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Placing to raise £4.95m



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PCI-PAL PLC

("PCI Pal" or the "Company")

Proposed placing to raise £4.95 million (the "Placing")

The Board of PCI Pal, the secure payment solutions provider for organisations taking card based payments by telephone, is pleased to announce the Company's intention to raise £4.95 million (before expenses) by way of a placing of 11,000,000 new Ordinary Shares as further outlined below.

Highlights

- Placing to raise aggregate gross proceeds of £4.95 million at a price of 45 pence per Ordinary Share (the "Placing Price")
- Approximately £3.9 million of the Placing proceeds raised from certain VCT/EIS investors will be used to:
 - Grow the Company's existing North American operations, in particular to capitalise on the Company's growing pipeline of North American opportunities through the activation in the region of its cloud-based service offering via AWS

- Increase marketing expenditure and to fund an expected increase in working capital in its North American operations as the business grows
- The balance of net funds raised in excess of £3.9 million will be used to accelerate the growth of the business in both domestic and international markets and for general working capital purposes
- Expansion of the Company's North American operations is expected to include hiring new staff in channel sales, sales and marketing, channel deployment and in support functions in Charlotte, North Carolina, and the activation of new AWS instances in the United States and in Montreal
- The Placing is being made under existing authorities and is conditional on, amongst other things, admission of the Placing Shares to trading on AIM ("Admission")
- The Placing Price of 45 pence represents a discount of approximately 29.5 per cent. to the average mid-market closing price for the last 30 trading days, being the period from 14 December 2017 to 29 January 2018, being the last practicable trading day prior to the release of this Announcement

The proposed Placing is to be made with a limited number of institutional and other investors including VCT/ EIS investors. A number of existing and new investors in the Company have indicated their interest in participating in the Placing during recent market soundings and will be contacted following release of this announcement to confirm their participation in the Placing on the basis of the terms and conditions contained in the Appendix to this announcement. Accordingly, it is expected that finalisation of the Placing process will commence shortly following the release of this announcement. As soon as practicable after the Placing process has been completed, a further announcement will be made containing details of the final number of Placing Shares to be issued at the Placing Price by the Company (together with the approximate gross proceeds and estimated net proceeds of the Placing).

The Placing Shares are expected to represent approximately 25.8per cent. of the Company's enlarged share capital (excluding shares held in treasury) (based on the assumption that 11,000,000 Placing Shares are issued pursuant to the Placing) and will be allotted and issued under the existing shareholder authorities granted by shareholders of the Company at the annual general meeting held on 19 October 2017.

Details of the Placing

The Placing is expected to raise gross proceeds of £4.95 million through the issue of approximately of 11,000,000 Placing Shares at the Placing Price of 45 pence per share (based on the assumption that 11,000,000 Placing Shares are taken up and issued pursuant to the Placing). The net proceeds of the Placing are estimated to be approximately £4.6m.

The Board believes that raising equity finance using the flexibility provided by a non-pre-emptive placing is the most appropriate and optimal structure for the Company at this time. This allows both certain existing institutional holders and certain new investors the opportunity to participate in the Placing and avoids the requirement for a prospectus or circular, which is a costly and more time consuming process. It also facilitates the timely completion of the fundraise.

Pursuant to the placing agreement entered into earlier today between N+1 Singer and the Company (the "Placing Agreement"), N+1 Singer has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares.

The Placing is conditional, amongst other things, upon:

- the Placing Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 31 January 2018 or such later time and/or date (being no later than 8.00 a.m. on the Longstop Date) as N+1 Singer and the Company may agree.

The Placing Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Placing Shares to trading on AIM. It is expected that Admission will occur and that dealings in the Placing Shares will commence at 8.00 a.m. on 31 January 2018, at which time it is also expected that the Placing Shares will be enabled for settlement in CREST.

The Placing Agreement contains certain customary warranties from the Company in favour of N+1 Singer in relation to, inter alia, the accuracy of the information contained in this Announcement and certain other matters relating to the Group and its business. In addition, the Company has given certain undertakings to N+1 Singer and has agreed to indemnify N+1 Singer in relation to certain customary liabilities they may incur in respect of the Placing. N+1 Singer has the right to terminate the Placing Agreement in certain circumstances prior to Admission including inter alia: (i) for certain force majeure events or other events involving certain material adverse changes or prospective material adverse changes relating to the Group; or (ii) in the event of a breach of the warranties or other obligations of the Company set out in the Placing Agreement. Under the Placing Agreement the Company has agreed to pay certain fees and commission to N+1 Singer and certain other costs and expenses in connection with the Placing and Admission.

An announcement will be made following the completion of the Placing process (expected to be later today) confirming the final number of Placing Shares to be issued pursuant to the Placing and the Placing Price, the gross proceeds and the estimated net proceeds.

Participation in the Placing is subject to the terms and conditions set out in the Appendix (which, together with this announcement, is referred to herein as the "Announcement").

N+1 Singer has been appointed as placing agent (the "Placing Agent") in respect of the Placing and is acting as nominated adviser and broker to the Company. The Placing is not being underwritten by the Placing Agent.

This Announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 ("MAR"). In addition, market soundings (as defined in MAR) were taken in respect of the Placing with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

This announcement should be read in its entirety. In particular, your attention is drawn to (i) the section headed 'Risk Factors' below and (ii) the detailed terms and conditions of the Placing and further information relating to the Placing and any participation in the Placing that is described in the Appendix to this announcement (which forms part of this announcement).

By choosing to participate in the Placing and by making an oral and legally binding offer to acquire Placing Shares, investors will be deemed to have read and understood this announcement in its entirety (including the Appendix), and to be making such offer on the terms and subject to the conditions of the Placing contained herein, and to be providing the representations, warranties and acknowledgements contained in the Appendix.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2018

| | |
|---|--------------------------|
| Admission and dealings in the Placing Shares expected to commence on AIM | 8.00 a.m. on 31 January |
| Where applicable, expected date for CREST accounts to be credited in respect of Placing Shares in uncertificated form | 8.00 a.m. on 31 January |
| Where applicable, expected date for despatch of definitive share certificates for Placing Shares in certificated form | on or around 14 February |

Note: Each of the above dates is subject to change at the absolute discretion of the Company and N+1 Singer

For further details, please contact:

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N+1 Singer is authorised and regulated by the Financial Conduct Authority (the "FCA") in the United Kingdom. N+1 Singer is acting exclusively for the Company and no one else in connection with the Placing and N+1 Singer will not be responsible to anyone (including any Placees) other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this announcement.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by the Placing Agent or by any of its affiliates or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefor is expressly disclaimed.

No statement in this announcement is intended to be a profit forecast or estimate, and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than on the AIM market of the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

This Announcement may contain and the Company may make verbal statements containing "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company, including amongst other things, United Kingdom domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the effect of competition, inflation, deflation, the timing effect and other uncertainties of future acquisitions or combinations within relevant industries, the effect of tax and other legislation and other regulations in the jurisdictions in which the Company and its respective affiliates operate, the effect of volatility in the equity, capital and credit markets on the Company's profitability and ability to access capital and credit, a decline in the Company's credit ratings; the effect of operational risks; and the loss of key personnel. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Any forward-looking statements made in this Announcement by or on behalf of

the Company speak only as of the date they are made. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this Announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

FURTHER INFORMATION

Background to and reasons for the Placing

About the Group

PCI Pal is a supplier of contact centre payment solutions which enable organisations to take customer payments over the phone whilst minimising the risk of data loss and cybercrime. The shares of PCI-PAL PLC and its predecessor have been admitted to trading on AIM since September 2000. The Group completed the strategic sale of its call centre operations in September 2016 and, since then, PCI Pal has focussed exclusively on its suite of secure payment solutions for contact centres, which were initially developed to meet the needs of the Group's own call centre operations. The Company has held Level 1 PCI DSS compliant certification since 2012 and is a participating member of the PCI Security Standards Council.

PCI Pal's technology intercepts payment card information entered by users on their telephone keypad during Card Not Present transactions, so that the information does not enter the client's contact centre. This approach protects cardholder data whilst minimising the burden of regulatory compliance on the contact centre. Once intercepted, payment card details are sent by PCI Pal to the relevant client payment processor. On completion of the transaction, confirmation is sent to the contact centre to enable a record of the transaction to be maintained without holding the payment card details.

The Group's existing clients include well-known organisations such as AllSaints, DHL, Ikea, Made.com, UNICEF, Severn Trent Water, Net-a-Porter, Virgin Active and Schneider Electric.

