have taken reasonable care to ensure such is the case) the information contained in this document for which they are responsible is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

If you have sold or otherwise transferred all of your Existing Ordinary Shares please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred only some of your holding of Existing Ordinary Shares you should retain this document and the Form of Proxy and should immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected.

This document is not a prospectus or a prospectus equivalent document and it has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

# cloudBuy plc

*(incorporated in England and Wales with registered number 03732253)*

## **PROPOSED FINANCING OF UP TO £5.75 MILLION 2.33% CONVERTIBLE AND NON-CONVERTIBLE SECURED LOAN NOTES OF £1 PAR VALUE EACH**

### **WAIVER OF RULE 9 OF THE CITY CODE**

### **NOTICE OF GENERAL MEETING**



***Nominated Adviser and Sole Broker***

You should read this document in its entirety, together with Part I of this document and, in particular, to paragraph 12.5 which contains the unanimous recommendation from the Independent Board that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Your attention is also drawn to the Risk Factors contained in Part III of this document and the additional information on the Company contained in Part V of this document.

Notice convening a General Meeting of the Company to be held at 11.30 a.m. on 26 April 2016 at 13<sup>th</sup> Floor, 5 Aldermanbury Square, London, EC2V 7HR is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting accompanies this document. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company Secretary, cloudBuy plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading, RG7 8NN as soon as possible but in any event so as to arrive not later than 11.30 a.m. on 22 April 2016, together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so

Arden Partners PLC (“Arden Partners”), which is authorised and registered in the United Kingdom by the FCA, is acting

solely for the Company and no-one else in connection with the Financing and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Financing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Financing or any other matter referred to herein. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and not to any other person. Arden Partners has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Arden Partners nor does it make any representation or warranty, express or implied, for the accuracy or completeness of any information or opinion contained in this document or for the omission of any information. Nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future (without limiting the statutory rights of any person to whom this document is issued). Arden Partners expressly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

The Existing Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock 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 United Kingdom Listing Authority. A Shareholder 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.

**Whether or not you intend to be present at the General Meeting, please complete the Form of Proxy accompanying this document in accordance with the instructions printed thereon and return it to the Company Secretary, cloudBuy plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading, RG7 8NN by no later than 11.30 a.m. on 22 April 2016 in order for it to be valid. Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you wish to do so.**

Copies of this document are available free of charge from the Company's registered address at Unit 5 Jupiter House, Calleva Park, Aldermaston, Reading, RG7 8NN, and from the Company's website, [www.cloudbuy.com](http://www.cloudbuy.com).

#### **Forward-looking statements**

This document contains statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "envisages", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Group operates.

By their nature, forward-looking statements involve 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 guarantees of future performance. The actual results, performance or achievements of the Company or developments in the industry in which the Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document.

The forward-looking statements contained in this document speak only as at the date of this document. The Company undertakes no obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with its legal and regulatory obligations (including under the AIM Rules for Companies).

## TABLE OF CONTENTS

	<i>Page</i>
<b>Directors and Advisers</b>	4
<b>Financing Statistics</b>	5
<b>Expected Timetable of Principal Events</b>	5
<b>Definitions</b>	6
<b>Part I: Letter from the Chairman</b>	9
<b>Part II: Agreements relating to the Financing</b>	18
<b>Part III: Risk Factors</b>	24
<b>Part IV: Information on the Concert Party Group Members and additional disclosures required under the City Code</b>	30
<b>Part V: Additional Information</b>	35
<b>Notice of General Meeting</b>	9

## DIRECTORS AND ADVISERS

<b>Directors</b>	Ronald Duncan (Executive Chairman and Chief Information Officer) Lyn Duncan (Chief Executive Officer) Jonathan Holden (Chief Operating Officer) David Gibbon (Chief Financial Officer) Patrick Broughton (Senior Non-executive Director) David Chellingsworth (Non-executive Director) Michael Pasternak (Non-executive Director) all of: Unit 5 Jupiter House Calleva Park Aldermaston Reading RG7 8NN
<b>Company Secretary</b>	David Gibbon
<b>Nominated Adviser and Sole Broker</b>	Arden Partners plc 125 Old Broad Street London EC2N 1AR
<b>Solicitors to the Company</b>	Stephoe and Johnson 13 <sup>th</sup> Floor 5 Aldermanbury Square London EC2V 7HR
<b>Financial PR</b>	Alma PR Ltd 5 Frederick's Place Old Jewry London EC2R 8JQ
<b>Registrars</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZY

## FINANCING STATISTICS

Number of Existing Ordinary Shares in issue at the date of this document	130,432,664
Number of Loan Notes to be issued pursuant to the Financing	5,750,000
Conversion Price of the CLS	6.5 p
Maximum number of CLS Shares that could be issued following conversion of the CLS*	64,193,262
Enlarged Share Capital following conversion of the CLS exc PIK Notes	194,625,919
Percentage of the Enlarged Share Capital represented by the CLS*	Up to 33.0 %
	7,478,516
Maximum number of Shares that could be issued from PIK Notes	202,104,441
Enlarged Share Capital following conversion of CLS and maximum PIK Notes	
Percentage of the Enlarged Share Capital represented by the CLS* including maximum PIK Notes	35.46%
Gross proceeds of the Financing	£ 5,750,000
Estimated net cash proceeds of the financing receivable by the Company	£5,450,000
ISIN	GB00B09Y8 Y28
SEDOL	B09Y8Y2

\* assuming full conversion of the CLS but excluding all outstanding share options and investor warrants

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Financing	24 March 2016
Posting of this document and Forms of Proxy	8 April 2016
Latest time and date for receipt of Forms of Proxy	11.30 a.m. on 22 April 2016
General Meeting	11.30 a.m. on 26 April 2016

The dates and times set out in the Expected Timetable Of Principal Events above and mentioned throughout this document are based on the Company's current expectations and may be subject to change, in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.

All references to times are to the time in London, England.

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise or unless defined in Parts IV and V of this document for the purposes of that part only:

<b>2006 Act</b>	the Companies Act 2006 (as amended)
<b>Admission</b>	the admission of the CLS Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>AIM</b>	a market operated by the London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM rules for companies and guidance notes, as published and amended from time to time by the London Stock Exchange
<b>AIM Rules for Nominated Advisers</b>	the rules for nominated advisers to AIM companies, as published and amended from time to time by the London Stock Exchange
<b>Arden Partners</b>	Arden Partners PLC, the Company's nominated adviser and sole broker
<b>Articles</b>	the articles of association of the Company as at the date of this document
<b>Barclays</b>	Barclays Bank plc
<b>Board or Directors</b>	the directors of the Company as at the date of this document, whose names are set out on page 5 of this document
<b>Business Day</b>	any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open in London, UK for normal banking business
<b>City Code</b>	the City Code on Takeovers and Mergers
<b>CLS</b>	the 4,172,562 £1.00 convertible secured loan notes constituted pursuant to the Loan Note Instrument, details of which are set out in paragraph 1.2 of Part II of this document, which include any additional convertible secured loan notes issued as payments in kind in lieu of interest
<b>CLS Shares</b>	up to 71,671,128 new Ordinary Shares to be issued upon conversion of the CLS at the Conversion Price including maximum number of PIK CLS
<b>Company or cloudBuy plc</b>	cloudBuy plc
<b>Completion</b>	completion of the Financing
<b>Concert Party</b>	together, Mr. Roberto Sella and Mr. Michael Pasternak, further details of which appear in paragraphs 1 and 2 of Part IV of this document
<b>Conversion Price</b>	6.5 pence per CLS Share or 1 pence per CLS Share which price shall apply at any time after the Final Redemption Date if the principal amount of and accrued interest on any outstanding CLS have not been repaid on or before the Final Redemption Date
<b>Debenture</b>	the debenture to be entered into between the Company and Roberto Sella, details of which are set out in paragraph 1.3 of Part II of this document
<b>document or Circular</b>	this document
<b>Enlarged Share Capital</b>	the entire issued share capital of the Company immediately following Completion (assuming full subscription of the CLS and conversion into the CSL Shares)

<b>Equity Fundraising</b>	any equity fundraising by the Company after following the execution of the Future Equity Participation Agreement, involving the issue of new Ordinary Shares for cash by way of a pre-emptive offer of new Ordinary Shares to existing Shareholders or a non-pre-emptive offer of new Ordinary Shares, including without limitation, a rights issue, a placing or an open offer but excluding any issue of new Ordinary Shares pursuant to the exercise of any options or warrants which have been granted to employees, directors, family members or associates of the Company
<b>Existing Ordinary Shares</b>	the 130,432,664 Ordinary Shares in issue on the date of this document
<b>FCA</b>	the Financial Conduct Authority of the United Kingdom
<b>Financing</b>	the constitution of the CLS and LS, the granting of the Debenture, the entering into of the Future Equity Participation Agreement and the subsequent subscription for the Loan Notes on the terms of the Subscription Agreement
<b>Final Redemption Date</b>	as defined in the Loan Note Instrument
<b>Form of Proxy</b>	the form of proxy which accompanies this document for use in connection with the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>Future Equity Participation Agreement</b>	the future equity participation agreement to be entered into between the Company and Roberto Sella, details of which are set out in paragraph 1.4 of Part II of this document
<b>General Meeting</b>	the general meeting of the Company to be held at 11.30a.m. on 26 April 2016 at 13 <sup>th</sup> Floor, 5 Aldermanbury Square, London, EC2V 7HR (or any adjournment thereof), notice of which is set out at the end of this document
<b>Group</b>	the Company and its subsidiary and associated undertakings at the date of this document
<b>Independent Board</b>	the Board, excluding Mr. Michael Pasternak
<b>Independent Shareholders</b>	the Shareholders, other than the members of the Concert Party participating in the Financing
<b>ISIN</b>	International Securities Identification Number
<b>Loan Note Instrument</b>	the loan note instrument to be executed by the Company constituting the Loan Notes, details of which are set out in paragraph 1.2 of Part II of this document
<b>Loan Notes</b>	any of the CLS and/or the LS
<b>LS</b>	the 1,577,438 £1.00 non-convertible secured loan notes constituted pursuant to the Loan Note Instrument, details of which are set out in paragraph 1.2 of Part II of this document, which include any additional non-convertible secured loan notes issued as payments in kind in lieu of interest
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Money Laundering Regulations</b>	the Money Laundering Regulations 2007 (as amended) and obligations in connection with money laundering under the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
<b>Notice of General Meeting</b>	the notice convening the General Meeting which is set out at the end of this document
<b>Options</b>	the share options details of which are set out in paragraph 10 of Part I of this document
<b>PIK Notes</b>	the payment in kind notes as described in Part II 1.2 allowing interest payable to be converted at the Company's option to

additional CLS and LN

<b>Official List</b>	the daily official list maintained by the FCA
<b>Ordinary Shares</b>	the ordinary shares of 1 penny each in the capital of the Company
<b>Overseas Shareholder</b>	a Shareholder who is resident, or who is a citizen of, or who has a registered address in a jurisdiction outside the United Kingdom
<b>Priority of Security Agreement</b>	the priority of security agreement to be entered into between the Company and Roberto Sella, details of which are set out in paragraph 1.5 of Part II of this document
<b>Prospectus Rules</b>	the rules made by the UK Listing Authority under Part VI of FSMA in relation to transferable securities to the public and admission of transferable securities to trading on a regulated market
<b>Regulatory Information Service Resolutions</b>	has the meaning given in the AIM Rules for Companies the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
<b>Rule 9 Offer</b>	a general offer for the shares of the Company in accordance with Rule 9 of the City Code
<b>Rule 9 Waiver</b>	the waiver agreed by the Takeover Panel and to be approved by the Independent Shareholders of the obligation that would otherwise fall upon the Concert Party pursuant to Rule 9 of the City Code to make a Rule 9 Offer as a result of the proposals in respect of the Financing being implemented
<b>Shareholders</b>	the holders of Existing Ordinary Shares
<b>sterling, pounds sterling, £, pence or p</b>	the lawful currency of the United Kingdom
<b>Subscription</b>	the conditional subscription by Roberto Sella for the Loan Notes pursuant to the Subscription Agreement
<b>Subscription Agreement</b>	the subscription agreement dated 24 March 2016 between the Company and Roberto Sella in connection with the Subscription, details of which are set out in paragraph 1.1 of Part II of this document
<b>Takeover Panel</b>	The Panel on Takeovers and Mergers
<b>UK Listing Authority</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>Whitewash Resolution</b>	an ordinary resolution to approve the Rule 9 waiver, which must be passed on a poll at a general meeting by the Independent Shareholders



