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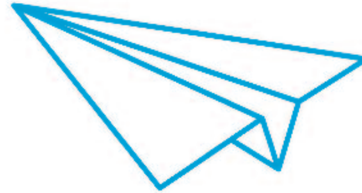

C/dialogues
MOBILE MARKETING SOLUTIONS

# AIM Admission Document

Nominated Adviser
**Strand Hanson Limited**

Broker
**Mirabaud Securities LLP**

www.CDialogues.com

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should consult an independent professional adviser authorised under the United Kingdom Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

CDialogues plc and its Directors and the Proposed Directors, whose names appear on page 5 of this document, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of CDialogues plc, the Directors and the Proposed Directors (who have taken all reasonable care to ensure this is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 27 June 2014. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on admission in the form set out in Schedule Two to the Nomad Rules. The London Stock Exchange plc has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no such other applications have been made.**

This document comprises an admission document drawn up in accordance with the AIM Rules. This document does not constitute an offer of transferable securities to the public within the meaning of sections 85 and 102B of the Financial Services and Markets Act ("**FSMA**"). Therefore this document is not an approved prospectus for the purposes of, and as defined in, section 85 of FSMA and has not been prepared as an approved prospectus in accordance with the prospectus rules made under section 73 of FSMA and has not been approved by the UKLA or by any other authority which would be a competent authority for the purposes of the Prospectus Directive (Directive 2003/71/EC).

---

# CDialogues plc

*(Incorporated and registered in England and Wales under the Companies Act 2006 with Registered No. 07653813)*

## Placing of 588,000 Ordinary Shares of £0.01each at £2.12 per Ordinary Share and Admission to trading on the AIM market of the London Stock Exchange plc

***Nominated Adviser***

**Strand Hanson Limited**

***Broker***

**Mirabaud Securities LLP**

---

SHARE CAPITAL IMMEDIATELY FOLLOWING PLACING AND ADMISSION

*Issued and fully paid*

| Number | Amount |
|---|---|
| 6,240,550 | £13,229,966 |

All the Ordinary Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Strand Hanson Limited, which is authorised and regulated by the Financial Conduct Authority, is the Company's nominated adviser for the purposes of the AIM Rules and as such its responsibilities are owed solely to the London Stock Exchange plc and are not owed to the Company or any Director or any other entity or person. Strand Hanson Limited will not be responsible to anyone other than the Company for providing the protection afforded to clients of Strand Hanson Limited or for advising any other person in connection with the Placing and Admission.

Mirabaud Securities LLP, which is authorised and regulated by the Financial Conduct Authority, is acting exclusively for the Company as its broker in relation to the Placing, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Mirabaud Securities LLP or advising any other person on the Placing and the contents of this document or any matter referred to herein.

In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Strand Hanson Limited or Mirabaud Securites LLP as to the contents of this document and Strand Hanson Limited and Mirabaud Securites LLP have not checked the contents of any part of this document for the accuracy of any information or opinions contained in this document or for any omissions of information.

**Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a high degree of risk. In particular, prospective investors' attention is drawn to the section entitled "RISK FACTORS" in Part 2 of this document.**

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and UK public holidays) free of charge to the public at the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ, for one month from the date of Admission.

The Placing is conditional on, *inter alia,* Admission taking place on or before 27 June 2014 (or such later date as the Company, Strand Hanson Limited and Mirabaud Securities LLP may agree). The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, Australia, the Republic of South Africa or Japan except that the document may be provided in certain limited circumstances to persons in the United States in connection with a placing of Ordinary Shares in exempt private placements to sophisticated institutional investors. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, any state securities laws in the United States or any securities laws of Canada, Australia, Japan or the Republic of South Africa or in any country, territory or possession where to offer them without doing so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in the United States, Canada, Australia, the Republic of South Africa, the Republic of lreland, or Japan or to, or for the account or benefit of, any person in, or any national, citizen or resident of the United States, Canada, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document.

No broker, dealer or other person has been authorised by the Company, the Directors, Mirabaud Securities LLP or Strand Hanson Limited to issue any advertisement or to give any information or make any representation in connection with the offering or sale of the Placing Shares other than those contained in this document and if issued, given or made, that advertisement, information or representation must not be relied upon as having been authorised by the Company, the Directors, Mirabaud Securities LLP or Strand Hanson Limited.

This document is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity (within the meaning of section 21 of FSMA) and has therefore not been approved by an authorised person within the meaning of FSMA. This document may only be communicated or caused to be communicated in the UK to persons falling within Articles 19 (investment professionals) and 49 (high net worth companies etc.) of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005 (SI. 2005/No. 1529) or other persons to whom it may otherwise lawfully be communicated or cause to be communicated ("**Relevant Persons**"). Consequently, this document will not be available in the United Kingdom to anyone other than Relevant Persons and no one falling outside those categories is entitled to rely on, and they must not act on, any information in this document. The communication of this document to any person in the United Kingdom other than Relevant Persons is unauthorised and may contravene FSMA.

**Forward-looking Statements**

This document contains forward looking statements relating to the Company's future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by their use of terms and phrases such as "**believe**", "**could**", "**envisage**", "**estimate**", "**intend**", "**may**", "**plan**", "**will**" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

**Third Party Information**

To the extent that information has been sourced from a third party, this information has been accurately reproduced and, so far as the Directors, the Proposed Directors or the Company are aware and able to ascertain from information published by that third party, no facts have been ommitted which may render the reproduced information inaccurate or misleading.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Publication of this document | 24 June 2014 |
| Admission effective and commencement of dealings in Ordinary Shares on AIM | 27 June 2014 |
| CREST accounts credited (as applicable) | 27 June 2014 |
| Expected date of despatch of definitive share certificates for Ordinary Shares (as applicable) | 4 July 2014 |

## PLACING STATISTICS

| | |
|---|---|
| Placing Price | £2.12 |
| Number of Ordinary Shares in issue as at the date of this document | 5,500,000 |
| Number of Placing Shares | 588,000 |
| Number of Ordinary Shares in issue immediately following Admission | 6,240,550 |
| Placing Shares as a percentage of Enlarged Share Capital | 9.4 per cent. |
| Gross proceeds of the Placing | £1.25 million |
| Net proceeds of the Placing | £0.55 million |
| Market capitalisation of the Company at the Placing Price on Admission | £13.23 million |
| AIM Ticker | CDOG |
| ISIN | GB00BN40HL64 |

## DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors** | Palaiologos (Pale) Spanos – Chief Executive Officer<br>Georgios (George) Karakovounis –Vice Chairman and Chief Financial Officer |
| **Proposed Directors** | Mark Ian Horrocks – Proposed Non-Executive Chairman<br>Jeffrey Phillip Gordon – Proposed Non-Executive Director |
| **Company Secretary** | Ben Harber |
| | all of whose business address is: |
| **Registered Office of the Company** | SGH Martineau Company Secretarial LLP<br>One America Square<br>Crosswall<br>London<br>EC3N 2SG<br>0207 264 4366 |
| **ISIN** | GB00BN40HL64 |
| **Nominated Adviser** | Strand Hanson Limited<br>26 Mount Row<br>London<br>W1K 3SQ |
| **Broker** | Mirabaud Securities LLP<br>33 Grosvenor Place<br>London<br>SW1X 7HY |
| **Solicitors to the Company** | Gowlings (UK) LLP<br>15th Floor<br>125 Old Broad Street<br>London<br>EC2N 1AR |
| **Solicitors to the Placing** | Field Fisher Waterhouse LLP<br>Riverbank House<br>2 Swan Lane<br>London<br>EC4R 3TT |
| **Reporting Accountants** | Crowe Clark Whitehill LLP<br>St Bride's House<br>10 Salisbury square<br>London<br>EC4Y 8EH |

| | |
|---|---|
| **Principal Bankers** | Barclays<br>Onslow Hall,<br>Little Green,<br>Richmond, Surrey<br>TW9 1QS |
| **Registrars** | Computershare Investor Services Plc<br>The Pavilions<br>Bridgewater Road<br>Bristol<br>BS99 6ZZ |
| **Financial PR** | Walbrook PR Ltd<br>4 Lombard Street<br>London<br>EC3V 9HD |

## DEFINITIONS

| | |
|---|---|
| "**Act**" | the Companies Act 2006 (as amended) |
| "**Admission**" | the admission to trading of the entire issued and to be issued share capital of the Company to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules |
| "**Adviser Warrants**" | the 145,211 warrants in aggregate to be granted to Mirabaud and Strand Hanson, each to subscribe for one Ordinary Share at the Placing Price at any time during the five year period commencing on Admission, constituted by the Adviser Warrant Deeds |
| "**Adviser Warrant Deeds**" | together the Broker Warrant Deed and the Nomad Warrant Deed |
| "**AIM**" | the market of that name operated by the LSE |
| "**AIM Rules**" | the AIM Rules for Companies as issued by the LSE from time to time |
| "**Articles**" | the articles of association of the Company as amended from time to time |
| "**ASP**" | Active Server Pages |
| "**Board**" | the board of directors of the Company from time to time |
| "**Broker Warrant**" | the warrant to be granted by the Company conditional upon Admission to subscribe for up to 14,515 Ordinary Shares at the Placing Price pursuant to the Broker Warrant Deed |
| "**Broker Warrant Deed**" | the warrant deed dated 23 June 2014 between the Company and Mirabaud pursuant to which the Broker Warrant is constituted, details of which are set out in paragraph 12.7.1 of Part 4 of this document |
| "**Business Day**" | a day, other than Saturday, Sunday or a public holiday, when the banks in the City of London are open for business |
| "**CDialogues Dubai**" | CDialogues MEA JLT a company incorporated and registered in the Dubai Multi Commodities Exchange Authority with registerd number JLT5958, a wholly owned subsidiary of Telilea |
| "**CDialogues Greece**" | CDialogues SA a company incorporated and registered in Greece with registered number 1167573401000, a wholly owned subsidiary of Telilea |
| "**CDialogues Russia**" | CDialogues LLC a company incorporated and registered in Russia with registered number 1127746172179, a wholly owned subsidiary of Telilea |
| "**City Code**" | The City Code on Takeovers and Mergers as published by the Panel from time to time |
| "**Company**" or "**CDialogues**" | CDialogues plc a company incorporated and registered in England and Wales with registered number 07653813 |

| | |
|---|---|
| "**Corporate Governance Code**" | the UK Corporate Governance Code published by the Financial Reporting Council of the United Kingdom |
| "**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 Uncertified Securities Regulations 2001 (SI 2001/3755) (as amended) |
| "**CRM"** | Customer Relationship Management |
| "**DG Consultancy Agreement"** | the consultancy agreement between the Company and Daroy Gordon Limited dated 23 June 2014 details of which are set out in paragraph 12.10.6 of Part 4 of this document |
| "**Directors"** | the directors of the Company as at the date of this document whose names are set out on page 5 |
| "**Disclosure Rules**" or **"DTRs"** | the Disclosure Rules and Transparency Rules published by the FCA from time to time |
| "**Employee Shares"** | the 152,550 Ordinary Shares held by certain employees and consultants of the Group, details of which are set in paragraph 2 of Part 4 |
| "**EIS"** | Enterprise Investment Scheme |
| "**Enlarged Share Capital**" | the share capital of the Company immediately on Admission comprising the Existing Ordinary Shares and the Placing Shares |
| "**Euro**" or "**€**" | the official currency of the European Monetary Union |
| "**Euroclear**" | Euroclear UK & Ireland Limited |
| "**Existing Ordinary Shares**" | the 5,500,000 Ordinary Shares in issue as at the date of this document |
| "**FCA**" of "**Financial Conduct Authority**" | the Financial Conduct Authority of the United Kingdom |
| "**Founders**" | Palaiologos Spanos and George Karakovounis |
| "**FSMA**" | the Financial Services and Markets Act 2000, as amended |
| "**GNI**" | Gross National Income |
| "**Group**" | together the Company and the Subsidiaries and their subsidiary companies from time to time |
| "**IC Consultancy Agreement**" | the consultancy agreement between the Company (1) and Intrinsic Capital LLP (2) dated 23 June 2014 details of which are set out in paragraph 12.10.5 of Part 4 of this document |
| "**IVR**" | Interactive Voice Response |
| "**Locked In Persons**" | Palaiologos Spanos, George Karakovounis, Jeff Gordon and Mark Horrocks |
| "**Lock In**" | the conditional lock in and orderly market agreements dated 23 June 2014 between the Company (1), the Nomad (2), the Broker (3) and each of the Locked In Persons (4) further details of which are set out in paragraph 12.8 of Part 4 of this document |