Development of the AWS platform

Since the strategic sale of the call centre operations in September 2016, the Group has developed its AWS (Amazon Web Services) cloud platform to enhance support for its multi-national clients. The newly developed next generation platform is quickly scalable into any AWS data centre, does not rely on third parties for connectivity to a client's systems and can be readily integrated with telephony, desktop contact management software or CRM systems and payment processing systems. The Group's AWS platform was certified as Level 1 PCI DSS compliant in October 2017 and international partners are signed up to sell the new platform as part of their broader contact centre offerings. Conditional on the completion of the Placing, the first AWS instance is ready to go-live in the US, subject only to external testing with customers.

Whilst PCI Pal will continue to service clients on its established first-generation platform, the Company is seeking to leverage its extensive contact centre expertise and its AWS platform to target international expansion, principally through channel partners. The AWS platform is expected to improve deployment times both domestically and in overseas territories and minimises issues relating to data sovereignty, as new local cloud instances can be launched with relative ease. By contrast, the Company's first-generation platform would have required the Company to establish a relationship with a local telecommunications partner and implement systems in-country to meet local data sovereignty requirements. PCI Pal will continue to support its resilient first-generation platform for existing customers, but will focus on selling its pure-cloud AWS solution to new customers.

As new customers sign up to PCI Pal's AWS delivery platform, the Company is expected to evolve towards a recurring, monthly license revenue model. Given that the majority of contracts on the AWS platform are currently expected to be multi-year contracts (typically 3 years) with a minimum contract value, this continuing evolution is expected to provide the Group with greater revenue visibility. The Group's standard contracts also typically contain a provision enabling them to automatically renew annually at the expiry of the minimum term, so long as the customer has not given a notice to terminate the agreement.

The minimum contract value typically consists of a one-off fee covering setup, professional services and training, together with a recurring rental licence fee, which is typically based on

the size of the customer's contact centre.

The AWS platform has been designed to scale with demand and has also been designed to reduce the reliance on third party service providers and so is currently expected to allow the gross margins generated from its AWS platform to approach and eventually exceed 90 per cent. (before taking into account any allocation of development resource, internal selling commissions and overheads).

Revenue secured via channel partners will be recognised at the rate that the service is charged to the Company's partner (i.e. it is not subject to further reduction to a 'net share' of that collected).

Regulatory and other market drivers

In 2005 Visa and others introduced the Payment Card Industry Data Security Standard, or PCI DSS as it is more commonly known. PCI DSS was designed to provide a worldwide standard that businesses could adhere to in processing card payments in order to protect sensitive cardholder data and reduce card fraud. It is now overseen by the Payment Card Industry Security Standards Council ("PCI SSC"), which was formed by American Express, Discover Financial Services, JCB International, MasterCard and Visa in September 2006 with the goal of managing the ongoing evolution of the PCI DSS. PCI Pal is a member of the PCI SSC.

Verizon indicated in its 2015 Payment Security Report that only 20 per cent. of organisations it surveyed were PCI DSS compliant, while its 2017 Payment Security Report highlighted that only 55 per cent. of organisations remain compliant after 9 months after their first assessment. The Company's offering is highly relevant in remedying non-compliance and maintaining compliant systems, as it can remove the contact centre from the scope of the PCI DSS review.

The General Data Protection Regulation (GDPR) is expected to be a key market driver and is set to come into force from May 2018. The GDPR is designed to unify data protection laws across the European Union and include new and more detailed protection for personal data.

While similar to the UK's Data Protection Act, the GDPR will cover changes in technology as well as new accountability requirements for data controllers and processors. Significantly, data controllers and processors who undergo a data breach and are found to be non-compliant can face fines of 4% of their global annual turnover or up to €20m, whichever is the greater. This is a substantial increase on currently levied fines and is expected to be a key driver of increased interest in PCI compliance. The GDPR applies to data held on European citizens irrespective of where the data itself is held, so has wider reaching implications beyond the EU.

Strategy and expansion plans

The Directors believe that PCI Pal has established commercial momentum since the sale of its contact centre businesses in September 2016. The Group currently has 71 clients contracted to use the Group's services, of which 48 are currently operational with all but one of the balance currently scheduled to go-live within the next 3 months and to become revenue generating thereafter. Once all of the currently scheduled customers go-live, the Directors believe that the contracted back-log of customers would be expected to generate a further £0.8 million in annual license recurring revenue. The majority of this backlog pipeline is currently scheduled to go-live on the Company's first-generation platform, but it is intended that in future all new opportunities will be signed up to the cloud-based AWS platform.

In addition, PCI Pal currently has 12 active channel partners, including 8x8 and Civica, as well as more recent contract wins with Newvoicemedia, inContact in the US, and Capita which are yet to go-live but are already generating pipeline opportunities from our engagement with the partner marketing and sales teams ahead of the technical integration.

The Directors believe that the Company's AWS platform is creating a growing number of additional commercial opportunities, including via emerging channel partnerships with major telecommunications companies in the UK and North America, global system integrators and major payment providers. These large partner relationships are expected to take time to lead to fee paying client deployments, but the Board considers that these relationships have the potential, in time, to result in additional sales opportunities with larger average sale values than currently experienced by the Group.

As at 26 January 2018, the total contract value of the Group's pipeline of qualified sales opportunities had grown to circa £19.4 million (over the minimum contract lifetime of the potential contracts). The Group's North American business was established in May 2017. Following the establishment of the business the first employee was hired in July 2017 and the Group's product offering was launched a month later. Since that time, the North American team (which has grown to four sales and marketing personnel) has generated a sales pipeline with potential total contracted value of up to £5.3 million.

Increasing focus on channel partners to generate growth

PCI Pal expects to dedicate a significant proportion of its marketing and sales effort to generating sales through channel partners. The increased scalability of the AWS platform provides a greater breadth of opportunity on which to capitalise, and so the Company accordingly intends to increase its utilisation of channel partners to scale the business. Whilst this approach requires investing time and effort in providing high levels of support and training to channel partner vendors, once the relationship is formed it typically provides potential access to a larger number of existing contact centres already utilising the channel partner's services.

The Company currently has 12 active channel partners signed up to offer its solutions, with 5 of these partners having clients based in North America some of whom are in discussions with the US office to take the Group's services. As stated in its December 2017 trading update, PCI Pal believes that, while revenue momentum may take time to build through the channel sales route to market, once the channel has been established the Company will have access to a far greater potential market opportunity than that available from direct sales alone.

North American expansion

The Board estimates that the current market opportunity in the United States for PCI Pal's services is around five times larger than that of the UK, based on the number of seats or agents in larger contact centres. With a growing pipeline of opportunities in North America, a developing marketplace with increasing awareness both of payment card industry drivers to use PCI DSS compliant solutions, regulatory requirements (including GDPR governing European citizens' data worldwide), the increasing impact of data security breaches from financial, commercial, reputational and share price perspectives, and the Directors' belief that there is no established market leader in North America, the Board considers the expansion of its operations in the region to be a logical and compelling strategic step.

Following an initial exercise to assess the market potential using the services of a retained UK ex-patriate consultant, the current North American operation was incorporated in May 2017 and the first hire was made in July 2017. As at the end of December 2017 the team has grown to four members and they have focussed on developing PCI Pal's understanding of the North American market and initiating sales and marketing outreach and channel partnerships, which has helped to shape the Board's expansion plans. The North American operations are based in Charlotte, North Carolina, which is the second largest financial services centre in the US with a relatively low cost base, a suitable time zone and convenient travel connections with the UK and across North America.

With broadly 80 per cent. of the Company's costs being personnel related, the majority of the proceeds of the Placing will be used to hire and remunerate new staff in marketing, sales and channel sales, deployment and support functions, as well as ensuring executive level management coverage in the US. Recruitment will continue to be thorough and focussed as the Group aims to attract high quality personnel with experience of contact centre, telephony and payment industries, including channel sales.

The Company stated in December 2017 that in light of the growing number of enquiries for its services that it was "evaluating the resourcing levels that may be required to take full advantage of the commercial opportunities in a nascent but fast-growing international market." With its cloud based AWS platform giving the Group the capability to provide secure payment solutions that complement contact centre environments internationally, the Company is confident of continuing success in providing its PCI compliant contact centre payment solutions. The Placing reflects the additional resourcing needs of the business as it continues to win key channel partners and access volume customer prospects.

Use of proceeds

Approximately £3.9 million of the proceeds of the Placing will be used to execute the Company's North American expansion plan, including the additional expense of new employees, largely based in its office in Charlotte, North Carolina, increased marketing expenditure, an expected increase in working capital and new live instances of AWS in the US and Canada. The balance of funds raised will be used to accelerate the growth of the business in both domestic and international markets and for general working capital purposes.

Current trading and outlook

Since 1 July 2017 current trading for the Group has been in line with the management's expectations, with the business continuing to evolve from a direct selling model to the channel focused model.