## PART I

### LETTER FROM THE CHAIRMAN

# CLOUDBUY PLC

(incorporated in England and Wales with registered number 03732253)

#### Directors:

Ronald Duncan (Executive Chairman and Chief Information Officer)

Lyn Duncan (Chief Executive Officer)

Jonathan Holden (Chief Operating Officer)

David Gibbon (Chief Financial Officer and Company Secretary)

Patrick Broughton (Senior Non-executive Director)

David Chellingsworth (Non-executive Director)

Michael Pasternak (Non-executive Director)

#### Registered Office:

Unit 5 Jupiter House

Calleva Park

Aldermaston

Reading

RG7 8NN

8 April 2016

Dear Shareholder,

### **£5.75 million convertible and non-convertible secured loan notes**

#### **Rule 9 Waiver and Notice of General Meeting**

#### **1. Introduction and summary**

On 24 March 2016, your board announced that 4,172,562 new convertible secured loan notes and 1,577,438 non-convertible secured loan notes both of £1 par value each totalling £5.75 million has been constituted, of which Roberto Sella, an existing shareholder in the Company, has conditionally subscribed for a minimum of £3,274,300 in the first instance, with the Company having the right to require Roberto Sella (on receiving written notice from the Company) to subscribe for the balance of the Loan Notes over the following 10 years in increments of £1 million. The Loan Notes attract an annual interest charge of 2.33 per cent., with the CLS being convertible at a conversion price of 6.5p. The Loan Notes will be secured by the Debenture entered into between the Company and Roberto Sella. Pursuant to the terms of the Future Equity Participation Agreement, Roberto Sella shall have the right but not the obligation to participate in future equity fundraisings at 80% of the price of other investors up to the end of the financing period.

At the same time two directors of the Company, being Mr. Patrick Broughton and Mr. David Gibbon, have subscribed for Ordinary Shares of the amounts £100,000 and £20,000 respectively, alongside a subscription by an employee of the Company and his spouse for Ordinary Shares of the amount of £13,000, in each case at a subscription price of 6.5 pence per share, raising in aggregate £133,000. The Ordinary Shares pursuant to these subscriptions were admitted to trading on AIM on 1 April 2016. Concurrently with these subscriptions, Mr. Michael Pasternak was appointed to the Board of directors.

Finally, on 8 April 2016 in connection with the subscriptions, owing to discussions with a Saudi based strategic partner not having yet concluded in the time frame expected, a restated short term bridge facility of £200,000 was provided by Mr. Ronald Duncan and Mrs. Lyn Duncan, together with Mr. Patrick Broughton. It is the intention of the Board that this short term bridge facility will be repaid by the Saudi based strategic partner and the relevant announcement will follow in due course.

The Financing is conditional upon, *inter alia*, the passing of the Resolutions at the General Meeting.

Under the City Code persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company.

Due to the relationship between Mr. Roberto Sella, who is solely participating in the Financing, and Mr. Michael Pasternak, who is an existing shareholder and a recently appointed non-executive director, Mr. Roberto Sella and Mr. Michael Pasternak are considered to be acting in concert and hence members of the Concert Party.

Further information on the Concert Party can be found in Part IV of this document.

Further details on the Financing can be found in paragraph 4 of this Part I of this document and in Part II of this document.

**The purpose of this document is to explain the background to and reasons for the Financing, to explain why the Board considers the Financing to be in the best interests of the Company and its Shareholders and why the Independent Board recommends that you vote in favour of the Whitewash Resolution to be proposed at the General Meeting, as they and their immediate families and connected persons (within the meaning of section 252 of the Act) intend to do in respect of their aggregate holdings of 22,909,252 Ordinary Shares representing approximately 17.56 per cent of the Existing Ordinary Shares of the Company, and why the Board recommends that you vote in favour of the Resolutions, excluding the Whitewash Resolution as they, including Mr. Michael Pasternak and their immediate families and connected persons (within the meaning of section 252 of the Act) intend to do in respect of their aggregate holdings of 25,059,252 Ordinary Shares representing approximately 19.21 per cent of the Existing Ordinary Shares of the Company, notice of which is set out at the end of this document.**

## **2. Background to and reasons for the Financing**

On 6 September 2013, the Company announced an exclusive partnership in Asia Pacific with Visa Worldwide PTE Limited ("**Visa**") and successfully raised £5,300,000 to facilitate the transformation of the business into a global proposition, thereby facilitating the move away from its legacy UK focused purchasing portal offering. Following a promising first year with Visa, this agreement was extended to five years, as announced on 15 September 2014, and the Company raised a further £4,300,000 to continue to fund such a strategy.

Over the last 18 months, with the Visa relationship providing the Company with a strong reference point for new customer leads, the Company entered into agreements to build marketplaces in Asia and other parts of the world. Such customers have included the Association of Small and Medium Enterprises in Singapore ("**ASME**"), the Confederation of Indian Industry in India ("**CII**"), which was signed in November last year, and in the UK, Care Marketplaces for NHS SBS and Salvere. However, as outlined in the Company's interim results for the six months ended 30 June 2015 (the "**Interim Results**"), revenue from these agreements has been slower than anticipated and no transaction revenue was generated from these projects in 2015.

Having had success in winning initial marketplace contracts in the countries described above, and taking some of the marketplaces live, the Board has identified a necessary shift, based on these reference sites, in how the Company should target new customers going forward.

As such, the focus for new customer leads outside of the UK has had to evolve from targeting not for profit organisations and their member businesses, e.g. ASME and CII, whereby cloudBuy would seek to generate revenue purely on a revenue share model of transacted volume through each marketplace, owing to these organisations having no capital budgets for a marketplace, to commercial organisations, including a number of major Visa associated banks. The Board believes that these organisations are expected to have the necessary budget, and therefore will be able to set up their own marketplaces as well as act as sales partners for cloudBuy products. On this basis, the Board expects the Company to generate revenue in two ways, being on a cost plus basis, i.e. a fee for the implementation, followed by an annual SaaS fee, as well as a share of revenues in most cases, from total transacted volume. The Board believes that this change will shorten the break-even point for the Company's marketplaces and the Company is now bidding for a number of marketplaces on this basis.

New customer leads aside, the Board believes that revenues from the majority of the existing marketplaces, together with the purchasing portals for Ohio Schools Council in the USA and York Region District School Board in Canada, should start to be generated this financial year. These agreements, with one exception,

are based on a revenue model where cloudBuy receives revenue from a share of the transacted volume, has the ability to sell e-commerce websites to participants and, in some cases, charge a fee to suppliers to participate in the marketplace.

Taking existing and future opportunities into account, coupled with the negative effect that the continued delays in revenues have had on the Company's working capital, to ensure that the Company is in a position to benefit from such opportunities, the Board has sought long term funding to maintain the necessary levels of investment, whilst being mindful of the recent poor share price performance.

A number of alternative financing opportunities were assessed by the Board but, having acknowledged that certainty of funding was of paramount importance, the proposed investment by Mr. Roberto Sella was significantly more certain, as well as being for a larger amount and at a comparatively reduced level of dilution for existing shareholders.

Further details of the Financing are set out in Part II of this document.

### **3. Trading update, current trading and prospects**

cloudBuy is a global provider of cloud-based e-commerce marketplaces and business to business buyer and supplier solutions

On 24 March 2016, the Company made the following trading update:

*“During the second half of 2015, the Company continued to maintain investment in its sales and distribution infrastructure outside of the UK to take advantage of the market opportunities already in place, as well as those under tender in the countries where cloudBuy is already established. However, due to revenue from new projects coming in below the Board's expectations, and the trends in financial performance as highlighted in the Company's Interim Results to 30 June 2015 continuing through to 31 December 2015 for reasons already mentioned, the Board expects revenues for the full year 2015 to be behind those generated in 2014. As a consequence, slower than anticipated revenue growth has also resulted in the Company's cash resources being diminished, hence the Financing being sought. Consequently, the Board has had to implement a cost reduction programme in the UK, which has resulted in a number of employees leaving the business since 30 June 2015. These headcount reductions, all of which were in the UK, and other cost reduction measures have resulted in annualised savings of £800,000.*

*The current financial year has seen revenues from previously announced transactions and a number of anticipated contracts continuing to be delayed. As such, efforts to reduce certain variable costs have been implemented to mitigate these delays, without having a negative impact on the current opportunities.*

*Nevertheless, the Board can report good progress made so far in 2016, featuring the following:*

- *NHS SBS system going into pilot*
- *York Region District School Board in Canada purchasing portal approaching pilot*
- *Selected for a SpendInsight project in Australia*
- *Progress in the Kingdom of Saudi Arabia on a number of prospects with work started for the establishment of a legal entity with potential shareholdings from well-known local partners*
- *Reached final stages of selection with 2 separate prospects for purchasing portals where we believe we have a strong prospect of revenue in 2016*

*Unaudited cash at bank at 28 February 2016 was £262,562.*

*The Board expects full year results to be announced at the end of May 2016.”*

The Directors believe the business has a positive future with the anticipated funding outlined in this document. If for any reason the Financing is not approved at the anticipated General Meeting in April, then the business is likely to become insolvent unless substantial alternative funding could be obtained at short notice.

### **4. Terms of the Financing and associated security**

On the terms of the Subscription Agreement, conditional on the satisfaction of certain conditions, including the passing of the Resolutions at the General Meeting, Mr. Roberto Sella has:

- subscribed for and the Company has agreed to issue 3,274,300 of the CLS in the aggregate principal amount of £3,274,300 for cash; and
- further agreed to subscribe for and the Company has agreed to issue on one or more occasions, on receiving a written request from the Company to do so, up to a further 898,262 CLS in the aggregate principal amount of £898,262 and 1,577,438 of the LS in the aggregate principal amount of £1,577,438, such further CLS and LS to be subscribed for and issued on any Business Day prior to the Final Redemption Date.

The table set out at paragraph 1.2 of Part II of this document sets out (i) the principal amount of the Loan Notes permitted to be issued by the Company to Roberto Sella on the initial issue to him of Loan Notes and on any subsequent issue to him of Loan Notes and (ii) the ratio as between CLS and LS that shall apply on any such subsequent issue.

Until the Loan Notes are repaid by the Company or, in the case of the CLS, repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of the Loan Note Instrument, interest shall accrue and be paid on the principal amount of the Loan Notes outstanding (and, in respect of the CLS, so far as not converted into Ordinary Shares) at a rate of 2.33% per annum and shall become due and payable by the Company to Mr. Roberto Sella as the holder of the Loan Notes on each 6-month anniversary of the date of issue of the Loan Notes. If the Company fails to pay redemption monies or interest when due on the Loan Notes, interest shall continue to accrue on the unpaid amount at a rate of 2.33% per annum.

On any date on which interest on the Loan Notes is payable, the Company may at its own option issue to Mr. Roberto Sella as the holder of the Loan Notes that number of additional payment in kind Loan Notes (in satisfaction of the Company's obligation to pay interest on any such date) of £1.00 nominal amount that equals every £1.00 of interest due to Mr. Roberto Sella as the holder of the Loan Notes in the ratio as between the CLS and the LS set out in the table set out at paragraph 1.2 of Part II of this document in full or partial satisfaction of interest that has accrued in respect of the Loan Notes up to that date.

The Loan Notes will be secured on the assets of the Company under the terms of the Debenture.

Under the terms of the Future Equity Participation Agreement the Company will agree, in consideration for Mr. Roberto Sella subscribing and paying for the Loan Notes, that Mr. Roberto Sella shall have the right, but not the obligation, during the term of the Loan Notes to participate (with an allocation to him of new Ordinary Shares that is at least equal on a pro-rata basis to his shareholding in the Company on the date of the future equity participation agreement) in any Equity Fundraising at a subscription price that is 80% (eighty per cent.) of the issue price to be offered to the other Shareholders or other new investors in the Company who participate in any Equity Fundraising. All other terms and conditions of any Equity Fundraising shall apply equally to Mr. Roberto Sella as they shall apply to the other Shareholders or any other new investors in the Company.