| | |
|---|---|
| "**LSE**" | London Stock Exchange plc |
| "**Mirabaud**" or "**Broker**" | Mirabaud Securities LLP |
| "**MNOs**" | mobile network operators |
| "**NED Shares"** | the 4,717 Ordinary Shares agreed to be allotted to Daroy Gordon Limited at the Placing Price conditional on Admission and in accordance with the terms of the DG Consultancy Agreement, details of which are set out in paragraph 12.10 of Part 4 |
| "**NED Warrants**" | the 37,736 warrants, each to subscribe for one Ordinary Share at the Placing Price during the three year period commencing on Admission, consitituted by the NED Warrant Deed and granted to Instrinsic Capital LLP conditional on Admission pursuant to the terms of the IC Consultancy Agreement, details of which are set out in paragraph 12.10.5 of Part 4 |
| "**NED Warrant Deed**" | the warrant deed dated 23 June 2014 between the Company (1) and Intrinsic Capital LLP (2) pursuant to which the NED Warrants are constituted |
| "**Nomad Rules**" | The AIM Rules for Nominated Advisers as issued by the LSE from time to time |
| "**Nomad Warant Deed**" | the warrant deed dated 23 June 2014 pursuant to which the Strand Hanson Warrants are constituted, details of which are set out at paragraph 12.4 of Part 4 of the document |
| "**Official List**" | the Official List of the UK Listing Authority |
| "**Ordinary Shares**" | ordinary shares of £0.01 each in the share capital of the Company |
| "**Panel**" | The Panel on Takeovers and Mergers of the United Kingdom |
| "**Placee**" | a person subscribing for Placing Shares under the Placing at the Placing Price |
| "**Placing**" | the conditional placing of the Placing Shares at the Placing Price to be undertaken by Mirabaud as agent for the Company |
| "**Placing Agreement**" | the conditional agreement dated 12 June 2014 between the Company (1), the Nomad (2), the Broker (3) and the Directors (4) pursuant to which *inter alia* the Broker agrees to act as agent for the Company in connection with the Placing, full details of which are set out in paragraph 12.6 of Part 4 of this document |
| "**Placing Price**" | 212 pence per Placing Share |
| "**Placing Shares**" | the 588,000 new Ordinary Shares to be issued to Placees pursuant to the Placing at the Placing Price, including the Ordinary Shares to be issued to Strand Hanson and Mirabaud pursuant to the Placing Agreement |

| | |
|---|---|
| “**Pound Sterling**” or “**£**” | the lawful currency of the United Kingdom |
| “**Proposed Directors**” | those persons who have been appointed as non-executive directors of the Company, conditional upon Admission, whose names are set out on page 5 of this document |
| “**Prospectus Rules**” | the prospectus rules contained in the FCA handbook which are published and from time to time amended by the FCA |
| “**QCA Guidelines**” | the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Company Alliance |
| “**Relationship Agreement**” | an agreement dated 23 June 2014 entered into between the Company (1), the Nomad (2), the Broker (3) and the Founders (4) pursuant to which the relationship of the Founders is regulated, further details of which are set out in paragraph 12.9 of Part 4 of this document |
| “**Shareholders**” | holders of Ordinary Shares |
| “**SMS**” | Short Message Service |
| “**Strand Hanson**” or “**Nomad**” | Strand Hanson Limited |
| “**Strand Hanson Warrants**” | the warrants to be granted to Strand Hanson by the Company, conditional upon Admission, to subscribe for up to 130,696 Ordinary Shares at the Placing Price, pursuant to the Nomad Warrant Deed |
| “**Subsidiaries**” | together Telilea, CDialogues Greece, CDialogues Russia and CDialogues Dubai |
| “**Telilea**” | Telilea Limited, a company incorporated and registered in Cyprus with registered number 303322 a wholly owned subsidiary of the Company |
| “**TMT**” | Telecommunications, Media and Technology |
| “**UK**” | the United Kingdom of Great Britain and Northern Ireland |
| “**UK Listing Authority**” or “**UKLA**” | the United Kingdom Listing Authority of the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA |
| “**USSD**” | Unstructured Supplementary Service Data |
| “**Warrants**” | together the Adviser Warrants and the NED Warrants |
| “**Warrant Agreements**” | together the Adviser Warrant Deeds and the NED Warrant Deed |
| “**VCT**” | Venture Capital Trust |
| “**VPN**” | Virtual Private Network |

# PART 1

## INFORMATION ON THE COMPANY

# CDialogues PLC

### 1. INTRODUCTION

CDialogues provides specialised marketing services to mobile network operators ("**MNOs**"), with a particular focus on emerging markets. Using proprietary algorithms, CDialogues enables MNOs to provide targeted value added services to existing and new subscribers with the aim of maintaining and increasing subscriber numbers and increasing average revenue per user ("**ARPU**").

CDialogues is principally active in the Middle East and North Africa. In most of these emerging market economies, mobile phone usage and penetration is growing rapidly. MNOs need to market continually their services to take advantage of this growth and add to their subscriber bases. In addition, in these markets, the majority of MNO customers access mobile phone services through pre-pay rather than contractual arrangements. As a result, such pre-pay subscribers are able to switch between MNOs according to their general preferences or to take advantage of varying promotions offered by the MNOs.

In this environment, CDialogues's services are in demand as they enable MNOs to market directly to such subscribers. The Group's algorithmic software enables it to provide bespoke and dynamic campaigns which create loyalty to a particular MNO through establishing a dialogue between the MNO and the subscriber. CDialogues provides a proven and profitable method of maintaining and increasing subscriber numbers for its clients. MNOs working with CDialogues receive a share of the income generated by marketing campaigns, typically with CDialogues and its local partners bearing the costs of initiating and operating each marketing campaign.

The dialogue with subscribers can take the form of access to mobile content, information services, competitions or offers. CDialogues is typically given access to certain data relating to the registered subscriber base of a MNO and has developed technologies and specialised marketing techniques which use this data to profile and segment subscribers throughout a campaign according to their preferences, and then accordingly tailors the marketing approach for each subscriber.

CDialogues has built a team of experienced professionals in mobile telephony technology and billing software, together with individuals with considerable experience of direct sales and marketing. The Group employs a scientific approach using proprietary algorithmic software in order to profile and segment subscribers according to their responses to marketing messages. Subscribers can then be targeted with calibrated content, based on an understanding of the psychology of consumers of mobile services, in order to maximise the engagement between MNOs and subscribers. CDialogues's software platform allows the marketing message to be tailored dynamically according to subscribers' responses over the course of a marketing campaign.

CDialogues is a young business, having launched its first marketing campaign for a MNO in early 2012. However, the techniques it is using are well established and CDialogues's proprietary software platform combined with its strong relationships provides a robust commercial model which has been thoroughly proven over the last 24 months with leading MNOs in the jurisdictions where it operates. Furthermore, CDialogues's executive directors and senior team have considerable experience over many years in telecoms, technology and direct sales industries.

CDialogues is a growing, profitable and cash generative business. The funds raised through the Placing are intended to allow the Company to accelerate its growth through the extension of existing client relationships, the development of new client relationships, and further expansion and improvement of its technological infrastructure, whilst further developing its portfolio of services so as to exploit the expected continuing growth in mobile phone usage in the markets in which it operates.

## 2. HISTORY AND BACKGROUND

CDialogues is the Group holding company, which owns the operating subsidiaries, and is incorporated in England and Wales. The Group's business was founded in 2011 in Athens by Pale Spanos and George Karakovounis, the Group's CEO and Vice Chairman/CFO respectively.