Based on unaudited figures, recurring revenues for the first six months of the financial year have increased by 33% to £793,000, up from £595,000 in the equivalent prior year period. Total revenues have increased by 3% to £1.00 million (2016: £0.98 million), reflecting the fact that the Group sold a one-off set of low margin equipment for £0.2 million to a large new client in the first half of the prior year. This type of equipment will not be required by clients using the next generation AWS platform.

The Group has continued to invest in its staff during the recent half-year period. In September 2016, at the time of the disposal of the contact centre businesses, the Group had 12 staff, and by the year end in June 2017 this had grown to 29 staff, all of whom were in the UK. At the end of December 2017, the Group staffing level had grown to 37, including the four sales and marketing personnel in the US.

As detailed above, the Directors believe that the Group is progressing well in developing its sales pipeline, especially in its North American operation. The Directors believe that the North American pipeline has the potential to grow significantly over the next few months and years and could eventually exceed the UK equivalent pipeline, particularly given that the North American market opportunity is considered to be five times larger than that in the UK. The Directors therefore consider that the Group has the potential opportunity to generate significant demand for its cloud-based offering, generating further levels of recurring revenue offering in the short- to medium-term.

The Group is evaluating the effects of IFRS 15 - Revenue from Contracts with Customers - on the Group's financial reporting. As the Group sells its services on a multi-year basis it is likely to have to amortise most, if not all, of its non-recurring revenues over the length of these contracts. This will therefore defer some revenue and so change the profits of the business accordingly. The change in reporting is not expected to affect the cash position of the business as the Group's contractual terms will remain unchanged.

RISK FACTORS

Prospective investors should be aware that an investment in the Company involves a higher than normal degree of risk. An investment in the Company should be regarded as speculative. In addition to the other information in this document, the following risk factors (which are not set out in any order of priority) should be considered carefully in evaluating whether to make an investment in the Company. If any of the risks described in this document actually occur, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be materially adversely affected. In that event, the market price of the Ordinary Shares could decline and all or part of an investment in the Company could be lost. Additional risks and uncertainties not currently known to the Directors may also have a material adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of all risks affecting the Group.

Whilst representing significant opportunities for value creation, there are a number of additional risks associated with the execution of the Company's expansion plans. Accordingly, the following seeks to update the principal business risks and uncertainties set out in the Group's Annual Report and Accounts for the year ended 30 June 2017 with those factors which the Board consider to be relevant in the context of the Group's growth strategy.

Limited operating history and management of growth: PCI Pal has a limited operating history as a standalone business and does not have an extensive track record, nor has it previously achieved critical mass in overseas markets or domestically using its second-generation cloud-based technology platform. The Company is therefore subject to all the risks and

uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its objectives. Therefore, the value of an investment in the Company could decline and may result in the total loss of all capital invested.

Future financing requirements and access to capital: There can be no assurances that the Company will successfully develop its business in the manner intended or otherwise, or that the resources it has will be suitable or sufficient for its requirements. The Company may require the injection of further capital. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms acceptable to the Company or to the Company's shareholders. Furthermore, any additional capital raised through the sale of equity may dilute Shareholders' ownership interests in the Group and may have an adverse impact on the value of the Group's Ordinary Shares. The terms of financing may also adversely affect Shareholders' holdings or rights, or may contain restrictive covenants. If adequate additional funding cannot be obtained, the Group may have to abandon or limit any planned activity and/or business development and/or otherwise scale back its operations, all of which could have a material adverse effect on the Group's growth plans, financial position, results of operations and/or prospects.

Generation of sales through Channel Partners: While the Board believes that the use of international channel partners (including but not limited to telephony, payment processor and contact management software providers) is the most appropriate route to market to scale the PCI Pal business with large, multi-national customers, delays could arise in the expected timetable of engagement with existing and other suitable channel partners and in the implementation of the sales process to their customers. Any such delays are likely to slow the rate of growth in the Company's sales. This could have an impact on the trading and financial position of the Company given it is currently loss making and may also require increased scale to achieve cash breakeven. Also, generating sales through channel partners will require staff time to train channel partners in product knowledge and in marketing the Company's solutions. Furthermore, the investment of time and effort is not guaranteed to deliver new sales via channel partners. However, the Board believes that its experience of already generating sales through channel partners and its hiring of experienced personnel with relevant industry and channel knowledge will give it the potential opportunity to onboard partners successfully, thereby potentially mitigating these risks. There can be no assurance that the Group will achieve breakeven and/or profitability.

Growth plans may change: PCI Pal is at an early stage in its plans to capitalise on its new cloud based AWS platform through international expansion. Whilst the Board has carefully considered the strategic growth options available to the Company, the international marketplace for secure payment services is rapidly evolving. As such, the Board may alter its current expansion plans if a material new opportunity presents itself that, in the opinion of the Board, is more attractive than focussing only on UK /European and North American expansion. Any change in strategy may require additional financing, which may include the issue of additional ordinary shares in the Company and dilution to shareholders.

Inability to recruit and retain suitably experienced personnel: Additional staff will be required to scale the business in overseas and domestic markets. Failure to recruit and retain the individuals required would significantly restrict the Group's growth potential. The Group also depends on the services of its key technical, operations, sales and management personnel. The loss of the services of any one or more of these key persons could have a material adverse effect on the Group's business. The Group maintains an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Intellectual property rights ("IPR"): The Group is reliant on IPR surrounding its internally generated and in-licensed software. Whilst it relies upon IPR protections including patents, copyrights, trademarks and contractual provisions, it may be possible for third parties to obtain and use the Group's intellectual property without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.

In addition, the Directors are aware of the supply risk of losing key software partners. As these partners are not a significant part of the core solutions, this would be expected to have a short-term impact only on the Group as the Directors believe that the Group would be able to find alternative new partners.

Information technology: Data security and business continuity pose inherent risks for the Group. The Group invests in and keeps under review formal data security and business

continuity policies which are independently audited. The Group's solutions do not retain details of its clients' payment data or that of their end customers.

Our core PCI platforms are audited annually to enable us to maintain our PCI DSS level 1 accreditations. This audit includes annual certification and attempted penetration testing trying to hack into the platforms. The new platform is hosted on the AWS cloud infrastructure, which is already PCI DSS compliant.

Any failure or material outage of any of the Group's core IT systems (or any other technology/system upon which the Group is reliant), whether operated and/or managed by the Group or a third party, could materially adversely impact on the Group's financial condition, results of operations and prospects.

Cyber-security: The Group could be a potential target for cyber-attacks. Any actual or perceived breach of security affecting the Group's systems or cyber-security could materially adversely impact on the Group's business (and its relationship with its customers) as well as the Group's financial condition, results of operations and prospects.

Operational risks: To reduce the operational risks PCI Pal have multiple datacentres locations from which services are delivered. These back up facilities have independent telephone lines, phone switch and computer data systems synchronised to the main datacentre that can automatically fail-over in the event of a major incident occurring.

The new Cloud platform has been designed to use the Amazon Web Services ("AWS") division technology platform with full failover protection. The hardware used on the AWS platform is owned and maintained by AWS and so this further reduces our operational risks. As indicated above, any failure or material outage of any technology or systems upon which the Group is reliant (including Amazon Web Services) could materially adversely impact on the Group's financial condition, results of operations and prospects.

The Group is planning to expand into new regions and this will naturally create operational risks due to having to set up systems to comply with all new local regulations and laws. Failure to comply with these laws may result in sanctions against the Company. In order to seek to mitigate these risks the Directors use a system of establishing a network of professional advisers located in each region to advise the Group accordingly and then implement a suitable control environment.

Market place and competition: The sector in which the Group operates in and/or routes to market may undergo rapid or unexpected changes or not develop at a pace in line with Directors' expectations. It is also possible that competitors will develop similar products; the Group's technology may become obsolete or less effective; or that consumers use alternative channels of communications, which may reduce demand for the Group's products and services. In addition, the Group's success depends upon its ability to develop new and enhance existing software solutions, on a timely and cost effective basis, that meet changing customer requirements and incorporate technological advancements. The Directors review the market movements, client requirements and competitive suppliers to ensure that the current portfolio is as required by clients and partners. The Directors ensure that the team is properly directed, trained and motivated to address this issue.

Failure to penetrate overseas markets successfully (including North America) could damage the Company's growth prospects. Whilst the Group has existing overseas operations in North America and has done extensive research into the market place, contact centre technology and the regulatory environment, there is no guarantee that technology and regulatory standards in overseas territories will not diverge and thereby decrease the scalability or opportunity for of the Group's platform in overseas markets. There is risk that new or existing competitors will be attracted to the US market place for PCI DSS compliance and therefore impact the competitive landscape and the Company's ability to attract new customers and /or maintain its channel partner relationships which may be negatively affected. Competitors may be able to develop products and services that are more attractive to customers than those offered by the Group.