The terms of the Subscription Agreement, the Loan Note Instrument, the Debenture and the Future Equity Participation Agreement are more fully set out in Part II of this document.

Upon conversion of the CLS including those CLS issued by way of additional payment in kind notes, application will be made for such number of CLS Shares to be admitted to trading on AIM, and the Company will provide the relevant notifications to the market setting out the number of CLS held by the Concert Party, the Concert Party's interest in voting rights, and the total number of CLS Shares that could be issued.

## **5. Use of proceeds of the Financing**

The net proceeds of the Financing will be applied towards working capital purposes, and in particular to:

- continue with expansion investment to drive revenue growth in existing and new markets; and
- enable continuing investment in the Company's products including maintaining PCI Level 1 compliance.

## **6. The City Code on Takeovers and Mergers**

The Financing gives rise to certain considerations under the City Code. Brief details of the Takeover Panel, the City Code and the protections they afford are described below.

The City Code is issued and administered by the Takeover Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The company is an AIM quoted public company and its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares already held by him and an interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the City Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

Under the City Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the City Code, control means an interest, or aggregate interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests gives de facto control. The Panel have agreed with the Company that, based on information provided by the Company Mr. Roberto Sella and Mr. Mike Pasternak are acting in concert and therefore a concert party.

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Rule 9 of the City Code further provides, among other things, that where any person who, together with persons acting in concert with him is interested in shares carrying over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

Mr. Roberto Sella and Mr. Michael Pasternak are treated as acting in concert under the City Code. A table setting out each member of the Concert Party's individual interests as at the date of this document and immediately following Completion is set out in paragraph 3.2 of Part IV and reasons for them being treated as a concert party are included in Part IV of this document.

**Following approval of the Financing, and assuming that Roberto Sella subscribes for all the CLS that have been constituted including the total maximum number of CLS that he would receive as additional payments in kind in respect of interest and converts such CLS in full, and assuming no other person has exercised any option or any other right to subscribe for shares in the Company following the date of this document, the Concert Party will be interested in 88,521,777 Ordinary Shares carrying approximately 43.80 per cent. of the voting rights of the Company. Without a waiver of the obligations under Rule 9 of the City Code, this would oblige the Concert Party to make a Rule 9 Offer.**

## **7. Dispensation from General Offer**

Under Note 1 of the Notes of the Dispensations from Rule 9 of the City Code, the Takeover Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code if, inter alia, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him pass an ordinary resolution on a poll at a general meeting approving such a waiver.

The Takeover Panel has agreed to such waiver in relation to the Financing, subject to the Whitewash Resolution being passed on a poll.

**Accordingly, by voting in favour of the Resolutions to be proposed at the General Meeting, the Financing can be effected without the requirement for the Concert Party to make a general offer for the Company.**

The Concert Party will not vote on the Whitewash Resolution. The Concert Party or any member of the Concert Party will not be restricted from making an offer for the Ordinary Shares which it will not own post-Completion.

## **8. Related Party Transactions**

Owing to Roberto Sella holding 11.27% of the issued share capital of the Company, together with the fact that he is deemed to be acting in concert with Mr. Michael Pasternak, the Financing will constitute a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. The directors, consider, having been so advised by Arden Partners plc, the Nominated Adviser and broker to the Company, that the terms of the Financing and the Waiver are fair and reasonable insofar as its shareholders are concerned. In providing advice to the directors, Arden has taken into account the commercial assessments of the directors.

## **9. Founder Concert Party**

Under the City Code, Mr. Ronald Duncan and Mrs. Lyn Duncan, Executive Chairman and Chief Information Officer, and Chief Executive Officer respectively, who are husband and wife and their connected persons being James Duncan and Isabella Duncan, Ronald Duncan's parents, and Jamie Duncan and Pippa Duncan, Ronald and Lyn Duncan's children (the "**Founders**"), are also presumed to be acting in concert.

The Founders pursue their own independent investment objectives in a manner which they consider best suit their own interests and objectives.

Full details of the current interests of the Founders are given in paragraph 3.3 of Part V of this document.

## **10. Share Options**

Since the publication of the Company's Interim Results and significant fall in the Company's share price over the last 6 months, the Remuneration Committee has been considering the need for appropriate share incentives at director and employee level. In particular, consideration has been given to the options issued in 2013, 2014 and 2015 when the Company's short term prospects appeared better and the options then issued, had exercise prices based on a much higher share price.

As a result the options issued in 2013, 2014 and 2015 (totalling 9,394,954 options) will be cancelled and reissued at an exercise price of 10p, a premium of 57% above the closing share price on 23 March 2016. Furthermore, an additional 2,000,000 new options at an exercise price of 10p will be issued to executive directors, as indicated below. 2,846,941 existing options remain unchanged, which gives a total of 14,241,895 incentive options in issue representing 7.3% of the fully diluted share capital assuming the Company subscribes for the total of £4,172,562 Convertible Loan Notes, and such Convertible Loan Notes are converted into Ordinary Shares.

The directors will have the following interests under the Company's share options scheme:

	<b>Existing options unchanged</b>	<b>Existing options cancelled and reissued</b>	<b>New options</b>	<b>Total</b>	<b>Exercise Price</b>
Ronald Duncan	300,000			300,000	£0.0175
	332,867			332,867	£0.1163
		851,042		851,042	£0.10
			900,000	900,000	£0.10
<b>Total</b>	<b>632,867</b>	<b>851,042</b>	<b>900,000</b>	<b>2,383,909</b>	
Lyn Duncan	187,500			187,500	£0.0175

	Existing options unchanged	Existing options cancelled and reissued	New options	Total	Exercise Price
	332,867			332,867	£0.1163
		859,245		859,245	£0.10
			500,000	500,000	£0.10
<b>Total</b>	<b>520,367</b>	<b>859,245</b>	<b>500,000</b>	<b>1,879,612</b>	
Jonathan Holden		1,500,000		1,500,000	£0.10
			300,000	300,000	£0.10
<b>Total</b>	<b>0</b>	<b>1,500,000</b>	<b>300,000</b>	<b>1,800,000</b>	
David Gibbon		1,041,667		1,041,667	£0.10
			300,000	300,000	£0.10
<b>Total</b>	<b>0</b>	<b>1,041,667</b>	<b>300,000</b>	<b>1,341,667</b>	
Patrick Broughton		300,000		300,000	£0.10

## 11. Risk Factors

Shareholders should consider fully the risk factors associated with the Financing, the business of the Company, the stock market and share trading. Your attention is drawn to the section entitled “**Risk Factors**” set out in Part III of this document.

## 12. Further Information

### 12.1 Share issuance authorities

The Company does not have the requisite corporate authorities in place to enable the Company to allot and issue the new Ordinary Shares pursuant to the revised share option arrangements set out at paragraph 11 above and upon full conversion of the CLS. Accordingly, in order for the Company to be permitted to allot and issue such Ordinary Shares, the Company needs to obtain approval from its Shareholders to grant the Board additional authority to allot and issue such Ordinary Shares and to disapply the statutory pre-emption rights which would otherwise apply to the allotment and issue of such Ordinary Shares.

The Company is therefore seeking Shareholders’ consent to grant the Directors authority to allot securities and disapply pre-emption rights pursuant to Section 551 and Section 570 of the Act respectively. A summary of these and the other Resolutions is set out in paragraph 12.2 below.

### 12.2 General Meeting and importance of the vote

A notice convening the General Meeting of the Company, to be held at 11.30 a.m. on 26 April 2016 at 13<sup>th</sup> Floor, 5 Aldermanbury Square, London EC2V 7HR is set out at the end of this document. The General Meeting will be held to consider and, if thought appropriate, pass the Resolutions summarized below. Please note that the summary and explanation set out below is not the full text of the Resolutions and Shareholders should review the full text of the Resolutions before returning their Forms of Proxy.

**Shareholders should be aware that if any of the Resolutions are not approved by Shareholders at the General Meeting, the Financing will not proceed as currently envisaged and, as a consequence, the anticipated net proceeds of the Financing will not become available to fund the Company’s working capital and the Company will be unable to achieve the objectives set by the Board. Accordingly, the Company is likely to be insolvent unless substantial alternative funding can be obtained at short notice.**

It is therefore important that Shareholders vote in favour of all of the Resolutions in order that the

Financing can proceed.

The Resolutions can be summarised as follows:

- (i) Resolution 1, which will be proposed as an ordinary resolution, seeks the approval of the Independent Shareholders to waive the obligation of the Concert Party which would otherwise arise under Rule 9 of the City Code as a result of the participation of Roberto Sella in the Subscription and the allotment to him of the CLS Shares arising on conversion of the CLS. Voting on Resolution 1 will be on a poll;
- (ii) Resolution 2, which will be proposed as an ordinary resolution, is to authorise the Directors to allot equity securities up to an aggregate nominal amount of (a) £ 716,718 in respect of the allotment of the CLS Shares arising on full conversion of the CLS including maximum number of shares through the PIK Notes and (b) £142,419 in respect of the allotment of Ordinary Shares on exercise of the Options in full;
- (iii) Resolution 3, which will be proposed as a special resolution, disapplies statutory pre-emption rights in respect of the allotment of (a) the CLS Shares arising on full conversion of the CLS and (b) the Ordinary Shares arising on exercise of the Options in full.

Resolution 2 authorises the allotment of such number of Ordinary Shares as are necessary for the allotment of (i) the CLS Shares arising on full conversion of the CLS and (ii) the Ordinary Shares arising on exercise of the Options in full.

The provisions of section 561(1) of the 2006 Act, to the extent that they are not disappplied, confer on Shareholders statutory rights of pre-emption in respect of the allotment of equity securities which are, or are to be paid up, wholly in cash. Resolution 3 authorises the disapplication of such statutory pre-emption rights in respect of such number of Ordinary Shares as are necessary for the allotment of (i) the CLS Shares arising on full conversion of the CLS and (ii) the Ordinary Shares arising on exercise of the Options in full.

### 12.3 Action to be taken

**A Form of Proxy for use in connection with the General Meeting accompanies this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return a Form of Proxy in accordance with the instructions printed thereon so as to be received by the Company Secretary, cloudBuy plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading, RG7 8NN as soon as possible and, in any event, not later than 11.30 a.m. on 22 April 2016.**

**Completion and return of the Form of Proxy will not affect Shareholders' rights to attend and vote in person at the General Meeting if they so wish.**

**In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, the Shareholder should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary.**

### 12.4 Additional information

Your attention is drawn to the Risk Factors set out in Part III of this document and the additional information set out in Part V of this document. Shareholders are advised to read the whole of this document and to not rely solely on the summary information presented in this Part I.

This document will be available for a period of twelve months from the date of this document on the Company's website [www.investor.cloudbuy.com](http://www.investor.cloudbuy.com) free of charge in accordance with the requirements of Rule 26 of the AIM Rules for Companies.