Pale Spanos and George Karakovounis have considerable experience in the telecoms and technology industries internationally, and in direct sales and marketing; they formed CDialogues to exploit that experience and their industry networks. Prior to founding CDialogues, Pale and George held the positions of Chief Operations Officer and Chief Financial Officer respectively at InternetQ leaving shortly prior to its flotation on AIM in December 2010.

The Group's commercial operations began in early 2012, following the completion of the software platform which allowed the successful design and execution of mobile marketing campaigns in Iraq and Vietnam.

The Group has demonstrated that its technology and billing systems operate effectively in the wider mobile marketing industry and furthermore has not only utilised the traditional premium SMS and project-based revenue model, but has successfully implemented a subscription-based recurring revenue model. CDialogues now generates stable recurring revenue streams, which it shares with its customers and local partners. The Board believes that the development of this recurring revenue model is a key differentiating factor between the Company and its competition, allowing for more stable revenues and increased visibility over future earnings.

In 2013, the Group commenced early stage operations in three more markets (Russia, Ivory Coast and Kuwait) by organising and successfully executing mobile marketing campaigns on behalf of local MNOs. Despite its limited financial and human resources in the financial year ending 31 December 2013, the Group managed to deliver strong financial results with revenues reaching almost €4.6 million, EBITDA €1.6 million, Profit After Tax €1.3 million and Free Cash Flow €0.6 million.

The Group's headcount currently consists of 18 professionals, 16 of whom are based in Athens, Greece.

## 3. MARKET AND COMPETITION

The global mobile industry continues to grow, with the number of global mobile connections forecast to grow from 6.9 billion in 2014 to 8.1 billion in 2018 and annual mobile service revenue forecast to grow from US$968 billion in 2014 to US$1.1 trillion in 2018. The mobile messaging market's worth is forecast to reach US$310 billion by the end of 2016 and SMS traffic is expected to reach 8.3 trillion messages in 2015. The Board believes that the market environment, particularly in emerging markets, offers significant potential for the Group's growth prospects in the coming years.

### *Industry Trends in Emerging Markets*

The number of individual mobile connections globally is expected to grow at an average rate of approximately 4.35 per cent. per annum over the next four years. However this headline global figure understates the activity in many emerging markets where growth rates are often significantly higher. In Africa, one of the most prolific growth regions, the number of mobile connections across the continent is growing at a compound annual growth rate ("**CAGR**") of 6.5 per cent. and is forecast to reach 935 million in 2017, with the current rate of mobile penetration at 69.3 per cent. as compared with an average of 90.2 per cent. in emerging markets. This growth drives intense competition for market share between MNOs. Such markets also differ in that there is a significantly higher proportion of pre-pay mobile users, as compared with the increasing dominance of contractual arrangements in more developed markets, which presents additional challenges for MNOs in their efforts to retain customers.

**Figure 1: Mobile landscape in selected the Middle East & African markets**

| | Total Mobile Connections | | | | | | |
|---|---|---|---|---|---|---|---|
| Country | 2011 (m) | 2012 (m) | 2013 (m) | % CAGR | % prepaid | SIM Penetration | GNI per capita |
| Iraq | 25.1 | 28.7 | 33.3 | 15% | 98% | 97% | $6,130 |
| Jordan | 7.7 | 9.1 | 9.9 | 13% | 92% | 134% | $4,670 |
| Kuwait | 5.1 | 5.9 | 6.4 | 12% | 76% | 185% | $44,880 |
| Lebanon | 3.4 | 3.8 | 3.9 | 7% | 82% | 79% | $9,190 |
| Saudi Arabia | 56.7 | 61.2 | 51.3 | -5% | 81% | 176% | $24,310 |
| Angola | 12 | 15.5 | 18.1 | 23% | 98% | 83% | $4,580 |
| Ethiopia | 13.9 | 18.1 | 22.1 | 26% | 99% | 23% | $380 |
| Ivory Coast | 17.6 | 18.1 | 19.6 | 6% | 96% | 95% | $1,220 |
| Kenya | 28.1 | 30.7 | 31.3 | 6% | 98% | 70% | $860 |
| South Sudan | 1.6 | 2.3 | 3 | 37% | 100% | 26% | $790 |
| Sudan | 24.1 | 27.5 | 28.7 | 9% | 97% | 75% | $1,500 |

As shown in Figure 1, many of the markets in the Middle East and Africa listed above have experienced a CAGR in mobile connections over the last three years that is significantly higher than the world average, whilst the majority of these markets also exhibit a significantly higher proportion of pre-pay customers when compared with the world average.

CDialogues has deliberately chosen to focus its efforts in such emerging markets, where the Board believes that mobile marketing campaigns are most effective in assisting MNOs towards achieving their objectives and the market characteristics offer the Group the greatest opportunities to maximise the return on its investments in operating mobile marketing campaigns.

***Mobile Marketing Services***

The growth in the use of mobile devices for data exchange has resulted in the mobile device being increasingly used as a tool not only for communication, but also for accessing new media, marketing and entertainment services. These services, known as Mobile Value Added Services ("**MVAS**"), provide MNOs with the opportunity to engage directly with consumers in an interactive manner. Mass mobile marketing through the distribution of messages to large groups of MNO customers is a well-established component of the MVAS sector and has been an effective marketing tool for a number of reasons:

- MNOs have access to a large database of existing customers;
- the ability of a MNO to monitor their customers' usage habits allows for the collection and analysis of customer data, which can then be utilised to tailor and optimise a mobile marketing campaign strategy; and
- the infrastructure for the receipt of payments from the customer is already established mobile marketing campaigns provide MNOs with a means by which to engage with customers in order to encourage loyalty, conduct marketing campaigns, create additional revenue streams and increase ARPU.

MNOs have sought to work with mobile marketing specialists in order to generate and develop their mobile marketing strategies. Such specialist firms offer MNOs the specific skills and experience required to conduct large-scale mobile marketing campaigns and provide significant advantages over seeking to run mobile marketing campaigns independently:

- **High performance campaigns** – established mobile marketing specialists have a track record of executing on secure, successful and large-scale campaigns.
- **Technology** – mobile marketing specialists develop, host and manage intelligent technology software that can analyse customer data and dynamically optimise campaign strategy; and
- **Financial contribution and risk reduction** – mobile marketing partners will also typically carry a proportion, if not all, of the direct costs of a campaign, covering upfront payments and even providing guarantees to the MNO.

CDialogues offers MNOs a proven method of engaging with their customers and maintaining and increasing customer numbers, whilst allowing them to outsource the process and utilise third party expertise.