If any of the foregoing risks occurred they could have a material adverse effect on the Group's financial condition, results of operations and prospects.

Financial risk management objectives and policies: The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade

and other payables. The Group has no significant net foreign currency monetary assets or liabilities nor any hedged transactions or positions. The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies and related risks are set out below:

- **Credit risk:** Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument, such as the receivable loan notes, fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering new contracts and it has a frequent and proactive collections process. The concentration of credit risk is limited due to the spread across a number of clients. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end, the Group's cash at bank was held with two major UK clearing banks.

Part of the loan notes receivable is guaranteed by a charge over the majority shareholding of the directors of the Company issuing the loan note.

- **Market risk:** The Directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 21 to the last reported audited financial statements.
- **Liquidity risk:** Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. On a monthly basis, the Directors review an annual twelve-month cash flow projection as well as information regarding cash balances.
- **Currency risk:** As a consequence of the increasingly international nature of its business, the Group will become more exposed to risks associated with changes in foreign currency exchange rates. The Group is based in the United Kingdom and presents its consolidated financial statements in pounds sterling. The Group's current revenues are currently generated primarily in pounds sterling. Increasingly it is envisaged that the Group's revenues will be generated in foreign currency, particularly the US dollar and the Canadian dollar. The Group's cash resources are denominated in pounds sterling. The Group has no currency hedging arrangements in place at present. Notwithstanding any future currency hedging arrangements that the Group may put in place, the Group will have exposure to translation effects arising from movements in the relevant currency exchange rates against sterling and there can be no assurance that its future results will not be significantly affected by fluctuations in exchange rates.
- **Taxation risk:** The Group's operations and business will be subject to the effect of future changes to tax legislation and practice in the countries in which it operates. Any change in the tax status of the Company or any member of the Group or in applicable tax legislation or regulations in any relevant jurisdiction could affect the Company's ability to provide returns to shareholders or negatively alter post tax returns to shareholders. The taxation of an investment in the Company depends on the individual circumstances of the investor.

Risks relating to the UK's proposed exit from the European Union: The UK's June 2016 referendum vote to leave the European Union ("EU"), and the subsequent initiation of the withdrawal procedure in March 2017 when the UK Government triggered article 50 of the Treaty on European Union, has created significant uncertainty regarding the UK's relationship with the EU, including the terms and timeframe within which the UK's exit from the EU will be effected. Although the Group has not experienced any immediate material changes to its operations and structure, the UK's proposed exit from the EU could generate political, economic and currency volatility and uncertainty in the markets. The effects of the UK's exit from the EU on the Group could include: (i) significant legal and regulatory uncertainty; (ii) increased compliance and operating costs for the Group; (iii) increased levels of inflation, in the UK and other markets in which the Group operates and lower levels of demand for the

Group's services; and (v) a reduction in the net assets and/or share price of the Company. Although it is impossible to predict the full impact of the UK's exit from the EU at this stage, the resultant risks could have a material adverse impact on the Group's growth plans, financial position, results of operations and/or prospects.

Litigation Risk: Companies in all sectors, including the sector in which the Group operates, are subject to legal claims, with and without merit. The Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results of operations and/or prospects.

APPENDIX - TERMS AND CONDITIONS OF THE PLACING

IMPORTANT INFORMATION FOR INVITED PLACEEES ONLY REGARDING THE PLACING.

THIS ANNOUNCEMENT, INCLUDING THIS APPENDIX AND THE INFORMATION CONTAINED HEREIN (TOGETHER THE "ANNOUNCEMENT") IS RESTRICTED AND IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO OR FROM THE UNITED STATES, THE REPUBLIC OF IRELAND, AUSTRALIA, CANADA, JAPAN, THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION IN WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL. THIS ANNOUNCEMENT HAS NOT BEEN APPROVED BY THE LONDON STOCK EXCHANGE, NOR IS IT INTENDED THAT IT WILL BE SO APPROVED.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS ANNOUNCEMENT IS FOR INFORMATION PURPOSES ONLY AND IS DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ("EEA") WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED ("QUALIFIED INVESTORS"), BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(e) OF DIRECTIVE 2003/71/EC AS AMENDED, INCLUDING BY THE 2010 PROSPECTUS DIRECTIVE AMENDING DIRECTIVE (DIRECTIVE 2010/73/EC) AND TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE (THE "PROSPECTUS DIRECTIVE"); AND (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) (INVESTMENT PROFESSIONALS) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER"); (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS").

THIS ANNOUNCEMENT AND THE INFORMATION IN IT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. PERSONS DISTRIBUTING THIS ANNOUNCEMENT MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS ANNOUNCEMENT DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY.

THIS ANNOUNCEMENT IS NOT AN OFFER OF SECURITIES FOR SALE INTO THE UNITED STATES. THE PLACING SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS AND AT THE SOLE DISCRETION OF THE COMPANY, THE PLACING SHARES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES IN "OFFSHORE TRANSACTIONS" WITHIN THE MEANING OF, AND IN ACCORDANCE WITH, REGULATION S UNDER THE SECURITIES ACT AND OTHERWISE IN ACCORDANCE WITH APPLICABLE LAWS. NO PUBLIC OFFERING OF THE PLACING SHARES IS BEING MADE IN THE UNITED STATES, THE UNITED KINGDOM OR ELSEWHERE. NO MONEY, SECURITIES OR OTHER CONSIDERATION FROM ANY PERSON INSIDE THE UNITED

STATES IS BEING SOLICITED AND, IF SENT IN RESPONSE TO THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT, WILL NOT BE ACCEPTED.

EACH PLACEE SHOULD CONSULT WITH ITS ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF AN INVESTMENT IN PLACING SHARES. THE DISTRIBUTION OF THIS ANNOUNCEMENT, ANY PART OF IT OR ANY INFORMATION CONTAINED IN IT MAY BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS, AND ANY PERSON INTO WHOSE POSSESSION THIS ANNOUNCEMENT, ANY PART OF IT OR ANY INFORMATION CONTAINED IN IT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, SUCH RESTRICTIONS.

No action has been taken by the Company, N+1 Singer Advisory LLP ("**N+1 Singer**") or any of their respective affiliates, agents, directors, officers or employees that would permit an offer of the Placing Shares or possession or distribution of this Announcement or any other offering or publicity material relating to such Placing Shares in any jurisdiction where action for that purpose is required.

This Announcement or any part of it does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in the United States (including its territories and possessions, any state of the United States and the District of Columbia), Canada, the Republic of Ireland, Australia, the Republic of South Africa, Japan or any other jurisdiction in which the same would be unlawful. No public offering of the Placing Shares is being made in any such jurisdiction.

All offers of the Placing Shares will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus. In the United Kingdom, this Announcement is being directed solely at persons in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") does not apply.

The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this Announcement. Any representation to the contrary is a criminal offence in the United States. The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada, no prospectus has been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance; the relevant clearances have not been, and will not be, obtained for the South Africa Reserve Bank or any other applicable body in the Republic of South Africa in relation to the Placing Shares and the Placing Shares have not been, nor will they be, registered under or offering in compliance with the securities laws of any state, province or territory of Australia, Canada, Japan or the Republic of South Africa. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, Japan or the Republic of South Africa or any other jurisdiction outside the United Kingdom.

Persons (including, without limitation, nominees and trustees) who have a contractual right or other legal obligations to forward a copy of this Announcement should seek appropriate advice before taking any action.

This Announcement should be read in its entirety. In particular, you should read and understand the information provided in this "Important Information" section of this Announcement.

By participating in the Placing, each such person (a "**Placee**") will be deemed to have read and understood this Announcement in its entirety, to be participating, making an offer and acquiring Placing Shares on the terms and conditions contained herein and to be providing the representations, warranties, indemnities, acknowledgements and undertakings contained in this Appendix.

In particular, each such Placee represents, warrants, undertakes, agrees and acknowledges (amongst other things) that:

- 1 it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
- 2 in the case of a Relevant Person in a member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") who

acquires any Placing Shares pursuant to the Placing:

- 2.1 it is a Qualified Investor within the meaning of Article 2(1)(e) of the Prospectus Directive;
- 2.2 in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:
 - 2.2.1 the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of N+1 Singer has been given to the offer or resale; or
 - 2.2.2 where Placing Shares have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 3 it is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion and has the authority to make and does make the representations, warranties, indemnities, acknowledgements, undertakings and agreements contained in this Announcement;
- 4 it understands (or if acting for the account of another person, such person has confirmed that such person understands) the resale and transfer restrictions set out in this Appendix; and
- 5 except as otherwise permitted by the Company and subject to any available exemptions from applicable securities laws, it (and any account referred to in paragraph 3 above) is outside the United States acquiring the Placing Shares in offshore transactions as defined in and in accordance with Regulation S under the Securities Act.