### 12.5 Independent Board's recommendation

**The Independent Board, having been so advised by Arden, considers the Financing to be fair and reasonable and in the best interests of the Company and its Shareholders (excluding the Concert Party) as a whole. Accordingly, the Independent Board unanimously**



**recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.**

**The Independent Directors and their and their immediate families and connected persons (within the meaning of section 252 of the Act) who hold Ordinary Shares have confirmed their intention to vote in favour of the Whitewash Resolution in respect of their beneficial holdings which, in aggregate, total 22,909,252 Existing Ordinary Shares, representing 17.56 per cent. of the existing issued share capital of the Company as at the date of this document.**

**The Directors and their immediate families and connected persons (within the meaning of section 252 of the Act) who hold Ordinary Shares have confirmed their intention to vote in favour of the Resolutions, excluding the Whitewash Resolution, being proposed at the General Meeting in respect of their beneficial holdings which, in aggregate, total 25,059,252 Existing Ordinary Shares, representing 19.21 per cent. of the existing issued share capital of the Company as at the date of this document.**

**The Board believe the business has a positive future with the Financing set out in this document. If for any reason the Financing is not approved at the anticipated General Meeting on 26th April, then the business is likely to become insolvent unless substantial alternative funding for the Company could be obtained at short notice.**

Yours faithfully,

**Ronald Duncan**

*Chairman*

cloudBuy plc

## PART II

### AGREEMENTS RELATING TO THE FINANCING

The following contracts have been or will be entered into by the Company in relation to the Subscription and the Financing and are, or may be, material;

#### 1.1 SUBSCRIPTION AGREEMENT

A conditional subscription agreement dated 24 March 2016 between the Company and Roberto Sella pursuant to which Roberto Sella (conditional on the satisfaction of certain conditions set out below on and subject to the terms of the Subscription Agreement and the Loan Note Instrument):

- (a) subscribed for and the Company agreed to issue 3,274,300 of the CLS in the aggregate principal amount of £3,274,300 for cash; and
- (b) further agreed to subscribe for and the Company agreed to issue on one or more occasions, on receiving a written request from the Company to do so, up to a further 898,262 CLS in the aggregate principal amount of £898,262 and 1,577,438 of the LS in the aggregate principal amount of £1,577,438, such further CLS and LS to be subscribed for and issued on any Business Day prior to the Final Redemption Date,

Roberto Sella's subscription for the CLS and the LS under the Subscription Agreement is conditional inter alia, on the satisfaction of the following conditions:

- (a) the approval of the Independent Shareholders on a poll at the General Meeting of the waiver of any obligations Roberto Sella may have to make a general offer to Shareholders pursuant to Rule 9 of the City Code in respect of his subscription for the CLS and the LS under the Subscription Agreement and all of the other Resolutions included in the Notice of General Meeting;
- (b) the entering into of the Debenture by the Company; and
- (c) the entering into of the Future Equity Participation Agreement by the Company.

In the event that the above conditions have not been satisfied on or before 25 May 2016, the terms of the Subscription Agreement shall cease to have effect immediately after that time on that date except for certain provisions relating to, for example, confidentiality and announcements, the giving of notices and jurisdiction.

#### 1.2 LOAN NOTE INSTRUMENT

The loan note instrument to be executed by the Company constituting the CLS and the LS in the aggregate principal amount of £5,750,000. The Loan Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as secured obligations of the Company. The Loan Notes constituted by the Loan Note Instrument shall be subscribed for by Roberto Sella in accordance with the terms of the Subscription Agreement.

The table below sets out (i) the principal amount of the Loan Notes permitted to be issued by the Company to Roberto Sella on the initial issue to him of Loan Notes under the terms of the Subscription Agreement and on any subsequent issue to him of Loan Notes under the terms of the Subscription Agreement and (ii) the ratio as between CLS and LS that shall apply on any such subsequent issue\*\*.

	<b>Principal Amount of Loan Notes (£)</b>	<b>Principal Amount of CLS (£)</b>	<b>Principal Amount of LS (£)</b>	<b>Total (£)</b>	<b>Number of Ordinary Shares if CLS fully converted at Conversion Price of £0.065</b>
Initial Issue	£3,274,300	£3,274,300	£0	£3,274,300	50,373,846

Maximum Subsequent Issues***	£2,475,700	£898,262	£1,577,438	£2,475,700	13,819,415
<b>Total:</b>	<b>£5,750,000</b>	<b>£4,172,562</b>	<b>£1,577,438</b>	<b>£5,750,000</b>	<b>64,193,261</b>
<b>Maximum PIK Notes</b>	<b>£1,339,750</b>	<b>£486,061</b>	<b>£ 853,689</b>	<b>£1,339,750</b>	<b>7,477,866</b>
<b>Total</b>	<b>£7,089,750</b>	<b>£4,658,623</b>	<b>£ 2,431,127</b>	<b>£7,089,750</b>	<b>71,671,127</b>

\*\* for each £100 principal amount of Loan Notes issued on any subsequent issue, including PIK Notes, £36.28 principal amount thereof shall be issued in CLS and £63.72 principal amount thereof shall be issued in LS.

\*\*\*the minimum principal amount of the Loan Notes that may be issued in any single issue of the Loan Notes by the Company after the initial issue shall be £1,000,000.

The Loan Notes are freely transferable by Roberto Sella as the holder of the Loan Notes subject always to him transferring all (and not some only) of the Loan Notes.

The proceeds of all such subscriptions for the Loan Notes shall be used to fund the Company's working capital requirements for the time being. Until the Loan Notes are repaid by the Company or, in the case of the CLS, repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of the Loan Note Instrument, interest shall accrue and be paid on the principal amount of the Loan Notes outstanding (and, in respect of the CLS, so far as not converted into Ordinary Shares) at a rate of 2.33% per annum and shall become due and payable by the Company to Roberto Sella as the holder of the Loan Notes on each 6-month anniversary of the date of issue of the Loan Notes. If the Company fails to pay redemption monies or interest when due on the Loan Notes, interest shall continue to accrue on the unpaid amount at a rate of 2.33% per annum.

On any date on which interest on the Loan Notes is payable, the Company may at its own option issue to Roberto Sella as the holder of the Loan Notes that number of additional payment in kind Loan Notes (in satisfaction of the Company's obligation to pay interest on any such date) of £1.00 nominal amount that equals every £1.00 of interest due to Roberto Sella as the holder of the Loan Notes in the ratio as between the CLS and the LS set out as follows (rounded upwards to the nearest whole number) in full or partial satisfaction of interest that has accrued in respect of the Loan Notes up to that date:

<b>Payment In Kind Loan Notes</b>	<b>Amount (£)</b>	<b>Principal Amount of CLS (£)</b>	<b>Principal Amount of LS (£)</b>	<b>Total (£)</b>	<b>Number of Ordinary Shares if CLS issued as Payment In Kind Loan Notes fully converted at Conversion Price of £0.065</b>
For each	£100	£36.28	£63.72	£100	558

No application has been, or shall be, made to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Loan Notes. The Loan Notes have not been registered under the United States Securities Act of 1933 nor qualified under any US state securities laws and are being issued pursuant to an exemption from registration contained in the United States Securities Act of 1933 and qualification provisions of applicable United States state securities laws.

The Company's obligations in respect of the Loan Notes shall be secured in favour of Roberto Sella by the Debenture.

The Company will provide the following financial information in respect of the Company to Roberto Sella for so long as he is the holder of the Loan Notes, which obligation of the Company shall automatically cease and determine upon the transfer by Roberto Sella of any Loan Notes and which shall not be an obligation of the Company to any subsequent holder of the Loan Notes:

- (a) within 180 days after the end of each of its financial years, the audited consolidated accounts of the Company;

- (b) within 30 days after the end of each month, it's the monthly management accounts of the Company in the format distributed to its board of directors; and
- (c) promptly, all notices or other documents dispatched by the Company to its shareholders (or any class of them) or to its creditors generally.

If Roberto Sella as the holder of the Loan Notes so determines, all the Loan Notes then in issue (and, in the case of the CLS, so far as not converted into Ordinary Shares) prior to the Final Redemption Date shall be redeemed at the principal amount together with interest on the Loan Notes outstanding at the rate of 2.33% per annum on the relevant of the following dates:

- (a) the 5th anniversary of the Loan Note Instrument; or
- (b) a date not less than 20 Business Days following a material breach by the Company of any of the terms and/or conditions of the Loan Note Instrument; or
- (c) a date not less than 20 Business Days following the occurrence of certain events of default; or
- (d) a date not less than 20 Business Days following a change of control of the Company,

If not otherwise redeemed or, in the case of the CLS redeemed or converted, the Loan Notes shall be redeemed on the Final Redemption Date when the Company shall repay to Roberto Sella as the holder of the Loan Notes the principal amount of the Loan Notes so redeemed, together with interest on such Loan Notes outstanding at the rate of 2.33% per annum.

Roberto Sella as the holder of the Loan Notes may at any time serve a written notice on the Company to convert all or part of the CLS outstanding into fully paid Ordinary Shares at the following conversion price:

- (a) a price per Ordinary Share of £0.065, which price shall apply at any time on or before the Final Redemption Date; or
- (b) a price per Ordinary Share of £0.01, which price shall apply at any time after the Final Redemption Date if the principal amount of and accrued interest on any outstanding CLS have not been repaid on or before the Final Redemption Date unless the Company's failure to pay is caused by administrative or technical error and payment is made within two Business Days of its due date.

The Ordinary Shares arising on conversion of the CLS shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the conversion date and shall carry the right to receive all dividends and other distributions declared after the conversion date. Provided that at the time of issue of Ordinary Shares pursuant to the conversion of the CLS, the Ordinary Shares (or any of them) are listed on the Official List of the UK Listing Authority or are admitted to trading on AIM or permission has been granted for dealings therein on any other recognised investment exchange in any part of the world, the Company will, not later than two Business Days after the issue of such Ordinary Shares, apply to such body for permission to deal in or for quotation of such Ordinary Shares (as the case may be) and shall use all reasonable endeavours to secure such permission or quotation.

### 1.3 DEBENTURE

Subject to the passing of the Resolutions, the Debenture shall be executed between the Company and Roberto Sella pursuant to which the Company agreed to provide security over the assets of the Company to Roberto Sella in respect of the monies paid by Roberto Sella to the Company by way of his subscription for the Loan Notes pursuant to the Subscription Agreement.

The Company shall on demand pay to Roberto Sella and discharge the secured liabilities when they become due under the terms of the Loan Notes, being all present and future monies, obligations and liabilities owed by the Company to Roberto Sella, whether actual or contingent and whether owed jointly or severally, as principal or surety and/or in any other capacity whatsoever, under or in connection with the Loan Notes, the Loan Note Instrument or the Debenture together with interest payable in respect of such monies or liabilities. As a continuing security for the payment and discharge of such secured liabilities, the Company with full title guarantee charges to Robert Sella by way of fixed charge all present

and future goodwill and uncalled capital for the time being of the Company and charges to Robert Sella by way of floating charge, all the undertaking, property, assets and rights of the Company at any time not effectively mortgaged, charged or assigned pursuant to such fixed charge.

Such floating charge shall automatically and immediately (without notice) be converted into a fixed charge over the relevant charged property of the Company (being all the assets, property and undertaking of the Company for the time being subject to the security interests created by the Debenture) if:

- (a) the Company creates, or attempts to create, over all or any part of the charged property an encumbrance (being any mortgage, charge (whether fixed or floating, legal or equitable), pledge, lien, assignment by way of security, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect) without the prior written consent of Roberto Sella or any trust in favour of another person or disposes or attempts to dispose of all or any part of such charged property (other than property subject only to the floating charge while it remains uncrystallised, which property may be disposed of in the ordinary course of business); or
- (b) a receiver is appointed over all or any of such charged property that is subject to the floating charge; or
- (c) any person levies or attempts to levy any distress, attachment, execution or other process against all or any part of such charged property; or
- (d) Roberto Sella receives notice of the appointment of, or a proposal or an intention to appoint, an administrator of the Company.

Roberto Sella may in his sole discretion at any time by written notice to the Company convert the floating charge created under the Debenture into a fixed charge as regards any part of such charged property specified by Roberto Sella in that notice. Any asset acquired by the Company after any crystallisation of the floating charge created under the Debenture which but for such crystallisation would be subject to a floating charge shall (unless Roberto Sella confirms in writing to the contrary) be charged to Roberto Sella by way of first fixed charge.

The Company covenants with Roberto Sella that, as from the date of the Debenture until all its liabilities under the Debenture, the Loan Note Instrument, the CLS and the LS, and the Subscription Agreement have been discharged it will:

- (a) promptly obtain all consents or authorisations necessary (and do all that is needed to maintain them in full force and effect) under any law or regulation to enable it to perform its obligations under such documents and instruments and to ensure the legality, validity, enforceability and admissibility in evidence of such documents and instruments in its jurisdiction of incorporation; and
- (b) notify Roberto Sella of any event of default (as defined in the Loan Note Instrument) (and the steps, if any, being taken to remedy it) promptly on becoming aware of its occurrence.