***Competition***

CDialogues competes in its local markets with marketing agencies providing MVAS to local MNOs. Such local agencies are typically limited in the services they can provide through a lack of technology or scale. However, these local agencies can also be partners for CDialogues and can provide access to the local MNOs. In addition, there are a number of international competitors able to implement large-scale mobile marketing campaigns such as Upstream S.A., TIMw.e. and InternetQ.

## 4. BUSINESS OVERVIEW

The Board believes that widespread adoption of mobile devices provides a significant opportunity for direct, targeted marketing, connecting any campaign with the right users, at the right time. When combined with traditional media such as television, radio and print, the mobile channel can add the dimensions of immediacy, interactivity and community that make brand awareness campaigns exceptional and memorable.

CDialogues designs and operates marketing campaigns for MNOs targeting existing and new subscribers through SMS/USSD messages, online interactivity, television, IVR and print, and in doing so creates a material source of additional income for MNOs. Typically, CDialogues establishes a relationship with a MNO through a local partner, which may already provide ad hoc marketing services to the MNOs.

MNOs in all markets seek to increase their subscriber bases and increase ARPU. CDialogues provides a complete solution for each marketing campaign it undertakes for its clients, tailored to a client's brand, geography, billing system, local regulation and strategic requirements, depending on whether their aim is to increase market share, ARPU or network usage. Mobile marketing campaigns aim to drive monetization of the subscriber base by achieving higher ARPUs and thereby boost revenue growth; reduce subscriber losses by increasing customer loyalty; and improve financial performance by lowering the customer acquisition cost.

To attract potential mobile subscribers, the Group employs promotional seeding techniques using television and print media, and bulk SMS. Once mobile subscribers are initially attracted to a campaign, the Group invites them to engage by offering exciting mobile utilities or incentives. The pool of mobile subscribers that eventually engage is analysed and profiled into categories in order that the Group can design appropriate loyalty building programs and reward schemes.

The Group, through its technology platform, develops a detailed understanding of the behavioural patterns of subscribers, purchasing habits and engagement levels, which enables it to design effective marketing campaigns for its customers with a high degree of precision, and to make improvements to its technology platform. CDialogues's team of specialists work with existing and new customers to enhance and develop the offering to subscribers and provide innovative charging models. CDialogues has developed strong relationships with the MNOs and is a strategic partner entrusted with their brands and given direct access to their network systems and subscribers. Since inception, customers have included: Mobifone Vietnam, Zain Iraq, Koz Ivory Coast, Rostelekom Russia, Zain Kuwait, Korek Iraq, Asiacell Iraq and Iraqiya TV channel.

Mobile marketing campaigns generate large volumes of traffic (and thus revenues) in a short period of time. CDialogues and its local partners (if any) assume all of the costs associated with a campaign and therefore

take all financial risks. Revenues generated by subscriptions and/or increased traffic by participants in the mobile marketing campaigns are shared between MNO, CDialogues and its local partners.

In the Company's experience, the traditional revenue model for the provision of MVAS is based on relatively short term discrete mobile marketing campaigns. However, in its campaigns, CDialogues has transformed this ad hoc promotion model in to a longer term subscription model. The majority of the Group's revenues now come from such recurring subscription based services.

To date, CDialogues typically establishes access to the systems of MNOs through contractual arrangements with local partners holding pre-existing connectivity agreements with the relevant MNO; in such cases, customised contracts, dependent on the type of campaign to be run by the Group, are established between the relevant Group company and the local partner, which will in turn establish a contract with the applicable MNO.

***Technology***

The Group's marketing services are delivered and managed through a proprietary software platform – the C/profiler Suite – which has been designed in-house. The C/profiler Suite connects with a MNO's system, allowing it to communicate with subscribers directly and fully integrate with the client's billing system. The platform architecture is designed to be scalable on demand, and the Group has agreements in place for cloud storage which allow capacity to be increased as and when required.

Mobile marketing practices are commonly delivered by a conventional technical platform, which constitutes one of the primary aspects of typical service delivery. However, the ability to incorporate a mobile dialogue add-on tool into conventional mobile marketing practices requires, in the Company's experience, technological infrastructure that exceeds the standard technical know-how commonly used by MVAS providers.

The effective application of the mobile dialogue add-on tool necessitates that an advanced knowledge of data mining, artificial intelligence, consumer psychology and linguistics is appropriately incorporated through algorithmic formats into the multiple core software modules of the platform. This optimised system comprises the unified core engine of the interactive C/profiler Suite, which enables continuous refinements and thereby delivers a higher customer response rates resulting in higher margins.

CDialogues's technology platform uses proprietary algorithms with variable profiling parameters to generate a highly granular segmentation of subscribers. The system then targets different groups by continuously applying language engineering adjustments in order to optimise engagement levels. The messages are adapted to different segments using neuro-linguistic programming techniques and sent by SMS or USSD.

Data collection also constitutes one of the Group's core activities, thus the 'Artificial Intelligence Mechanism' ("**AI Mechanism**"), which is part of the core engine of the C/profiler Suite, is designed to constantly educate itself and dynamically tailor its responses accordingly in terms of segmentation, contact frequency and intensity, linguistics and others. The AI Mechanism identifies consumer patterns by continuously collecting demographic characteristics and profile attributes for each consumer segment and individual separately, which are then grouped into demographic clusters. It is thus providing a holistic, valuable and meaningful subscriber profiling database, from which essential conclusions can be drawn.

The Group's primary focus in relation to its technology is constantly to design and develop innovative technological tools so as continuously to advance the C/profiler Suite's attributes and achieve best-in-class performance. Customisation and refinement of the consumer experience is an iterative process achieved through an evolution of the technical platform.

The C/profiler Suite provides an end-to-end Active Server Pages ("**ASP**") solution that enables MNOs carriers to launch large-scale mobile marketing campaigns tailored to their customer base, including Customer Relationship Management ("**CRM**") solutions and extensive customizable SMS/USSD dialogue based on consumer profiling and segmentation.

C/profiler Suite applications offer mobile users real-time, low-cost games, quizzes, polls and lotteries as well as general communication and entertainment. The convenience of using messaging, even to users less familiar with mobiles, has led to SMS dialogue applications being used as an efficient marketing tool, as well as a profitable method of service development.

The C/profiler Suite has also incorporated a standardised interface that works as a mobile services setup and billing platform via premium SMS and IVR. The platform is based on the convergence of mobile phones and the internet through the integration of a range of technologies. It is also a reporting tool, where the Group and the mobile operators monitor the real-time progress of the mobile campaigns as an overall view but also providing real-time analytics upon clients' tailored reports.

***Network Infrastructure***

The Group's services are delivered through the internet using VPN connections with customers, managed by a software development team and support team based in Athens and leased data storage located in the UK. The Group plans to expand its network infrastructure, both in terms of storage, processing capacity and geographic locations, to increase operational scalability, improve service deployment hours for specific regions and increase redundancy.