No prospectus

No prospectus or other offering document has been or will be submitted to be approved by the FCA in relation to the Placing or the Placing Shares and Placees' commitments will be made solely on the basis of the information contained in this Announcement, the announcement of the results of the Placing (the "**Placing Results Announcement**") and any information publicly announced through a Regulatory Information Service (as defined in the AIM Rules for Companies (the "**AIM Rules**")) by or on behalf of the Company on or prior to the date of this Announcement (the "**Publicly Available Information**") and subject to any further terms set forth in the form of confirmation to be sent to individual Placees.

Each Placee, by participating in the Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any information (other than the Publicly Available Information), representation, warranty or statement made by or on behalf of N+1 Singer, the Company or any other person and none of N+1 Singer, the Company or any other person acting on such person's behalf nor any of their respective affiliates has or shall have any liability for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

Details of the Placing Agreement and the Placing Shares

N+1 Singer has today entered into a placing agreement (the "**Placing Agreement**") with the Company under which, on the terms and subject to the conditions set out in the Placing Agreement, N+1 Singer, as agent for and on behalf of the Company, has agreed to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price.

The Placing Shares will, when issued, be subject to the articles of association of the Company and credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of such Ordinary Shares after the date of issue of the Placing Shares.

Application for admission to trading

Application will be made to the London Stock Exchange for Admission of the Placing Shares to trading on AIM.

It is expected that Admission of the Placing Shares will take place no later than the Longstop Date. It is also expected that dealings in the Placing Shares on AIM will commence at the time of Admission.

Participation in the Placing

This Appendix gives details of the terms and conditions of, and the mechanics of participation in, the Placing. No commissions will be paid to Placees or by Placees in respect of any Placing Shares. N+1 Singer and the Company shall be entitled to effect the Placing by such alternative method as they may, in their sole discretion, determine.

Principal terms of the Placing

- 1 N+1 Singer is acting as nominated adviser, financial adviser and broker to the Placing, as agent for and on behalf of the Company. N+1 Singer is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") and is acting exclusively for the Company and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of N+1 Singer or for providing advice in relation to the matters described in this Announcement.
- 2 Participation in the Placing will only be available to persons who may lawfully do so, and who are, invited by N+1 Singer to participate in the Placing. N+1 Singer and any of its respective affiliates are entitled to participate in the Placing as principal.
- 3 The final number of Placing Shares to be issued at the Placing Price will be agreed and determined between N+1 Singer and the Company and such details will be announced by the Company through a Regulatory Information Service pursuant to the Placing Results Announcement.
- 4 The Placing process is expected to close (and the Placing Results Announcement is expected to be published) no later than 5.00 p.m. on 30 January 2018 but may be closed earlier or later subject to the agreement of N+1 Singer and the Company. The Company reserves the right (upon agreement of N+1 Singer) to reduce or seek to increase the amount to be raised pursuant to the Placing, in its discretion.
- 5 Each Placee's allocation in the Placing shall be determined by N+1 Singer and the Company. Placees' commitments to subscribe for Placing Shares will be made orally to N+1 Singer on a recorded telephone line and a form of confirmation documenting such commitment will be dispatched by N+1 Singer by email as soon as possible following the release of this Announcement. That oral confirmation will give rise to an irrevocable, legally binding commitment by that person (who at that point becomes a Placee), in favour of N+1 Singer and the Company, under which it agrees to acquire the number of Placing Shares allocated to it at the Placing Price and otherwise on the terms and subject to the conditions set out in this Appendix and in accordance with the Company's articles of association. Except with N+1 Singer's written consent, such commitment will not be capable of variation or revocation at the time at which it is submitted. The terms of this Appendix will also be deemed incorporated in the form of confirmation.
- 6 N+1 Singer and the Company may choose to scale down participations in the Placing on such basis as they may determine.
- 7 The Company will release the Placing Results Announcement following the completion of the Placing process which shall detail the aggregate number of Placing Shares that have been placed at the Placing Price. Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to N+1 Singer (as

agent for the Company), to pay to it (or as it may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire and the Company has agreed to allot and issue to that Placee.

- 8 Except as required by law or regulation, no press release or other announcement will be made by N+1 Singer or the Company using the name of any Placee (or its agent) in its capacity as Placee (or agent), other than with the Placee's prior written consent.
- 9 Irrespective of the time at which a Placee's allocation(s) pursuant to the Placing is/are confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the same time, on the basis explained below under "**Registration and Settlement**".
- 10 All obligations of N+1 Singer under the Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Termination of the Placing".
- 11 By participating in the Placing, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.
- 12 To the fullest extent permissible by law and applicable FCA rules, none of (a) N+1 Singer, (b) any of N+1 Singer's affiliates, agents, directors, officers, consultants, or employees (c) to the extent not contained within (a) or (b), any person connected with N+1 Singer as defined in the Financial Services and Markets Act 2000 ("**FSMA**") ((b) and (c) being together "**affiliates**" and individually an "**affiliate**" of N+1 Singer), (d) any person acting on N+1 Singer's behalf, shall have any liability (including to the extent permissible by law, any fiduciary duties) to Placees or to any other person whether acting on behalf of a Placee or otherwise. In particular, neither N+1 Singer nor any of its respective affiliates shall have any liability (including, to the extent permissible by law, any fiduciary duties) in respect of their conduct of the Placing or of such alternative method of effecting the Placing as N+1 Singer and the Company may agree.

Registration and Settlement

If Placees are allocated any Placing Shares in the Placing they will be sent a form of confirmation or electronic confirmation by N+1 Singer, as soon as it is able which will confirm the number of Placing Shares allocated to them, the Placing Price and the aggregate amount owed by them to N+1 Singer.

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by N+1 Singer in accordance with either the standing CREST or certificated settlement instructions which they have in place with N+1 Singer.

It is expected that the Placing Shares will be issued to potential subscribers on 31 January 2018 (or such later date as the Company and N+1 Singer may agree in writing, being no later than the Long Stop Date).

Settlement of transactions in the Placing Shares (ISIN: GB0009737155) following the relevant Admission will take place within the CREST system, subject to certain exceptions. Settlement through CREST is expected to take place in respect of the Placing Shares on 31 January 2018 and Admission is expected to occur no later than 8.00 a.m. on such date unless otherwise notified by N+1 Singer.

Settlement will be on a delivery versus payment basis. However, in the event of any difficulties or delays in the Admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company and N+1 Singer may agree that the Placing Shares should be issued in certificated form. N+1 Singer reserves the right to require settlement for the Placing Shares, and to deliver the Placing Shares to Placees, by such other means as they deem necessary if delivery or settlement to Placees is not practicable within the CREST system or would not be consistent with regulatory requirements in a Placee's jurisdiction.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above, in respect of either CREST or certificated deliveries, at the rate of 2 percentage points above prevailing LIBOR as determined by N+1 Singer.

Each Placee agrees and is deemed to agree that, if it does not comply with these obligations, N+1 Singer may sell, charge by way of security (to any funder of N+1 Singer) or otherwise deal with any or all of their Placing Shares on their behalf and retain from the proceeds, for N+1 Singer's own account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due and any costs and expenses properly incurred by N+1 Singer as a result of the Placee's failure to comply with its obligations. The relevant Placee will, however, remain liable for any shortfall below the amount owed by it and for any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of their Placing Shares on their behalf. Legal and/or beneficial title in and to any Placing Shares shall not pass to the relevant Placee until such time as it has fully complied with its obligations hereunder.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees must ensure that, upon receipt, the form of confirmation is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to United Kingdom stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

Conditions of the Placing

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of N+1 Singer under the Placing Agreement are, and the Placing is, conditional upon, inter alia:

- (a) the Company allotting the Placing Shares in accordance with the terms of the Placing Agreement;
- (b) none of the warranties or undertakings on the part of the Company contained in the Placing Agreement being or having become untrue, inaccurate or misleading at any time before Admission, and no fact or circumstance having arisen which would constitute a breach of any of the Warranties or undertakings given in this Agreement;
- (c) the performance by the Company of its obligations under the Placing Agreement to the extent that they fall to be performed prior to Admission;
- (d) no matter having arisen before Admission which might reasonably be expected to give rise to an indemnity claim under the Placing Agreement;
- (e) agreement by the Company and N+1 Singer of the final number of Placing Shares to be issued at the Placing Price pursuant to the Placing and the allocation of such Placing Shares to Placees; and
- (f) Admission occurring by not later than 8.00 a.m. on 31 January 2018 (or such later date as the Company and N+1 Singer may agree in writing, in any event being not later than 8.00 a.m. on the Long Stop Date),

(all conditions to the obligations of N+1 Singer included in the Placing Agreement being together, the "**conditions**").