The security constituted by the Debenture shall be immediately enforceable if:

- (a) The Company fails to repay the Loan Notes on any redemption date set out in the Loan Note Instrument unless its failure to pay is caused solely by an administrative error or technical problem and payment is made within three Business Days of its due date;
- (b) The Company fails (other than by failing to pay), to comply with any provision of the Debenture, the Loan Note Instrument, the CLS and the LS, and the Subscription Agreement and (if Roberto Sella considers, acting reasonably, that the default is capable of remedy), such default is not remedied within twenty-one Business Days of the earlier of (i) Roberto Sella notifying the Company of the default and the remedy required and (ii) the Company becoming aware of the default;
- (c) Any representation, warranty or statement made, repeated or deemed made by the Company in, or pursuant to, the Debenture, the Loan Note Instrument, the CLS and the LS, and the

Subscription Agreement is (or proves to have been) incomplete, untrue, incorrect or misleading in any material respect when made, repeated or deemed made;

- (d) The Company stops or suspends payment of any of its debts, or is unable to, or admits its inability to, pay its debts as they fall due;
- (e) Any action, proceedings, procedure or step is taken for:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding up, dissolution, administration or reorganisation (using a voluntary arrangement, scheme of arrangement or otherwise) of the Company; or
  - (ii) the composition, compromise, assignment or arrangement with any creditor; or
  - (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Company or any of its assets; or
  - (iv) the enforcement of any security over any assets of the Company.
- (f) The Company commences negotiations, or enters into any composition, compromise, assignment or arrangement, with one or more of its creditors with a view to rescheduling any of its indebtedness (because of actual or anticipated financial difficulties).

At any time after an event of default (as defined in the Loan Note Instrument and the Debenture) has occurred which is continuing, Roberto Sella may, by notice to the Company:

- (a) cancel all outstanding obligations of Roberto Sella under the Loan Notes whereupon they shall immediately be cancelled; and/or
- (b) declare that the amounts outstanding under the Loan Notes (and all other amounts outstanding under the Debenture, the Loan Note Instrument, the CLS and the LS, and the Subscription Agreement) are immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that the amounts outstanding under the Loan Notes be payable on demand, whereupon such amounts shall become immediately payable on demand by Roberto Sella; and/or
- (d) declare the Debenture to be enforceable.

A receiver and/or manager appointed of any or all of the property of the Company charged under the Debenture shall have, in addition to the powers conferred on receivers by statute certain further powers as set out in the Debenture.

Any release, discharge or settlement between the Company and Roberto Sella shall be deemed conditional upon no payment or security received by Roberto Sella in respect of the secured liabilities being avoided, reduced or ordered to be refunded pursuant to any law relating to insolvency, bankruptcy, winding-up, administration, receivership or otherwise.

#### **1.4 FUTURE EQUITY PARTICIPATION AGREEMENT**

Subject to the passing of the Resolutions, the Future Equity Participation Agreement shall be entered into between the Company and Roberto Sella pursuant to which the Company agree, in consideration for Roberto Sella subscribing and paying for the Loan Notes, that Roberto Sella shall have the right, but not the obligation, during the term of the Loan Notes to participate (with an allocation to him of new Ordinary Shares that is at least equal on a pro-rata basis to his shareholding in the Company on the date of the future equity participation agreement) in any Equity Fundraising at a subscription price that is 80% (eighty per cent.) of the issue price to be offered to the other Shareholders or other new investors in the Company who participate in any Equity Fundraising. All other terms and conditions of any Equity Fundraising shall apply equally to Roberto Sella as they shall apply to the other Shareholders or any other new investors in the Company. The parties to the Future Equity Participation Agreement acknowledge that this does not commit the Company in any way to undertake any Equity Fundraising in

the future.

#### 1.5 PRIORITY OF SECURITY AGREEMENT

Subject to the passing of the Resolutions, the Priority of Security Agreement shall be entered into between the Company and Roberto Sella pursuant to which each such party acknowledges and agrees that:

- (a) the Company is in the process of changing its bankers from HSBC Bank plc to Barclays and that the Company's proposed security arrangements to be undertaken with such banks will not be finalised prior to the completion of the Financing; and
- (b) if requested by Barclays, the Company and Roberto Sella shall each take such action and execute such documents promptly as may reasonably be required to give effect to the terms of the Priority of Security Agreement, including without limitation executing a deed of priority in favour of Barclays relating to Barclays' priority of security (in priority to the security granted by the Debenture in favour of Roberto Sella), such priority to be limited to a maximum amount of £300,000 held by the Company.

## PART III

### RISK FACTORS

Shareholders should be aware that an investment in the Company is highly speculative and involves a high degree of risk. Before making any investment decision, Shareholders should carefully consider all the information contained in this document including, in particular, the risk factors described below, which are not presented in any order of priority and may not be exhaustive.

The following risk factors are all those known by the Directors which are considered to be material in their opinion. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations.

#### A. CONDITIONS OF THE FINANCING

The Financing is subject to certain conditions, including the need for Shareholder approval in connection with the Resolutions, the non-fulfilment of which would mean that the Financing could not be implemented and that the Company is likely to become insolvent unless substantial alternative funding can be obtained at short notice.

#### B. BUSINESS RISKS

##### *Force majeure*

The economics of the Company's projects may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or other catastrophes or epidemics.

##### *Additional financing and future issues of shares may result in immediate dilution*

The Company may require further financing in addition to amounts proposed to be raised in the Financing. Any additional equity financing may be dilutive to Shareholders. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Financing. In addition, the issue of additional Shares by the Company, or the possibility of such issue or exercise, 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.

Any debt financing, if available, may involve restrictions on other forms of financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be forced to reduce the scope of its operations, its anticipated expansion or ultimately cease to trade.

##### *Currency fluctuations could materially adversely affect the Company's results*

As a large proportion of the Company's revenue streams may come from abroad, exchange rate fluctuations could have a material adverse effect on the Company's profitability or the price competitiveness of its products. There can be no guarantee that the Company would be able to compensate for, or hedge against, such adverse effects and, therefore, adverse exchange rate movements could have a material adverse effect on the Company's business, results of operations and/or financial condition.

##### *The Group operates in an evolving market*

The ecommerce industry is rapidly evolving. The Group's business and prospects must, therefore, be considered in light of the risks and difficulties the Group encounters operating in this evolving industry. These risks and difficulties include:

- difficulties in managing rapid growth in personnel and operations;
- complex technology that may require substantial investment to keep up with technological developments;



- lack of profitability to date; and
- reliance on customers to change procurement habits and adopt the Group's cloud solution.

The Group cannot be certain that its business strategy will be successful or that it will successfully address these risks. The Group's failure to address any of the risks described above could have an adverse effect on its business.

***The Group's platform depends on the proper operation of the real-time communication network (typically the Internet) used by the customer and the Company's hosting sites***

The Group relies to a significant degree on the efficient and uninterrupted operation of its computer and communications systems and those of third parties, including the internet. Customer access to the Group's platform and the speed with which customers and suppliers interact with the online process of the platform may affect the retention of clients of the Group and the attractiveness of its services. Any failure of the network generally or any failure of current or new computer and communication systems could impair the processing and storage of data and the day-to-day management of the Group's business. While the Group does have extensive disaster recovery and business continuity contingency plans, no assurance can be given that, if a serious disaster affecting the business, its systems or operations occurred such plans would be sufficient to enable the Group to recommence trading without loss of business.

Furthermore, the Group has, from time to time, experienced operational "bugs" in its systems and technologies which have resulted in errors. The Group expects operational bugs to continue to occur from time to time due to a combination of one or more of the following: electro-mechanical equipment failures, computer server or system failures, network outages, software performance problems or power failures.

The efficient operation of the Group's business systems and IT is critical to attracting and retaining customers. If the Group is unable to meet customer demand or service expectations due to one or more of the aforementioned issues arising, deterioration in the Group's financial condition and future prospects may occur.

***Information security may be compromised leading to loss of contracts and reputational damage***

The Group relies on encryption and authentication technology to provide the security necessary to effect the secure transmission of confidential information from its customers. The Group cannot guarantee absolute protection against unauthorised attempts to access its IT systems, including malicious third party applications that may interfere with or exploit security flaws in the platform and the Group's services. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a user's computer or in the Group's computer systems or attempt to change the internet experience of users by interfering with the Group's ability to connect with its users. If any compromise in the Group's security measures were to occur and the Group's efforts to combat this breach are unsuccessful, the Group's reputation may be harmed leading to an adverse effect on the Group's financial condition and future prospects.

***The Group may be affected by an increase in governmental regulation of the internet and/or online service provision***

The application or modification of existing laws or regulations, or adoption of new laws and regulations relating to the internet and online operations could adversely affect the manner in which the Group currently conducts its business. The law of the internet remains largely unsettled, even in areas where there has been some legislative action. In addition, the growth and development of the market for online service provision may lead to more stringent customer protection laws which may impose additional burdens on the Group, all of which may have an adverse effect on the Group's financial condition and future prospects.

***Any expansion by the Group through merger and acquisition activity may be unsuccessful***

The Group may expand through mergers and acquisitions. In identifying potential merger and acquisition targets, the Group would make every effort to ensure appropriate due diligence is carried out. Merger and acquisition activity, including the difficulties involved in integrating companies,

businesses or assets, may divert financial and management resources from the Group's core business, which could have an adverse effect on the Group's financial condition and future prospects. In addition, there can never be a guarantee that mergers or acquisitions will successfully achieve their aims.

### ***Technological risks***

The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market. Staying abreast of technological changes may require substantial investment. The Group's existing platform may become obsolete or may be superseded by new technologies or changes in customer requirements. The technology used in the Group's platform is ever evolving and is highly complex and may change rapidly. If it fails to keep up with technological developments and the resulting changes in user behaviour, its business, financial condition and results of operations may be materially and adversely affected.

### ***The ownership of the intellectual property within the platform used by the Group may be challenged by third parties that have contributed to its production***

The Group's intellectual property has been developed by a number of individuals, most of whom were directly employed by the Group, but also by a number of external contractors. The Group is not aware of any third party that has any claim over the intellectual property of the Group, however, if it was proven that part of the Group's intellectual property was in fact owned by a third party, this could lead to third party infringement claims and other litigation, the removal of certain functionality from the Group's platform, a possible suspension of access to the platform and the business, financial condition and results of operations may be materially and adversely affected.

### ***Intellectual property protection***

The Group has no registered intellectual property rights in respect of its platform, however, under English law the Group would usually be protected by copyright over its source code. Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using the platform without authorisation. There may not be adequate protection for the intellectual property in every country in which the Group's services are made available and policing unauthorised use of proprietary information is difficult and expensive. The Group may not be able to detect and prevent infringement of its intellectual property.

Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.

### ***Litigation***

Whilst the Group has taken, and intends to continue to 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. 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.

### ***Expansion into overseas/new markets***

The Group's future growth may be impacted by its ability to generate business in additional geographical markets. There is no guarantee that the Group will be able to generate the required level of sales or profitability if the costs of entry into and operating in these new geographical areas prove to be higher than expected. Other anticipated barriers to entry include language and the legal and regulatory regimes of the territory concerned. There is also no guarantee that expansion into additional geographical

markets will not cause disruption and harm to the Group's existing business.

### ***Geographical expansion may present money laundering and other legal risks on the Group***

As a function of the Group's growth, the Group may have future engagements in countries that carry money laundering risks, other legal risks and/or sanctions. The Group will monitor brief and project delivery from these territories and flag any suspicious trends.

### ***Dependence on key executives and personnel***

The Group's development and prospects are dependent upon the continued services and performance of its Directors, senior management and other key personnel. The loss of the services of any of the Directors, senior management or key personnel or a substantial number of talented employees, could cause disruption or the loss of experience, skills or customer relationships of such personnel, which could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Potential requirement for further investment***

Any further expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

### ***Market risks***

The Group faces competitive and strategic risks that are inherent in a rapidly growing market. The Group's technology platform is complex and may contain undetected defects; problems may also be discovered from time to time in existing, new or enhanced services. Undetected defects could increase the Group's costs or reduce revenues. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

### ***Competition***

Current and potential competitors of the Group may have substantially greater financial, technical and marketing resources, longer operating histories, larger customer bases, greater name recognition and more established relationships than the Group and so may be better able to compete in the Group's target markets.

### ***Reputation***

The Group's reputation is central to its future success, in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group's reputation and future revenue.

### ***Dividends***

The Group's current policy is not to pay dividends. There can be no assurance as to the level of future dividends (if any) that may be paid by the Group. Any determination to pay dividends in the future will be a decision for the Board (and, except in the case of an interim dividend, will be subject to Shareholder approval) and may depend upon the Group's contractual restrictions, restrictions imposed by applicable law and International Financial Reporting Standards, from time to time, and other factors the Board deems relevant. The payment of dividends by the Group is subject to its having sufficient distributable reserves and cash for such purpose, each of which will depend on the underlying profitability of the Group.