***Data Protection***

The security of the Group's IT system is paramount in respect of the operation of its business. The Group uses well known leased data storage providers in order to ensure that its data centre implements all of the necessary processes and configuration to enable detection and prevent unauthorised usage of network equipment, data loss or any other action that would create a malfunction of service operations. As far as the Board is aware, the data centre utilised by the Group is compliant with various information security and related certifications and standards which assure that the Group's infrastructure is effective and aligned with policies set by security organisations. In a typical campaign situation, the Group will have access to usage data, allowing for the dynamic customisation of the campaign with respect to each MNO customer without the need for the Group to be provided with data on the customers themselves.

The Group has implemented the following security measures :

- Restricted physical access on machines: Only authorised employees are able to physically access machines.
- Firewall monitoring and configuration: Firewall rules enable the detection of any malicious activity.
- External Connectivity: Servers are connected with specific external trusted networks and always through secure connections (VPN). All platform administration pages are accessible only over the secure https protocol.
- Demilitarized Zone Network: The DMZ prevents access to the Group's core platform and data, even if an intruder were to gain access to the internet-facing part of the network.
- Vulnerability Checks: The necessary vulnerability checks and latest security updates are performed on a regular basis to ensure that all modules are updated with the latest security fixes.
- Access Authorisation: Fully controlled access authorisation on systems ensures that each user has access only to the corresponding level based on his/her position.
- Source code: To ensure protection of the Group's intellectual property, a source code is hosted in the secure environment of the Group's data centre, which is only accessible through the corporate network. A version control system is used to ensure that all code changes and history are kept.

The Group's on-site corporate firewall configuration, with IP-based restrictions and full access policy credentials applied to users, ensures that the source code is accessible only by authorised personnel. The Group's internal corporate security policies also include rules that prevent the use of unauthorised hardware and USB equipment. Extensive logging, intrusion detection and abnormal traffic identification are also implemented to reinforce the security of the virtual environment.

### *Case Studies*

The charts below show daily revenues on two current projects, split between subscriptions and premium SMS revenue, and the number of subscribers per day over the course of the campaigns. Although the projects are in different countries with different economic circumstances and demographics, both have demonstrated that CDialogues's techniques create high levels of recurring subscription based revenues. In Case Study 1 subscription revenues represent over 80 per cent. of total campaign revenues, and almost 60 per cent. for Case Study 2. In Case Study 1, there were over 3 million participants in the campaign, with over 700,000 average daily paid subscriptions and average gross daily revenues of over US$75,000 (of which over 85 per cent. was attributable to subscriptions) in Q1 2014. In Case Study 2, there were over 400,000 participants in the campaign, with over 85,000 average daily paid subscriptions and average gross daily revenues of over US$45,000 (of which over 64 per cent. was attributable to subscriptions) in Q1 2014.

**Figure 2: Case study 1 - Daily revenues and subscribers Q4 2012-Q1 2014**

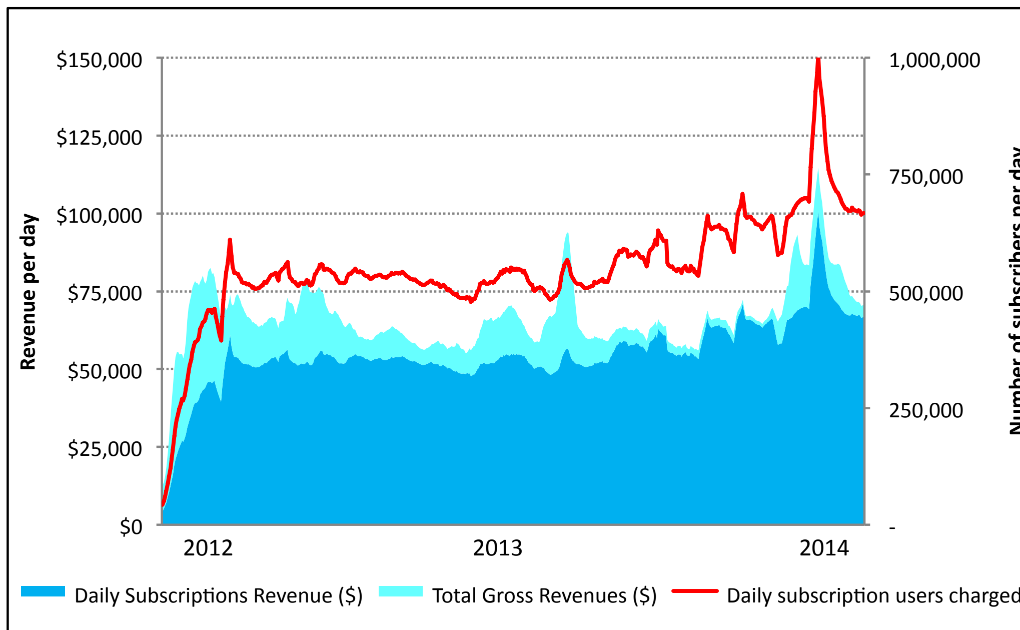
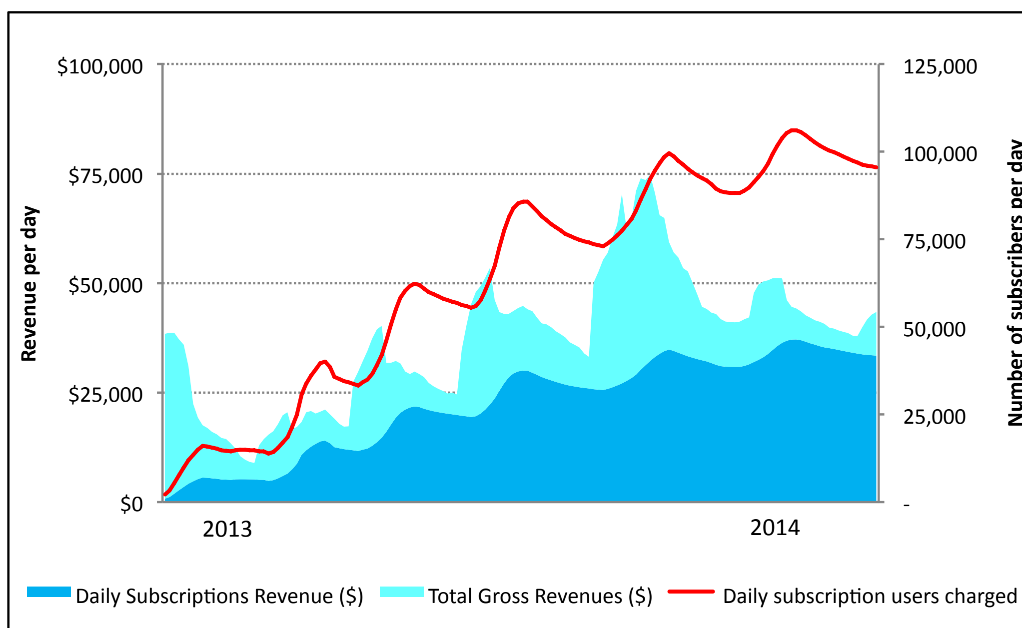