If any of the conditions set out in the Placing Agreement are not fulfilled or, where permitted, waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and N+1 Singer may agree, provided that the time for satisfaction of the condition set out in (e) above shall not be extended beyond 8.00 a.m. on the Long Stop Date), or the Placing Agreement is terminated in accordance with its terms, the Placing will lapse and the Placee's rights and obligations shall cease and terminate at such time and each Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

By participating in the Placing, each Placee agrees that its rights and obligations cease and terminate only in the circumstances described above and under "Termination of the Placing" below and will not be capable of rescission or termination by it.

Certain conditions may be waived in whole or in part by N+1 Singer, in its absolute discretion by notice in writing to the Company and N+1 Singer may also agree in writing with the Company to extend the time for satisfaction of any condition. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

N+1 Singer may terminate the Placing Agreement in certain circumstances, details of which are set out below.

Neither N+1 Singer, the Company nor any of their respective affiliates, agents, directors, officers, employees shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision any of them may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision any of them may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of N+1 Singer.

Termination of the Placing

N+1 Singer may terminate the Placing Agreement, in accordance with its terms, at any time prior to Admission if, inter alia:

- 1 it comes to the attention of N+1 Singer that any of the warranties were not true or accurate, or were misleading when given or deemed given; or
- 2 it comes to the attention of N+1 Singer that the Company has failed to comply with its obligations under the Placing Agreement, FSMA, MAR, the AIM Rules or other applicable law; or
- 3 there has occurred a force majeure event, or any material adverse change has occurred in the financial position or prospects or business of the Company and its subsidiary undertakings (taken as whole) which, in the opinion of N+1 Singer, will or is likely to be prejudicial to the Placing or Admission or to the subscription for Placing Shares by Placees.

If the Placing Agreement is terminated in accordance with its terms, the rights and obligations of each Placee in respect of the Placing as described in this Announcement shall cease and terminate at such time and no claim can be made by any Placee in respect thereof.

By participating in the Placing, each Placee agrees with the Company and N+1 Singer that the exercise by the Company or N+1 Singer of any right of termination or any other right or other discretion under the Placing Agreement shall be within the absolute discretion of the Company or N+1 Singer and that neither of the Company nor N+1 Singer need make any reference to such Placee and that neither N+1 Singer, the Company, nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to such Placee (or to any other person whether acting on behalf of a Placee or otherwise) whatsoever in connection with any such exercise.

By participating in the Placing, each Placee agrees that its rights and obligations terminate only in the circumstances described above and under the "Conditions of the Placing" section above and will not be capable of rescission or termination by it after oral confirmation with N+1 Singer following the close of the Placing in respect of each Placee's allocation and commitment in the Placing.

Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) Schemes

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional (amongst other things) on the qualifying conditions being satisfied throughout the period of ownership. The continuing status of the Ordinary Shares as qualifying for EIS relief will be conditional (amongst other things) on the qualifying conditions being satisfied, both by the Company and (as regards those conditions to be met by the investor) the investor throughout a period of at least three years from the date of issue. There can be no assurance that the Company will continue to conduct its activities in a way that will secure or retain qualifying status for VCT and/ or EIS purposes (and indeed circumstances may arise where the directors of the Company believe that the interests of the Group are not served by seeking to

retain such status). Further, the conditions for VCT and EIS relief are complex and relevant investors are recommended to seek their own professional advice before investing. This paragraph is without prejudice to any separate comfort letter which may have been given by the Company to certain VCT investors in connection with the Placing.

Representations, warranties and further terms

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) represents, warrants, acknowledges and agrees (for itself and for any such prospective Placee) that (save where N+1 Singer expressly agrees in writing to the contrary):

- 1 it has read and understood this Announcement in its entirety and that its acquisition of the Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements and undertakings and other information contained herein and that it has not relied on, and will not rely on, any information given or any representations, warranties or statements made at any time by any person in connection with either Admission, the Placing, the Company, the Placing Shares or otherwise, other than the information contained in this Announcement and the Publicly Available Information;
- 2 it has not received a prospectus or other offering document in connection with the Placing and acknowledges that no prospectus or other offering document: (a) is required under the Prospectus Directive; and (b) has been or will be prepared in connection with the Placing;
- 3 the Ordinary Shares are admitted to trading on AIM, and that the Company is therefore required to publish certain business and financial information in accordance with the AIM Rules, which includes a description of the nature of the Company's business and the Company's most recent balance sheet and profit and loss account and that it is able to obtain or access such information without undue difficulty, and is able to obtain access to such information or comparable information concerning any other publicly traded company, without undue difficulty;
- 4 it has made its own assessment of the Placing Shares and has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing and neither N+1 Singer, the Company nor any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of them has provided, and will not provide, it with any material regarding the Placing Shares or the Company or any other person other than the information in this Announcement, or the Publicly Available Information; nor has it requested neither of N+1 Singer, the Company, any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of them to provide it with any such information;
- 5 neither N+1 Singer, any person acting on behalf of them or any of their respective affiliates, agents, directors, officers or employees has or shall have any liability for any Publicly Available Information, or any representation relating to the Company, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person;
- 6 (a) the only information on which it is entitled to rely on and on which it has relied in committing to subscribe for the Placing Shares is contained in the Publicly Available Information, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and it has made its own assessment of the Company, the Placing Shares and the terms of the Placing based on Publicly Available Information; (b) neither N+1 Singer, the Company nor any of their respective affiliates, agents, directors, officers or employees has made any representation or warranty to it, express or implied, with respect to the Company, the Placing or the Placing Shares or the accuracy, completeness or adequacy of the Publicly Available Information; (c) it has conducted its own investigation of the Company, the Placing and the Placing Shares, satisfied itself that the information is still current and relied on that investigation for the purposes of its decision to participate in the Placing; and (d) has not relied on any investigation that N+1

Singer or any person acting on their behalf may have conducted with respect to the Company, the Placing or the Placing Shares;

- 7 the content of this Announcement and the Publicly Available Information have been prepared by and are exclusively the responsibility of the Company and that neither N+1 Singer nor any persons acting on behalf of it is responsible for or has or shall have any liability for any information, representation, warranty or statement relating to the Company contained in this Announcement or the Publicly Available Information nor will they be liable for any Placee's decision to participate in the Placing based on any information, representation, warranty or statement contained in this Announcement, the Publicly Available Information or otherwise. Nothing in this Appendix shall exclude any liability of any person for fraudulent misrepresentation;
- 8 the Placing Shares have not been registered or otherwise qualified, and will not be registered or otherwise qualified, for offer and sale nor will a prospectus be cleared or approved in respect of any of the Placing Shares under the securities laws of the United States, or any state or other jurisdiction of the United States, the Republic of Ireland, Australia, Canada, Republic of South Africa or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within the United States, the Republic of Ireland, Australia, Canada, Republic of South Africa or Japan or in any country or jurisdiction where any such action for that purpose is required;
- 9 it and/or each person on whose behalf it is participating:
 - 9.1 is entitled to acquire Placing Shares pursuant to the Placing under the laws and regulations of all relevant jurisdictions;
 - 9.2 has fully observed such laws and regulations;
 - 9.3 has capacity and authority and is entitled to enter into and perform its obligations as an acquirer of Placing Shares and will honour such obligations; and
 - 9.4 has obtained all necessary consents and authorities (including, without limitation, in the case of a person acting on behalf of a Placee, all necessary consents and authorities to agree to the terms set out or referred to in this Appendix) under those laws or otherwise and complied with all necessary formalities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto and, in particular, if it is a pension fund or investment company it is aware of and acknowledges it is required to comply with all applicable laws and regulations with respect to its subscription for Placing Shares;
- 10 it is not, and any person who it is acting on behalf of is not, and at the time the Placing Shares are subscribed for will not be, a resident of, or with an address in, or subject to the laws of, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa, and it acknowledges and agrees that the Placing Shares have not been and will not be registered or otherwise qualified under the securities legislation of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered, sold, or acquired, directly or indirectly, within those jurisdictions;
- 11 the Placing Shares have not been, and will not be, registered under the Securities Act and may not be offered, sold or resold in or into or from the United States except pursuant to an effective registration under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws; and no representation is being made as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Placing Shares;
- 12 it and the beneficial owner of the Placing Shares is, and at the time the Placing Shares are acquired will be, outside the United States and acquiring the Placing

Shares in an "offshore transaction" as defined in, and in accordance with, Regulation S under the Securities Act;