### ***The Group's objectives may not be fulfilled***

Although the Group has a clearly defined future strategy there can be no guarantee that its objectives will be achieved. The failure of the Group to fulfil its strategy as currently anticipated (whether in whole or in part) may have an adverse effect on future Group revenue.

### ***Visa Agreement***

In the event that there is a change in strategy by the management of Visa then this may impact on the success of the Visa Partnership and the ability of the Company to succeed with the new business model referred to in the letter from the Chairman set out in Part I of this document.

## **C. RISKS RELATING TO THE FINANCING**

### ***Share price volatility***

The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the sector or equities generally, any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally.

### ***Dilution of ownership of Ordinary Shares***

Shareholders' (excluding Mr. Roberto Sella) proportionate ownership and voting interest in the Company will be reduced pursuant to the Financing.

### ***Pre-emption rights***

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the 2006 Act unless such rights are waived by a special resolution of the Shareholders at a general meeting (as proposed in respect of the Financing and the further allotments of shares under Resolutions 2 and 3), or in certain circumstances stated in the articles of association of the Company. To the extent that pre-emption rights are applicable, US and certain other non-UK holders of the Ordinary Shares may not be able to exercise pre-emption rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements thereunder is available.

### ***Ordinary Shares traded on AIM***

The existing Ordinary Shares of the Company are traded, and any new Ordinary Shares to be issued under the terms of the Financing will trade, on AIM rather than the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A Shareholder 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 authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in the Ordinary Shares on AIM may have limited liquidity.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.

***No guarantee that the Company's Ordinary Shares will continue to be traded on AIM***

The Company cannot assure investors that the Company's Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded could decline.

***Taxation***

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 Group depends on the specific circumstances of the relevant investor.

**The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.**

## PART IV

### INFORMATION ON THE CONCERT PARTY GROUP MEMBERS AND ADDITIONAL DISCLOSURES REQUIRED UNDER THE CITY CODE

The Financing gives rise to certain considerations under the City Code. Brief details of the Takeover Panel, the City Code and the protections they afford are described below.

The City Code is issued and administered by the Takeover Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The company is an AIM quoted public company and its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares already held by him and an interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the City Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

Under the City Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the City Code, control means an interest, or aggregate interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests gives de facto control. Mr. Roberto Sella and Mr. Mike Pasternak are considered by the Panel to be acting in concert and therefore a concert party.

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Rule 9 of the City Code further provides, among other things, that where any person who, together with persons acting in concert with him is interested in shares carrying over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

Mr. Roberto Sella and Mr. Michael Pasternak are treated as acting in concert under the City Code. A table setting out each member of the Concert Party's individual interests as at the date of this document and immediately following Completion is set out in paragraph 2.1 of Part V and reasons for them being treated as a concert party are included in Part IV of this document.

Following approval of the Financing, and assuming that Roberto Sella subscribes for all the CLS that have been constituted including the total number of CLS that he would receive as additional payments in kind in respect of interest and converts such CLS in full, and assuming no other person has exercised any option or any other right to subscribe for shares in the Company following the date of this document, the Concert Party will be interested in 81,043,262 Ordinary Shares carrying approximately 41.64 per cent. of the voting rights of the Company. Without a waiver of the obligations under Rule 9 of the City Code, this would oblige the Concert Party to make a Rule 9 Offer.

**Shareholders should note that:**

**Assuming full subscription and conversion of the CLS, the Concert Party will be interested in Ordinary Shares which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of the Company, and as such should it acquire any additional interest in Ordinary Shares which increases the percentage of Ordinary Shares carrying voting rights in which it is interested, then it will normally be required to make a general offer to all the holders of Ordinary Shares carrying voting rights of the Company to acquire the balance of their interests in the Company..**

**1. Information on Roberto Sella (“RS”)**

- 1.1 RS founded LL Funds in 2009, an investment management firm specialising in distressed mortgage-backed securities. He began his investment career with Miller, Anderson & Sherrerd in 1992, becoming a Portfolio Manager in 1996, ending up as co-lead U.S. Fixed Income for the Investment Management division at Morgan Stanley. Prior to working in investment management, RS worked at the Board of Governors of the Federal Reserve System as an Assistant Economist, and spent one year consulting for the Organization for Economic Cooperation and Development in Paris. RS received his BA in Economics and Mathematics, Phi Beta Kappa, from the University of Wisconsin, and went on to earn an MBA from The Wharton School, University of Pennsylvania. RS is based in Philadelphia, USA.
- 1.2 RS was introduced to the Company by MP (defined below) in 2015 (further details are set out below), following which he invested £1m on 23 July 2015.
- 1.4 Over the last 12 months RS has purchased and disposed further shares in the market as follows:

<b>Date of purchase</b>	<b>No. of shares purchased / (sold)</b>	<b>Interest in voting rights before purchase</b>	<b>Interest in voting rights after purchase</b>
13/03/2015	625,000	0.00%	0.52%
25/03/2015	100,000	0.52%	0.60%
24/04/2015	900,000	0.60%	1.34%
28/04/2015	900,000	1.34%	2.08%
08/06/2015	100,000	2.08%	2.17%
16/06/2015	250,000	2.17%	2.33%
17/06/2015	400,000	2.33%	2.65%
30/06/2015	250,000	2.65%	2.86%
14/07/2015	500,000	2.86%	3.26%
14/07/2015	500,000	3.26%	3.67%
14/07/2015	500,000	3.67%	4.07%
14/07/2015	500,000	4.07%	4.48%
21/07/2015	150,000	4.48%	4.60%
<b>23/07/2015 (new issue)</b>	<b>5,000,000</b>	<b>4.60%</b>	<b>8.65%</b>
02/09/2015	1,000,000	8.65%	9.09%
05/10/2015	250,000	9.46%	9.29%
06/10/2015	350,000	9.66%	9.56%
09/10/2015	525,000	9.95%	9.97%
02/11/2015	1,900,000	10.37%	11.45%

**2 Information on Michael Pasternak (“MP”)**

- 2.1 MP was appointed as a non-executive director on 24 March 2016. He is a US citizen based in New Jersey and is currently the CEO of SAFE Holding Co., LLC a combined hydroponic and fish farm. Prior to this, he was a senior portfolio manager and trader at Saudi International Bank, an affiliate of JP Morgan, and Goldman Sachs.
- 2.2 As explained in more detail below, RS and MP have a number of common investments. In

particular, RS and MP were, on launch, and are still the majority owners of SAFE Holding Co., LLC.

2.3 MP first invested in the Company in March 2000 and was issued with 5,000,000 shares and a further 1,500,000 shares in July 2000, combined this represented 5.43% of total voting rights. Following a 10 for 1 share re-organisation and further investments, at the time of the Company's flotation on AIM in December 2005, MP held 1,150,000 shares representing 3.06% of the total voting rights. In the last 12 months, MP has sold ordinary shares (as set out below), and it is proposed that he will be appointed to the Board upon conclusion of the Financing, owing to his experience of working in the Middle East and the US, two major growth regions for the Company, he has recently been appointed to the Board.

2.4 Over the last 12 months MP has purchased and disposed further shares in the market as follows:

<b>Date of purchase</b>	<b>No. of shares purchased / (sold)</b>	<b>Interest in voting rights before purchase</b>	<b>Interest in voting rights after purchase</b>
13/03/2015	25,000	5.22%	5.24%
16/04/2015	(25,000)	5.24%	5.22%
17/04/2015	(25,000)	5.22%	5.20%
24/04/2015	(7,000)	5.20%	5.19%
27/04/2015	(18,000)	5.19%	5.18%
28/04/2015	(25,000)	5.18%	5.16%
01/05/2015	(25,000)	5.16%	5.14%
08/05/2015	(25,000)	5.14%	5.11%
12/05/2015	(25,000)	5.11%	5.09%
19/05/2015	(15,000)	5.09%	5.08%
05/06/2015	(10,000)	5.08%	5.07%
17/08/2015	(100,000)	5.07%	4.71%
18/08/2015	(100,000)	4.71%	4.63%
19/08/2015	(100,000)	4.63%	4.56%
19/08/2015	(400,000)	4.56%	4.24%
25/08/2015	(200,000)	4.24%	4.09%
02/09/2015	(1,000,000)	4.09%	3.31%
12/10/2015	(200,000)	3.31%	3.15%
13/10/2015	(200,000)	3.15%	3.00%
14/10/2015	(200,000)	3.00%	2.84%
15/10/2015	(400,000)	2.84%	2.53%
16/10/2015	(400,000)	2.53%	2.22%
19/10/2015	(500,000)	2.22%	1.83%
20/10/2015	(200,000)	1.83%	1.67%

### **3 Concert Party**

3.1 MP first met RS in March 2007 when MP was interviewed by RS for a position at Morgan Stanley Investment Management (MSIM), MP ultimately declined for personal reasons. However, RS and MP felt strongly that they wanted to work together. Subsequently RS and MP kept up a regular dialogue in anticipation of this. MP subscribed \$250,000 to Series A of LL Funds, managed by Permit Capital LLC where RS was the fund manager. Since early 2014 MP, at RS' request, has shared many of the investment opportunities MP has extensively researched and participated in.

3.2 The common investments that RS and MP have are as follows:

- (i) LL Funds
  - a. RS is the Managing Member of LL Funds, LLC
  - b. MP subscribed to Permit Capital Mortgage Fund, L.P. – Series A, an investment partnership managed by LL Funds, LLC(as explained above)
- (ii) Terrestrial Energy Inc.



- a. A Canada based designer of fourth generation nuclear fission reactors based on molten salt reactor technology
  - b. RS and affiliated entities participated in the second round funding during 2015.
  - c. MP invested in both the first and second funding round
  - d. MP is a prospective consultant to Terrestrial Energy Inc.
- (iii) Watt Fuel Cell Corporation
- a. A New York based developer and manufacturer of specialised and residential fuel cells
  - b. RS participated in the latest funding round in 2015
  - c. MP participated in the previous and current funding rounds
  - d. MP is a board member
- (iv) cloudBuy plc - as discussed in this document
- (v) SAFE Holding Co., LLC
- a. A Delaware based entity developing a sustainable agriculture campus in Berlin, NY. Activities and products include sturgeon for caviar, hydroponic lettuce, and generating electricity and heat from a CHP plant
  - b. MP and RS have been the majority owners since it was founded in September 2015
  - c. MP is also Managing Member and CEO
  - d. RS has made bridging loans to a subsidiary of SAFE Holding Co. LLC, SAF NY Realty, in 2015 and 2016

3.3 The combined interest of RS and MP in voting rights (on a fully diluted basis) in the Company both before and after the subscription by RS and the issue by the Company to RS of the Loan Notes in full and on conversion of all such Loan Notes capable of conversion in respect of the Financing (the "RS Investment") is as follows:

**Total shares in issue prior to Financing:** 130,432,664

**Total shares in issue post Financing\*:** 202,104,441

Shareholder	Interest in voting rights prior to the Financing	Interest in voting rights following the Financing*
RS	11.27%	42.744%
MP	1.65%	1.06%
<b>Concert Party</b>	<b>12.92%</b>	<b>43.80%</b>

\*assuming the CLS, as well as maximum number of payment in kind issued CLS, are converted in full

#### 4. The Concert Party's intentions regarding the Company's business

4.1 The Concert Party have informed the Directors that, they are not currently proposing any changes that would effect:

- (i) the strategic plans for the Company;
  - (ii) the employment of the Company's or its own personnel including the continued employment of, or the conditions of employment of, any of the Company's management; or including pension rights of the employee or the management of the Company;
  - (iii) the redeployment of fixed assets of the Company;
  - (iv) the location of the Company's or its own business or operating subsidiaries; or
  - (v) the Company's Ordinary Shares trading on AIM.
  - (vi) employer contributions into the offeree company's pension scheme (including with regard to current arrangements for the funding of any scheme deficit), the accrual of benefits for existing members, and the admission of new members
- 4.2 On Completion, no changes will be introduced to any member of the Concert Party's business as a result of the Financing and there will be no repercussions on the location of any member of the Concert Party's places of business or their employees or conditions of employment
- 4.3 No member of the Concert Party intends that the payment of interest on, repayment of or security for any liability of theirs will depend to any significant extent on the business of the Company.
- 4.4 The members of the Concert Party have each confirmed to the Company that they intend to operate the Company's business in the future as they currently do and that they have no intention of making any changes following any increase in their percentage interests in the Ordinary Shares or their voting rights as a result of any exercise of the conversion rights in relation to the CLS.