**Figure 3: Case study 2 - Daily revenues and subscribers Q4 2013-Q1 2014**



***Customer concentration***

CDialogues is a young business and has not yet achieved a diverse customer base. In 2013, approximately 95 per cent. of revenues came from Zain Iraq and Zain Kuwait, MNOs within the Zain Group which is a leading mobile telecommunications provider in the Middle East and North Africa. Zain Group claims to have 46.2 million active customers at 31 March 2014 and revenues of $4.4 billion for the year ended 31 December 2013. It is listed on the Kuwait Stock Exchange. CDialogues generally works with a local partner who has connectivity agreements with MNOs which CDialogues can leverage and is also able to share the project costs. In emerging markets generally, a local partner can provide a faster and more cost effective way of reaching MNOs than attempting to negotiate and set up connectivity agreements independently. On a practical level, CDialogues deals directly with the MNO through tendering and negotiation, project specification, technical implementation and delivery, including day-to-day management throughout the campaign. All of the current live projects have been won and developed in cooperation with the same local partner, a group of companies which provides MVAS and has connectivity agreements with a number of MNOs across the Middle East and North Africa. The Directors and the Proposed Directors recognise that CDialogues is currently reliant on these customers and relationships, but are confident that the sources of the Group's revenues in 2014 and 2015 will be materially more diversified. The majority of new projects which are currently being developed are with new MNOs in new territories, albeit many of these will continue to be in co-operation with local partners.

## 5. STRATEGY

The Group intends to become a leading mobile data analytics and marketing language engineering provider in emerging markets. The Group's strategy is to develop and expand the existing business, moving into new regions and markets in order to increase revenue and generate higher profit margins through scale.

An overview of the Group's strategy and key objectives is as follows:

- Focus primarily in emerging markets where mobile penetration is growing fast, competition between MNOs for market share is intense and there is a strong potential for greater ARPUs, in particular Africa, the Middle East and the Commonwealth of Independent States;
- Utilise extensive and tested mediator network in place and ready to acquire new projects and launch new services;
- Diversify the Group's customer base, both internationally and in terms of its MNO partners;
- Maintain relatively low overheads (compared with competitors), so as to retain price advantage. Staff growth will be gradual depending on the requirements of new projects acquired and launched; and
- Use additional funds to accelerate growth - the funds from the Placing will significantly strengthen the Group's balance sheet and thus the Group will be able to :
  - Fund business development in markets of interest by way of working and investment capital financing;
  - Set up offices in key markets where the Directors believe there is a need of a permanent presence and which can be used as a platform for further expansion in adjacent regions;
  - Enrich the Group's portfolio of services, aiming to further to leverage its strong relationship with current and future partners;
  - Invest in expanding network technology equipment and further enhancing the Group's technology platform's data mining and profiling capacity; and
  - Apply the Group's industry know-how and seek new opportunities rapidly to expand its portfolio of services.

In the future, the Board may consider it appropriate to make acquisitions. However no such corporate activity is currently envisaged in the near future.

The Group's primary aspiration in the mobile marketing and mobile data analytics industry is to provide best-in-class technology and customer service in an increasingly complex and demanding global market.

## 6. FINANCIAL INFORMATION

Part 3 of this document contains audited historical financial information on the Group for the year ended 31 December 2012 and the year ended 31 December 2013.

The following financial information on the Group has been derived from the financial information contained in Part 3 of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

| | Financial year ended | | |
|---|---|---|---|
| | **31 Dec 2011** | **31 Dec 2012** | **31 Dec 2013** |
| | **€000** | **€000** | **€000** |
| Revenue | 200 | 1,583 | 4,585 |
| Revenue growth | N/A | 691% | 190% |
| EBITDA | 58 | 411 | 1,571 |
| EBITDA margin | 29% | 26% | 34% |
| Profit before taxation | 51 | 323 | 1,384 |
| Net cash flow from operating activities | 15 | 368 | 1,173 |
| Free Cash Flow | (89) | 112 | 587 |
| Net assets | 146 | 445 | 1,769 |

CDialogues commenced trading in 2011 and revenues have grown rapidly, increasing almost threefold in 2013. During that period the nature of revenues has changed from an initial focus on short term campaigns and software licensing income to longer term subscription based campaigns which now form the majority of revenues.

CDialogues has been profitable and cash generative from inception and has shown strong cash generation as demonstrated by Free Cash Flow, which although slightly negative in the first year of operation has been strongly positive in 2012 and 2013 (Free Cash Flow is defined as "Net cash flows from operating activities less Net cash flows under the investing activities"). Cumulative operating cash inflow for the three years ended 31 December 2013 was €1.56m before net cash outflows from investing activities, the majority of which represents spend on software and software development, which totalled €0.95m for the three years ended 31 December 2013.

CDialogues has no borrowings and has not paid any cash dividends to date. Net assets at 31 December 2013 stood at €1.77m.

## 7. CURRENT TRADING AND PROSPECTS

The Group has continued to trade in line with the Board's expectations during the current financial year and has shown significant growth over the same period last year. Turnover for the three months ended 31 March 2014 was €1.92m which is 152 per cent ahead of the same period last year (Q1 2013: €0.76m). Similarly, EBITDA for the first quarter was €0.69m which represents a 208 per cent increase over the prior year (Q1 2013: €0.22m). Operating cash flow remained positive with net cash inflows from operating activities of €0.38m (FY 2013: €0.37m).

Looking ahead, the Group has identified a pipeline of potential new contracts, a number of which are currently undergoing preparations for launch in the coming months.

In the year to date, the majority of revenues continued to be generated from Zain Iraq and Zain Kuwait. However, Zain Kuwait has become a significantly larger contributor and currently accounts for around 50 per cent. of daily revenues and, in addition, a new campaign with another MNO in the Middle East commenced in May 2014 and is making good progress.

During June 2014, Iraqi armed forces have clashed with the forces of the Islamic State in Iraq and the Levant ("ISIS") in parts of northern and central Iraq. The Company is monitoring the situation very closely, but as yet has not observed a material change in the Group's results.

## 8. DIRECTORS AND SENIOR MANAGEMENT

The Board currently comprises Pale Spanos as Chief Executive Officer and George Karakovounis as Vice Chairman and Chief Financial Officer. With effect from Admission Mark Horrocks will be appointed as Non-executive Chairman and Jeff Gordon will be appointed as a Non-executive Director.