- 13 it (and any account for which it is purchasing) is not acquiring the Placing Shares with a view to any offer, sale or distribution thereof within the meaning of the Securities Act;
- 14 it will not distribute, forward, transfer or otherwise transmit this Announcement or any part of it, or any other presentational or other materials concerning the Placing in or into or from the United States (including electronic copies thereof) to any person, and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person;
- 15 neither N+1 Singer, its respective affiliates, agents, directors, officers or employees nor any person acting on behalf of any of them is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that participation in the Placing is on the basis that it is not and will not be a client of N+1 Singer and N+1 Singer has no duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
- 16 it has the funds available to pay for the Placing Shares for which it has agreed to subscribe and acknowledges and agrees that it will make payment to N+1 Singer of the total subscription amount for the Placing Shares allocated to it in accordance with the terms and conditions of this Announcement on the due times and dates set out in this Announcement, failing which the relevant Placing Shares may be placed with others on such terms as N+1 Singer may, in its absolute discretion determine without liability to the Placee and it will remain liable for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties due pursuant to the terms set out or referred to in this Announcement) which may arise upon the sale of such Placee's Placing Shares on its behalf;
- 17 its allocation (if any) of Placing Shares will represent a maximum number of Placing Shares which it will be entitled to, and will be required, to subscribe for, and that the Company may call upon it to subscribe for a lower number of Placing Shares (if any), but in no event in aggregate more than the aforementioned maximum;
- 18 no action has been or will be taken by any of the Company, N+1 Singer or any person acting on their behalf that would, or is intended to, permit a public offer of the Placing Shares in the United States or in any country or jurisdiction where any such action for that purpose is required;
- 19 the person who it specifies for registration as holder of the Placing Shares will be: (a) the Placee; or (b) a nominee of the Placee, as the case may be. Neither N+1 Singer nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to acquire Placing Shares pursuant to the Placing and agrees to pay and/ or indemnify the Company and N+1 Singer in respect of the same (including any interest or penalties) on the basis that the Placing Shares will be allotted to a CREST stock account of N+1 Singer or transferred to a CREST stock account of N+1 Singer who will hold them as nominee on behalf of the Placee until settlement in accordance with its standing settlement instructions with it;
- 20 it is acting as principal only in respect of the Placing or, if it is acting for any other person, (a) it is duly authorised to do so and has full power to make the acknowledgments, representations and agreements herein on behalf of each such person and (b) it is and will remain liable to the Company and N+1 Singer for the

performance of all its obligations as a Placee in respect of the Placing (regardless of the fact that it is acting for another person);

- 21 the allocation, allotment, issue and delivery to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a stamp duty or stamp duty reserve tax liability under (or at a rate determined under) any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services) and that it is not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue or delivery of Placing Shares would give rise to such a liability;
- 22 it and any person acting on its behalf (if within the United Kingdom) falls within Article 19(5) and/or 49(2) of the Order and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
- 23 it will not make an offer to the public of the Placing Shares and it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or elsewhere in the EEA prior to the expiry of a period of six months from Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of the FSMA or an offer to the public in any other member state of the EEA within the meaning of the Prospectus Directive;
- 24 it is a person of a kind described in: (a) Article 19(5) (Investment Professionals) and/or 49(2) (High net worth companies etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or an authorised person as defined in section 31 of FSMA; and (b) section 86(7) of FSMA ("**Qualified Investor**"), being a person falling within Article 2.1(e) the Prospectus Directive. For such purposes, it undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
- 25 it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to Placing Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person and it acknowledges and agrees that this Announcement has not been approved by N+1 Singer in its capacity as an authorised person under section 21 of the FSMA and it may not therefore be subject to the controls which would apply if it was made or approved as a financial promotion by an authorised person;
- 26 it has complied and it will comply with all applicable laws with respect to anything done by it or on its behalf in relation to the Placing Shares (including all relevant provisions of the FSMA in respect of anything done in, from or otherwise involving the United Kingdom);
- 27 if it is a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive (including any relevant implementing measure in any member state), the Placing Shares acquired by it in the Placing will not be acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a member state of the EEA which has implemented the Prospectus Directive other than Qualified Investors, or in circumstances in which the express prior written consent of N+1 Singer has been given to the offer or resale;
- 28 it has neither received nor relied on any confidential price sensitive information about the Company in accepting this invitation to participate in the Placing;
- 29 neither N+1 Singer nor any of its respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of them has or shall have any liability for any information, representation or statement contained in this Announcement or for any information previously published by or on behalf of the

Company or any other written or oral information made available to or publicly available or filed information or any representation, warranty or undertaking relating to the Company, and will not be liable for its decision to participate in the Placing based on any information, representation, warranty or statement contained in this Announcement or elsewhere, provided that nothing in this paragraph shall exclude any liability of any person for fraud;

- 30 neither N+1 Singer, the Company, nor any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of N+1 Singer, the Company or their respective affiliates, agents, directors, officers or employees is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing nor providing advice in relation to the Placing nor in respect of any representations, warranties, acknowledgements, agreements, undertakings, or indemnities contained in the Placing Agreement nor the exercise or performance of N+1 Singer's rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
- 31 acknowledges and accepts that N+1 Singer may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Placing Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise and, except as required by applicable law or regulation, N+1 Singer will not make any public disclosure in relation to such transactions;
- 32 N+1 Singer and each of its affiliates, each acting as an investor for its or their own account(s), may bid or subscribe for and/or purchase Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this Announcement to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by N+1 Singer and/or any of its respective affiliates, acting as an investor for its or their own account(s). Neither N+1 Singer nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;
- 33 it has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 (together, the "**Regulations**") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
- 34 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, FSMA, the EU Market Abuse Regulation No. 596 of 2014 and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with those obligations;
- 35 in order to ensure compliance with the Money Laundering Regulations 2007, N+1 Singer (for itself and as agent on behalf of the Company) or the Company's registrars may, in their absolute discretion, require verification of its identity. Pending the provision to N+1 Singer or the Company's registrars, as applicable, of evidence of identity, definitive certificates in respect of the Placing Shares may be retained at N+1 Singer's absolute discretion or, where appropriate, delivery of the Placing Shares to it in uncertificated form may be delayed at N+1 Singer's or the Company's registrars', as the case may be, absolute discretion. If within a reasonable time after a request for verification of identity N+1 Singer (for itself and as agent on behalf of the Company) or the Company's registrars have not received evidence satisfactory to them, N+1 Singer and/or the Company may, at its absolute discretion, terminate its commitment in respect of the Placing, in which event the monies payable on acceptance of allotment will, if already paid, be returned

without interest to the account of the drawee's bank from which they were originally debited;

- 36 acknowledges that its commitment to acquire Placing Shares on the terms set out in this Announcement and in the form of confirmation will continue notwithstanding any amendment that may in future be made to the terms and conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's or N+1 Singer's conduct of the Placing;
- 37 it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further acknowledges that it is experienced in investing in securities of this nature and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain, a complete loss in connection with the Placing. It has relied upon its own examination and due diligence of the Company and its affiliates taken as a whole, and the terms of the Placing, including the merits and risks involved;
- 38 it irrevocably appoints any duly authorised officer of N+1 Singer as its agent for the purpose of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares for which it agrees to subscribe or purchase upon the terms of this Announcement;
- 39 the Company, N+1 Singer and others (including each of their respective affiliates, agents, directors, officers or employees) will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements, which are given to N+1 Singer, on their own behalf and on behalf of the Company and are irrevocable;
- 40 if it is acquiring the Placing Shares as a fiduciary or agent for one or more investor accounts, it has full power and authority to make, and does make, the foregoing representations, warranties, acknowledgements, agreements and undertakings on behalf of each such accounts;
- 41 neither it nor, as the case may be, its clients expect N+1 Singer to have any duties or responsibilities to such persons similar or comparable to the duties of "best execution" and "suitability" imposed by the FCA's Conduct of Business Source Book, and that N+1 Singer is not acting for it or its clients, and that N+1 Singer will not be responsible for providing the protections afforded to customers of N+1 Singer or for providing advice in respect of the transactions described herein;
- 42 that it is a "professional client" or an "eligible counterparty" within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook and it is purchasing Placing Shares for investment only and not with a view to resale or distribution;
- 43 that it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its ordinary shares in accordance with the Disclosure Guidance and Transparency Rules published by the FCA;
- 44 it represents and warrants that, to the extent it has received any inside information (for the purposes of MAR) and section 56 of the Criminal Justice Act 1993) in relation to the Company and its securities, it has not: (a) dealt (or attempted to deal) in the securities of the Company; (b) encouraged, recommended or induced another person to deal in the securities of the Company; or (c) unlawfully disclosed inside information to any person, prior to the information being made publicly available;
- 45 it undertakes to N+1 Singer at the time of making its commitment to subscribe for Placing Shares that it will confirm in writing to N+1 Singer in the form of confirmation sent by N+1 Singer to Placees the number of Placing Shares and it intends to subscribe for and in respect of which VCT or EIS relief will be sought (or which will otherwise comprise Relevant Funding) and those Placing Shares in respect of which such relief will not be sought (or which will otherwise not comprise Relevant Funding);