## **5. Market Quotations**

The following table shows the middle market quotations of Existing Ordinary Shares, as obtained from the Daily Official List, of the London Stock Exchange on the first business day of each of the six months immediately before the date of this document and on 7 April 2016 (being the latest possible date prior to the posting of this document)

<b>Date</b>	<b>Price per Ordinary Share</b>
<b>7 Apr 2016</b>	<b>7.375p</b>
<b>1 Apr 2016</b>	<b>7.375p</b>
<b>1 Mar 2016</b>	<b>5.625p</b>
<b>1 Feb 2016</b>	<b>6.125p</b>
<b>4 Jan 2016</b>	<b>8.875p</b>
<b>1 Dec 2015</b>	<b>6.375p</b>
<b>2 Nov 2015</b>	<b>6.750p</b>
<b>1 Oct 2015</b>	<b>18.750p</b>

## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 The Directors (whose names are set out in paragraph 3.2 below) accept responsibility for the information contained in this document, other than that relating to the Concert Party and persons connected with them, for which each party accepts responsibility as set out below except for the recommendation relating to Resolution 1 set out in the Chairman's letter, for which the Independent Board accepts responsibility.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

- 1.2 For the purposes of Rule 19.2 of the City Code only, the Concert Party (on which more information is set out in Part IV of this document) accept responsibility for the information contained in this document relating to them. To the best of the knowledge and belief of the Concert Party, Mr. Roberto Sella and Mr. Michael Pasternak, having taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

- 1.3 The business address of each of the Directors is the Company's registered address.

#### 2. Share capital and options

##### 2.1 *Issued share capital*

The issued share capital of the Company as at the date of this document and as it is expected to be immediately following the Subscription (assuming that all of the CLS including PIK Notes subscribed for are converted to Ordinary shares and no options or warrants are exercised prior to the Subscription) is set out below:

	As at the date of this document	Immediately following the Subscription
Number of fully paid Ordinary Shares	130,432,664	202,104,441

##### 2.2 *Options*

The Company has granted options over the Ordinary Shares of the Company to various employees and directors. The share options that are currently is issue are as follows:

Date of grant	Exercise price	Number
28-Aug-09	£0.0175	613,750
24-Oct-10	£0.0350	500,000
24-Dec-12	£0.1163	1,733,191
24-Mar-16	£0.10	11,394,954
Total		14,241,895

### **3. Directors' interests**

#### **3.1 Definitions and interpretation**

For the purposes of this paragraph 3:

- (i) "arrangement" includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the relevant securities of the Company which may be an inducement to deal or refrain from dealing;
- (ii) a "connected adviser" means, in relation to any person, the organisation which is advising the person in relation to the Proposals and, if that person is the Company or a member of the Concert Party, the corporate broker to that person (other than any corporate broker which is unable to act in connection with the offer because of a conflict of interest);
- (iii) "dealing" or "dealt" includes the following:
  - A. the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;
  - B. the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
  - C. subscribing or agreeing to subscribe for relevant securities;
  - D. the exercise or conversion, whether in respect of new or existing relevant securities, of any relevant securities carrying conversion or subscription rights;
  - E. the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
  - F. entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and G. any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (iv) "derivative" includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (v) "Disclosure Period" means the period commencing on 5 April 2015 and ending on 6 April 2016 (being the latest practicable date prior to the publication of this document);
- (vi) "relevant securities of the Company" means the Shares and securities convertible into, or rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto;
- (vii) ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control;
- (viii) a person is treated as "interested" in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as "interested" in securities if:

- A. he owns them;
- B. he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- C. by virtue of any agreement to purchase, option or derivative, he:
  - (a) has the right or option to acquire them or call for their delivery; or
  - (b) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- D. he is a party to any derivative:
  - (a) whose value is determined by reference to their price; and
  - (b) which results, or may result, in his having a long position in them.

3.2 The names of the Directors and their respective functions are as follows:

Ronald Duncan (*Executive Chairman and Chief Information Officer*)  
 Lyn Duncan (*Chief Executive Officer*)  
 Jonathan Holden (*Chief Operating Officer*)  
 David Gibbon (*Chief Financial Officer*)  
 Patrick Broughton (*Non-executive Director*)  
 Michael Pasternak (*Non-executive Director*)

3.3 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued ordinary share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be immediately following Admission are as follows:

	As at the date of this document		Immediately following the Subscription	
	No. of Ordinary Shares	% of Existing Ordinary Shares	No. of Ordinary Shares	% of Enlarged Share Capital
Ronald and Lyn Duncan	18,487,981	14.17%	18,487,981	9.50%
Jonathan Holden	-	-	-	-
David Gibbon	387,692	0.30%	387,692	0.20%
David Chellingsworth	290,000	0.22%	290,000	0.15%
Patrick Broughton	2,609,371	2.00%	2,609,371	1.34%
Michael Pasternak*	2,150,000	1.65%	2,150,000	1.10%

\*acting in concert with Mr. Roberto Sella

Connected Party to Ronald Duncan:

James and Isabella Duncan	900,000	0.69%	900,000	0.45%
Jamie Duncan	117,104	0.09%	117,104	0.06%
Pippa Duncan	117,104	0.09%	117,104	0.06%

3.4 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in options over the Ordinary Shares and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document are as follows:

	Existing options unchanged	Existing options cancelled and reissued	New options	Total	Exercise Price
Ronald Duncan	300,000			300,000	£0.0175
	332,867			332,867	£0.1163
		851,042		851,042	£0.10
			900,000	900,000	£0.10
<b>Total</b>	<b>632,867</b>	<b>851,042</b>	<b>900,000</b>	<b>2,383,909</b>	
Lyn Duncan	187,500			187,500	£0.0175
	332,867			332,867	£0.1163
		859,245		859,245	£0.10
			500,000	500,000	£0.10
<b>Total</b>	<b>520,367</b>	<b>859,245</b>	<b>500,000</b>	<b>1,879,612</b>	
Jonathan Holden		1,500,000		1,500,000	£0.10
			300,000	300,000	£0.10
<b>Total</b>	<b>0</b>	<b>1,500,000</b>	<b>300,000</b>	<b>1,800,000</b>	
David Gibbon		1,041,667		1,041,667	£0.10
			300,000	300,000	£0.10
<b>Total</b>	<b>0</b>	<b>1,041,667</b>	<b>300,000</b>	<b>1,341,667</b>	
Patrick Broughton		300,000		300,000	£0.10

- 3.5 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in warrants in respect of Ordinary Shares and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document are as follows:

<b>Directors holding warrants</b>	<b>Exercise price (pence)</b>	<b>Number of Ordinary shares under warrant</b>
Ronald and Lyn Duncan	2p	2,053,836

Connected Party to Ronald Duncan:

Isabella Duncan	2p	125,000
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- 3.6 Save as disclosed above, no Director nor their immediate family nor any person connected with a Director within the meaning of section 252 of the 2006 Act has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

- 3.7 During the Disclosure period there were no dealings in the Ordinary Shares by the Directors, the members of the Concert Party, all persons considered to be in concert with the Directors and the members of the Concert Party or their immediate families and connected persons save as disclosed in respect of the Ordinary Shares by Roberto Sella and Mike Pasternak set out in paragraphs 1.4 and 2.4 of Part IV of this document and Mr Patrick Broughton and Mr David Gibbon in relation to the respective subscriptions on 24 March 2016 and market purchases as follows:

<i>Date</i>		<i>Ordinary Shares Subscribed</i>	<i>Price Paid</i>
24 March 2016	Patrick Broughton	1,538,462	6.5p
24 March 2016	David Gibbon	307,692	6.5p

<i>Date</i>		<i>Ordinary Shares Market Purchases</i>	<i>Price Paid</i>
18 June 2015	David Gibbon	80,000	25.675p
24 June 2015	Patrick Broughton	100,000	24.5p-25p
5 October 2015	Ronald Duncan	50,000	15.4p
5 October 2015	Patrick Broughton	100,000	14.75p
26 November 2015	Patrick Broughton	200,000	6.45p

- 3.8 As at the last day of the Disclosure Period, save as disclosed in this paragraph 3 and Part V of this Document, neither the Directors, the members of the Concert Party, nor any member of their immediate families, related trusts or (so far as the Directors are aware) connected persons, nor any persons acting in concert with the members of the Concert Party, nor any person with whom the Directors or any person acting in concert with the Directors, nor any persons acting in concert with the Company, has an arrangement, had an interest or right to subscribe for any relevant securities of the Company (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, nor had any of the foregoing dealt in any relevant securities of the Company during the Disclosure Period.
- 3.9 As at the last day of the Disclosure Period, neither the Company, nor any member of the Concert Party, nor any person acting in concert with them has borrowed or lent any relevant securities of the Company.
- 3.10 As at the last day of the Disclosure Period there were no agreements, arrangements or understandings (including any compensation arrangement) between the Concert Party and any of the directors, recent directors, shareholders or recent shareholders of the Company or any person interested or recently interested in the Shares having any connection with or dependence upon the Subscription.
- 3.11 Save as disclosed in this paragraph 3 and Part V of this document, no Shares acquired under the proposed transactions contemplated in the Subscription will be transferred to any other persons.

#### **4. Directors' Service Agreements and Letters Of Appointment**

- 4.1. The executive Directors' services agreements are summarised below and, other than as described, have not been amended in the six months preceding the publication of this Document:

4.1.1. Executive service agreement with Ronald Duncan

On 4 August 2005, Ronald Duncan entered into a service agreement with the Company pursuant to which he is now appointed as Executive Chairman and Chief Information Officer of the Company for a salary currently of £190,000 per annum and reimbursement of all of his reasonable travelling, hotel, entertainment and other out of pocket expenses incurred in the performance of his duties. Mr Duncan has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Company, save with the prior sanction of the Company. In the event of a termination Mr Duncan has agreed to be bound by a non-competition and non-solicitation agreement for a period of six months after the termination date.

The appointment shall continue automatically until further notice and is terminal on six months' notice by the Director or six months' notice if given by the Company. The Company may terminate the appointment immediately for cause, in the event that, among other things, Mr Duncan is in serious breach of the service agreement or commits persistent misconduct or is found to be dishonest.

#### 4.1.2. Executive service agreement with Lyn Duncan

On 4 August 2005 Lyn Duncan entered into a service agreement with the Company pursuant to which she was appointed as Chief Executive Officer of the Company for a salary currently of £190,000 per annum and reimbursement of all of her reasonable travelling, hotel, entertainment and other out of pocket expenses incurred in the performance of her duties. Mrs Duncan has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Company, save with the prior sanction of the Company. In the event of a termination Mrs Duncan has agreed to be bound by a non-competition and non-solicitation agreement for a period of six months after the termination date.

The appointment shall continue automatically until further notice and is terminal on six months' notice by the Director or six months' notice if given by the Company. The Company may terminate the appointment immediately for cause, in the event that, among other things, Mrs Duncan is in serious breach of the service agreement or commits persistent misconduct or is found to be dishonest.

#### 4.1.3. Executive service agreement with Jonathan Holden

On 20 December 2013, Jonathan Holden entered into a service agreement with the Company pursuant to which he was appointed as Chief Operating Officer of the Company for a salary currently of £187,000 per annum and reimbursement of all of his reasonable travelling, hotel, entertainment and other out of pocket expenses incurred in the performance of his duties. Mr Holden has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Company, save with the prior sanction of the Company. In the event of a termination Mr Holden has agreed to be bound by a non-competition and non-solicitation agreement for a period of six months after the termination date.

The appointment shall continue automatically until further notice and is terminal on six months' notice by the Director or six months' notice if given by the Company. The Company may terminate the appointment immediately for cause, in the event that, among other things, Mr Holden is in serious breach of the service agreement or commits persistent misconduct or is found to be dishonest.

#### 4.1.4. Executive service agreement with David Gibbon

On 1st June 2015, David Gibbon entered into a service agreement with the Company pursuant to which he was appointed as Chief Financial Officer of the Company for a salary of £150,000 per annum and reimbursement of all his reasonable travelling, hotel, entertainment and other out of pocket expenses incurred in the performance of his duties. Mr Gibbon has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Company, save with the prior sanction of the Company. In the event of a termination Mr Gibbon has agreed to be bound by a non-competition and non-solicitation agreement for a period of six months after the termination date.

The appointment shall continue automatically until further notice and is terminal on six months' notice by the Director or six months' notice if given by the Company. The Company may terminate the appointment immediately for cause, in the event that, among other things, Mr Gibbon is in serious breach of the service agreement or commits persistent misconduct or is found to be dishonest.



#### 4.1.6. Letter of appointment of David Chellingsworth

On 17 October 2013 David Chellingsworth entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company for a fee of £25,000 per annum.

The appointment is terminable by the Company with immediate effect in limited circumstances such as being found guilty of fraud or being disqualified from acting as a director. Otherwise either party may terminate the appointment by delivering the other three months' written notice. There was no initial term of appointment.

#### 4.1.7 Letter of appointment of Patrick Broughton

On 17 October 2013, Patrick Broughton entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company for a fee of £10,000 per annum. He has agreed to waive his salary in return for 300,000 options which are now exercisable at 10p per share.

The appointment is terminable by the Company with immediate effect in limited circumstances such as being found guilty of fraud or being disqualified from acting as a director. Otherwise either party may terminate the appointment by delivering the other three months' written notice. There was no initial term of appointment.

#### 4.1.8 Letter of appointment of Mike Pasternak

On 25 March 2016 Mike Pasternak agreed to be appointed as a non-executive director of the Company for a fee of £25,000 per annum.

The appointment is terminable by the Company with immediate effect in limited circumstances such as being found guilty of fraud or being disqualified from acting as a director. Otherwise either party may terminate the appointment by delivering the other three months' written notice. There is no initial term of the appointment.

#### 4.1.9 Save as disclosed above, there are no other contracts of service between the Directors and the Company or any of its subsidiaries.

### 5. Major Shareholders

Insofar as has been notified to the Company, and in addition to the holdings of the Directors disclosed in paragraph 3.2 above, the following persons hold, as at the date of this document, and are expected to hold immediately following Admission, directly or indirectly, three per cent or more of the Enlarged Share Capital:

	As at the date of this document		Immediately following Subscription*	
	No. of Ordinary Shares	% of issued Ordinary Shares	No of Ordinary Shares	% of issued Ordinary Shares
Ronald and Lyn Duncan	18,487,981	14.17%	18,487,981	9.15%
Roberto M. Sella*	14,700,000	11.27%	65,073,846	42.74%
DJ Holloway	8,842,181	6.78%	8,842,181	4.38%
Herald Investment Management	4,994,986	3.83%	4,994,986	2.47%

\* Assuming all CLS including PIK notes are converted

\*\*Acting in concert with Mr. Michael Pasternak

Ronald Duncan and Lyn Duncan hold warrants for 2,053,836 shares at an exercise price of 2p per share

There is no agreement, arrangement or understanding (including any compensation arrangement) between RS or any person acting in concert with him and any of the directors, recent directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company, having any connection with or dependence upon the Financing.

## 6. The Founder Concert Party

Under the City Code, Ronald Duncan and Lyn Duncan and their connected persons being James Duncan, Isabella Duncan, Jamie Duncan and Pippa Duncan (the "**Founders**") are presumed to be acting in concert.

The Founders pursue their own independent investment objectives in a manner which they consider best suit their own interests and objectives. Consequently, each of the Founders reserves the right to seek to rebut the presumption if they deem it appropriate to do so.

Until the presumption is rebutted, however, the Founders will, following completion of the Fundraising, together own 10.1 per cent. of the Enlarged Share Capital assuming full conversion of the CLS.

## 7. Material contracts

7.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from 2 years before the date of this document and are, or may be, material:

7.1.1 the Subscription Agreement, details of which are set out in paragraph 1.1 of Part II of this document;

7.1.2 the Loan Note Instrument details of which are set out in paragraph 1.2 of Part II of this document; and

7.1.3 a restated credit facility agreement dated 8 April 2016 entered into between Patrick Broughton, Ronald and Lyn Duncan (together, the "**Lenders**" ) and the Company whereby the Lenders have provided to the Company an interest bearing credit facility in the aggregate amount of £200,000 repayable on the date arising from the earliest of the receipt of an amount of £200,000 from a Saudi based strategic partner or an alternative financing source of £200,000 with the right at the discretion of the Lenders to require certain security to be put in place in their favour over the assets of the Company.

## 8. General

8.1 Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings pending or threatened against them or being brought by the Company or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Company.

8.2 Arden Partners have both given and not withdrawn their written consent to the issue of this document with the inclusion herein of references to their names in the form and context in which they appear.

8.3 The total costs and expenses of, and incidental to, the Financing payable by the Company (including professional fees, commissions and, the cost of printing) are estimated to amount to approximately £300,000 (excluding value added tax).

8.4 The net proceeds of the Financing are expected to be approximately £5,450,000.

8.5 Additional information relating to the Company may be found at [www.cloudbuy.com](http://www.cloudbuy.com).

8.6 Save as disclosed in paragraph 4 of Part V of this document, no service contract or letter of appointment of any Director has been entered into or amended within the period of six months prior to the date of this Document.

8.7 Other than statutory compensation and payment in lieu of notice, no compensation is payable by the Company or any of its subsidiaries to any Director upon early termination of their appointment.

8.8 There is no relationship (personal, financial or commercial), arrangement or understanding between members of the Concert Party and Arden or any person who is, or is presumed to be, acting in concert with Arden.

- 8.9 No agreement, arrangement or understanding exists whereby the Ordinary Shares which may be acquired by the Concert Party pursuant to its participation in the Subscription will be transferred to any other person.
- 8.10 Save as disclosed in Part V of this document there is no agreement, arrangement or understanding (including any compensation arrangement) between the members of the Concert Party and any person acting in concert with any of them and acts of the Directors (or their close relatives and related trusts) recent directors of the Company, Shareholders or recent Shareholders of the Company or any person interested or recently interested in the Ordinary Shares, having any connection with or dependence upon the persons set out in this document.

## **9. Documents on display**

Copies of the following documents will be available for inspection at the offices of the Company's solicitors, Steptoe and Johnson, 5 Aldermanbury Square, London EC2V 7HR during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), and on the Company's website [www.investor.cloudbuy.com](http://www.investor.cloudbuy.com) for a period of 12 months from the date of this document:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the audited consolidated accounts of the Company for the years ended 31 December 2013, 2014 and the interim results for the six months ended 30 June 2015;
- (iii) the letter of consent referred to in paragraph 8.2 above;
- (iv) the Subscription Agreement;
- (v) the Loan Note Instrument;
- (vi) the Debenture;
- (vii) the Future Equity Participation Agreement;
- (viii) the Directors' Service Agreements and Letters of Appointment referred to in paragraph 4 above;
- (ix) the Material Contracts referred to in paragraph 7 above; and
- (x) a copy of this document together with the Notice.

## **10. Electronic publication of this document**

This document is not to be taken as a summary of the information in the list documents in section 9 and should not be regarded as a substitute for reading the list of documents in full. Hard copies of this Document will not be sent to those Shareholders who have previously elected to receive documents electronically. Those Shareholders who wish to receive a hard copy of this document or any of the documents listed in section 9 (above) (who have previously elected to receive documents electronically) should request this by contacting the Company Secretary, cloudBuy plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading RG7 8NN or by telephone to +44 (0)118 963 7000.

## **11. Financial Information of the Company and Incorporation by reference**

The following information is incorporated by reference into this Document pursuant to Rule 24.15 of the Takeover Code and is available free of charge at the Company's website at [www.cloudbuy.com](http://www.cloudbuy.com).

- (i) the Annual Report and Accounts of the Company for the year ended 31 December 2013;
- (ii) the Annual Report and Accounts of the Company for the year ended 31 December 2014.

**Date 8 April 2016**

# **CLOUDBUY PLC**

*(incorporated in England and Wales with registered number 05668788)*

## **NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a General Meeting of cloudBuy plc (“**cloudBuy plc**” or the “**Company**”) will be held at 11.30 a.m. on 26 April 2016 at 13<sup>th</sup> Floor, 5 Aldermanbury Square, London EC2V 7HR for the purpose of considering and, if thought fit, passing the following resolutions, which in the case of Resolutions 1 and 2 will be proposed as ordinary resolutions and in the case of Resolution 3 will be proposed as a special resolution.

Resolution 1 will be taken in accordance with the City Code on Takeovers and Mergers on a poll of the Independent Shareholders present and by proxy voting at the General Meeting. Only the Independent Shareholders, as described in the Circular, are entitled to vote on Resolution 1.

Unless the context requires otherwise, words and expressions defined in the circular to the Company’s shareholders issued by the Company dated 8 April 2016 (the “**Circular**”), of which this Notice of General Meeting forms part, have the same meanings when used in this Notice.

## **ORDINARY RESOLUTIONS**

1. THAT, the grant of the Rule 9 Waiver (as defined in the Circular) by the Panel on Takeovers and Mergers described in the Circular of any requirement under Rule 9 of the City Code on Takeovers and Mergers on the members of the Concert Party, both individually and collectively, (as defined in the Circular) to make a general offer to the shareholders of the Company to acquire the issued and to be issued share capital of the Company as a result of the participation of Roberto Sella in the Subscription (as defined in the Circular) and the allotment to him of the CLS Shares arising on conversion of the CLS (as defined in the Circular) be and is hereby approved.
2. THAT, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) in the Company and to grant rights to subscribe for, or to convert any equity securities into, shares in the Company subject to the following conditions:
  - (a) the maximum aggregate nominal amount of CLS Shares to be allotted arising on full conversion of the CLS (as defined in the Circular) shall be £716,718; and
  - (b) the maximum aggregate nominal amount of Ordinary Shares to be allotted arising on exercise of the Options (as defined in the Circular) in full shall be £142,419,

PROVIDED that this authority shall expire on 25 April 2021 unless revoked, varied or renewed before such date save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry, and the Directors are hereby authorised to allot such securities in the Company or grant rights to subscribe for or to convert any securities into

shares in the Company in pursuance of such offer or agreement as if the authority conferred hereby had not expired..

## SPECIAL RESOLUTION

3. THAT, the Directors be and they are hereby generally and unconditionally empowered pursuant to section 570 of the 2006 Act to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 2 above as if section 561(1) of the 2006 Act did not apply to any such allotment, PROVIDED that this power shall:
- (a) be limited to the allotment of equity securities up to an aggregate nominal amount of £859,130 (being the maximum aggregate nominal amount of the CLS Shares and the Ordinary Shares to be allotted pursuant to and as set out in Resolution 2); and
  - (b) expire on 25 April 2021 unless revoked, varied or renewed before such date save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry, and the Directors are hereby authorised to allot such securities in the Company or grant rights to subscribe for or to convert any securities into shares in the Company in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

DATED the 8<sup>th</sup> day of April 2016

*Registered Office*

Unit 5 Jupiter House  
Calleva Park  
Aldermaston  
Reading  
RG7 8NN

*By Order of the Board*

Ronald Duncan  
*(Executive Chairman and Chief Information)*

### NOTES:

1. In order to comply with the City Code on Takeovers and Mergers, Resolution 1 will be taken on a poll and the Concert Party (as defined in the Circular) will not participate.
2. Any member entitled to attend and vote at the General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and vote instead of the member. Shareholders will receive a Form of Proxy with this document. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting, or any adjournment thereof, in person.
3. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on the resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the votes "For" and "Against" such resolution.
4. In order to be valid, any Form of Proxy and a power of attorney or other authority under which it is signed must be duly completed and reach the Company Secretary, cloudBuy plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading, RG7 8NN, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the General Meeting and in default may not be treated as valid.
5. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
6. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 11.30 a.m. on 22 April 2016 (or if the General Meeting is adjourned, Shareholders registered in the register of members of the Company not later than 48 hours before the time fixed for the adjourned General Meeting) shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after the relevant times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. As at 5.30 p.m. on the date immediately prior to this Notice, the Company's issued share capital comprised 130,432,664 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at 5.30 p.m. on the date immediately prior to this Notice is 130,432,664.