- 46 it has consented to receive information in respect of securities of the Company and other price-affected securities (as defined in FSMA) which makes it an "insider" for the purposes of Part V of FSMA and the Market Abuse Regulation, and it agrees not to deal in any securities of the Company until such time as the inside information (as defined in FSMA) of which it has been made aware has been made public for purposes of FSMA or it has been notified by N+1 Singer or the Company that the proposed Placing will not proceed and any unpublished price sensitive information of which the Placee is aware has been publicly announced, and, other than in respect of its knowledge of the proposed Placing, it has neither received nor relied on any confidential price sensitive information concerning the Company or the Placing Shares;
- 47 that, as far as it is aware it is not acting in concert (within the meaning given in The City Code on Takeovers and Mergers) with any other person in relation to the Company;
- 48 that it is responsible for obtaining any legal, tax and other advice that it deems necessary for the execution, delivery and performance of its obligations in accepting the terms and conditions of the Placing, and that it is not relying on the Company or N+1 Singer to provide any legal, tax or other advice to it;
- 49 it will not distribute any document relating to the Placing Shares and it will be acquiring the Placing Shares for its own account as principal or for a discretionary account or accounts (as to which it has the authority to make the statements set out herein) for investment purposes only;
- 50 it is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion and has the authority to make and does make the representations, warranties, indemnities, acknowledgements, undertakings and agreements contained in this Announcement;
- 51 time is of the essence as regards its obligations under this Appendix;
- 52 any document that is to be sent to it in connection with the Placing will be sent at its risk and may be sent to it at any address provided by it to N+1 Singer;
- 53 the Placing Shares will be issued subject to the terms and conditions of this Appendix; and
- 54 these terms and conditions in this Appendix and all documents into which this Appendix is incorporated by reference or otherwise validly forms a part and/or any agreements entered into pursuant to these terms and conditions and all agreements to acquire shares pursuant to the Placing will be governed by and construed in accordance with English law and it submits to the exclusive jurisdiction of the English courts in relation to any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or N+1 Singer in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange.

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) agrees to indemnify and hold the Company, N+1 Singer and each of their respective affiliates, agents, directors, officers and employees harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings given by the Placee (and any person acting on such Placee's behalf) in this Appendix or incurred by N+1 Singer, the Company or each of their respective affiliates, agents, directors, officers or employees arising from the performance of the Placee's obligations as set out in this Announcement, and further agrees that the provisions of this Appendix shall survive after the completion of the Placing.

The agreement to allot and issue Placing Shares to Placees (or the persons for whom Placees are contracting as agent) free of stamp duty and stamp duty reserve tax in the United Kingdom relates only to their allotment and issue to Placees, or such persons as they

nominate as their agents, direct by the Company. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement related to any other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable. In that event, the Placee agrees that it shall be responsible for such stamp duty or stamp duty reserve tax and neither the Company nor N+1 Singer shall be responsible for such stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and they should notify N+1 Singer accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares and each Placee, or the Placee's nominee, in respect of whom (or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such non-United Kingdom stamp, registration, documentary, transfer or similar taxes or duties undertakes to pay such taxes and duties, including any interest and penalties (if applicable), forthwith and to indemnify on an after-tax basis and to hold harmless the Company and N+1 Singer in the event that either the Company and/or N+1 Singer has incurred any such liability to such taxes or duties.

The representations, warranties, acknowledgements and undertakings contained in this Appendix are given to N+1 Singer for itself and on behalf of the Company and are irrevocable.

Each Placee and any person acting on behalf of the Placee acknowledges that N+1 Singer does not owe any fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings, acknowledgements, agreements or indemnities in the Placing Agreement.

Each Placee and any person acting on behalf of the Placee acknowledges and agrees that N+1 Singer may (at its absolute discretion) satisfy their obligations to procure Placees by itself agreeing to become a Placee in respect of some or all of the Placing Shares or by nominating any connected or associated person to do so.

When a Placee or any person acting on behalf of the Placee is dealing with N+1 Singer, any money held in an account with N+1 Singer on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules and regulations of the FCA made under FSMA. Each Placee acknowledges that the money will not be subject to the protections conferred by the client money rules: as a consequence this money will not be segregated from N+1 Singer's money (as applicable) in accordance with the client money rules and will be held by it under a banking relationship and not as trustee.

References to time in this Announcement are to London time, unless otherwise stated.

All times and dates in this Announcement may be subject to amendment.

No statement in this Announcement is intended to be a profit forecast, and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

The Placing Shares to be issued or sold pursuant to the Placing will not be admitted to trading on any stock exchange other than the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Admission" admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules;

"AIM" the market of that name operated by the London Stock Exchange;

"AIM Rules" means the AIM rules for companies published by the London Stock Exchange (as amended from time to time) together with any guidance notes as published by the London Stock Exchange from time to time;

"Announcement" this announcement, including the Appendix;

"AWS" AWS Amazon Web Services AWS Amazon Web Services;

"certificated" or "in certificated form" where a security is not held in uncertificated form (i.e. not in CREST);

"Company" or "PCI Pal" PCI PAL PLC;

"CREST" the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);

"CREST Regulations" the Uncertificated Securities Regulations 2001 (SI 2001/3755);

"Directors" the directors of the Company;

"EIS" the Enterprise Investment Scheme;

"Euroclear" Euroclear UK & Ireland Limited, the operator of CREST;

"Existing Ordinary Shares" the existing Ordinary Shares that are in issue as at the date of this Announcement;

"FCA" the Financial Conduct Authority of the United Kingdom;

"FSMA" the Financial Services and Markets Act 2000 (as amended);

"General Data Protection Regulation" or "GDPR" the General Data Protection Regulation ((EU) 2016/679) and any national implementing laws, regulations and secondary legislation, as amended or updated from time to time;

"Group" the Company and its subsidiary undertakings;

"ITA" Income Tax Act 2007;

"London Stock Exchange" London Stock Exchange plc;

"Long Stop Date" means 28 February 2018 or, if earlier, the business day prior to the date on which the Finance (No 2) Bill (a bill currently before Parliament) receives Royal Assent;

"Market Abuse Regulation" or "MAR" Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse;

"N+1 Singer" Nplus1 Singer Advisory LLP, registered in England and Wales with number OC364131, whose registered office is at One, Bartholomew Lane, London EC2N 2AX and its affiliate, Nplus1Singer Capital Markets Limited, registered in England and Wales with number 0572780, whose registered office is at One, Bartholomew Lane, London EC2N 2AX;

"Ordinary Shares" the ordinary shares of £0.01 each in the capital of the Company;

"PCI DSS" Payment Card Industry Data Security Standard, as issued and from time to time amended by the PCI SSC;

"PCI SSC" Payment Card Industry Security Standards Council;

"Placees" the placees procured by N+1 Singer pursuant to the Placing Agreement who agree to subscribe for the Placing Shares;

"Placing" the placing of Placing Shares as described in this Announcement;

"Placing Agreement" the agreement relating to the Placing dated 30 January 2018 and made between the Company and N+1 Singer;

"Placing Price" 45 pence per Placing Share;

"Placing Shares" the new Ordinary Shares that are proposed to be issued pursuant to the Placing;

"Prospectus Directive" the Directive of the European Parliament and of the Council of the European Union 2003/71/EC;

"Regulation S" Regulation S under the Securities Act;

"Relevant Funding" means: (a) any aid, investment, grant or loan which was received by the recipient pursuant to a measure approved by the European Commission as compatible with Article 107 of the Treaty on the Functioning of the European Union in accordance with the principles laid down in the Community Guidelines on Risk Capital Investments in Small and Medium-sized Enterprises (as those guidelines may be amended or replaced from time to time); and (b) any funding received pursuant to an investment, loan or grant from any investor who: (i) is a venture capital trust (as defined in Part 6 of ITA); or (ii) has claimed, or is intending to claim, tax relief on that investment under the Seed Enterprise Investment Scheme (under Part 5A of ITA) or the Enterprise Investment Scheme (under Part 5 of ITA);

"Securities Act" the US Securities Act of 1933, as amended;

"Shareholders" holders of Ordinary Shares;

"uncertificated" or "in uncertificated form" recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;

"United Kingdom" or "UK" the United Kingdom of Great Britain and Northern Ireland;

"United States" or "US" the United States of America, its territories and possessions and the District of Columbia; and

"VCT" venture capital trusts.

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