***Directors and Proposed Directors***

**Mark Horrocks, aged 52** – *Non-Executive Chairman*

Mark began his career in the City in 1983 as a financial analyst at Guardian Royal Exchange Group plc and went on to manage the UK equity portfolios of the main pension and life funds, which had assets of over £2 billion, until leaving in 1997 to pursue his own interests in the small company marketplace. In 1999, he co-founded and launched the small company investment trust Intrinsic Value plc and is currently a partner in Intrinsic Capital LLP. He has also served on the boards of numerous quoted small companies and is currently a non-executive director of AIM-quoted Immedia Group plc, a company which provides bespoke audio digital networks and music strategies. Mark gained a Bachelor of Arts degree from Manchester Polytechnic in Business Studies.

**Palaiologos (Pale) Spanos, aged 37** – *Chief Executive Officer*

Pale is a co-founder of CDialogues. He has extensive experience in TMT companies in the USA and Europe. He previously served as Chief Operations Officer of InternetQ (prior to its flotation on AIM), with responsibility for its international operations and mobile marketing promotions business, where he contributed substantially to its growth. He previously held several management positions with Upstream SA in Greece, DirecTV, Intel Inc. and Accenture in the USA. He has a track record working in diversified environments with intense operations, utilizing innovation to accelerate business growth. Pale holds a Bachelor degree in Electrical & Computer Engineering from the National Technical University of Athens and a M.Sc. from the University of California, Los Angeles.

**Georgios (George) Karakovounis, aged 43** – *Vice Chairman & Chief Financial Officer*

George is a co-founder of CDialogues. He has more than 10 years of experience in the telecommunications sector holding key financial positions in various listed companies. In 2001, George joined Forthnet SA a leading telecom and satellite subscription TV operator in Greece, initially as Accounting Director and then as group CFO having a key role in the 2006 IPO on the Athens Stock Exchange, which raised €120 million. In 2008, George joined InternetQ assuming the position of CFO and contributed to its growth. He held this position until shortly prior to its AIM flotation in December 2010. He has a proven track record working in complex environments, developing and executing strategies that support business growth. George qualified as a certified accountant in Greece in 1995 and also holds a M.Sc. in Finance from the University of Leicester and a CSI qualification in Investment Management in the UK.

**Jeffrey (Jeff) Gordon, aged 58** – *Independent Non-Executive Director*

Jeff Gordon has more than 36 years' experience in the IT and communications sectors and has a track record in holding executive leadership roles with large corporate entities in the telecoms sector, as well as various executive and non-executive roles with venture backed businesses. Jeff's previous experience includes heading up Motorola's EMEA infrastructure business in which he was responsible for US$1.6 billion in annual revenues and leading 1400 employees. Prior to Motorola he chaired the Unisys European Management Board. Jeff was previously chairman of Axiom Systems, a leading provider of service delivery solutions to the telecommunications industry and Celltick, a leading provider of mobile content discovery and marketing solutions. Jeff has been CEO of OpenCloud Ltd., a creator of software products for telecoms networks, since 2008 and is also non-executive Chairman of T-Tech Ltd., a UK based provider of IT outsourcing solutions to the SME market.

***Senior Management***

**Stuart Robertson** – *Head of Software and Product Development*

Stuart is the Head of Software and Product Development and joined CDialogues in 2011. Previously, as a Software Development Manager at Velti S.A., he was responsible for the development of innovative cloud-based products for mobile web site creation and traffic analysis, part of the Velti mGage product suite. He was also the senior software architect on mobile messaging projects for high profile Velti S.A. clients such as Argos Ltd. and Orange UK. Previously, Stuart worked in product development at Graham Technology, later to become Sword Ciboodle, near Glasgow. He has a BSc in Computer and Electronic Systems and a PhD in Control Engineering, both from the University of Strathclyde, Glasgow.

**Nikos Lazarou** – *Head of Operations and Support Department*

Nikos joined CDialogues upon its establishment in 2011. He currently serves as Head of Operations and Support Department, bringing eight years of experience in 24/7 operations and support services for leading clients, including blue chip MNOs, brands and media channels. Previously, he served as Support Manager in Operations & Maintenance Department of Velti S.A. in Athens, being responsible for Technical Operations Solutions and 24/7 Support Services. His educational background includes a MSc in Electrical and Computer Engineering from the University of Patras, Greece.

**Georgia Mitropetrou** – *Head of Mobile Marketing Services*

Georgia specialised in the mobile marketing sector prior to joining CDialogues upon its foundation during 2011. She currently holds the position of Head of Mobile Marketing Services, ensuring the efficient business operations from pre-sales to project re-positioning and client maintenance. Georgia has previously worked at Upstream S.A. and InternetQ S.A. in several account management and business development positions, working with global brands, MNOs and media channels. Georgia holds a Bachelor Degree in Management from the American College of Greece and a MSc from the University of Leicester, U.K.

## 9. PLACING AND ADMISSION

Mirabaud has conditionally agreed, pursuant to the Placing Agreement, to act as agent for the Company and use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing will raise approximately £1.25 million for the Company (before commissions and expenses). The Placing Shares are being placed with institutional and other sophisticated investors.

Following Admission, the Placing Shares will collectively represent approximately 9.4 per cent. of the Enlarged Share Capital. The Placing, which is not underwritten, is conditional, *inter alia*, on Admission becoming effective by 27 June 2014 (or such later date as Mirabaud, Strand Hanson and the Company may agree, not being later than 10 July 2014) and on the Placing Agreement not being terminated prior to Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue, and will be placed free of any expenses and stamp duty. It is expected that the proceeds of the Placing will be received by the Company by 27 June 2014. In the case of investors receiving Ordinary Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with effect from 27 June 2014. In the case of investors receiving Ordinary Shares in certificated form, it is expected that certificates will be despatched by post, within 14 days of the date of Admission.

Following Admission, the Directors and the Proposed Directors will, between them, hold 5,500,000 Ordinary Shares, representing approximately 88.1 per cent. of the Enlarged Share Capital, as referred to in paragraph 7 of Part 4 of this document. Following Admission, certain other Significant Shareholders, as referred to in paragraph 7 of Part 4 of this document, will each hold three per cent. or more of the Enlarged Share Capital. There will be a total of 6,240,550 Ordinary Shares (including the Placing Shares), and 182,947 Warrants in issue upon Admission. Under the terms of the DG Consultancy Agreement, Daroy Gordon Limited will have the right to be allotted 4,717 Ordinary Shares. The existing aggregate shareholdings of Shareholders prior to

the Placing and Admission will be diluted to 88.1 per cent. of the Enlarged Share Capital and 85.6 per cent. on a fully diluted basis (assuming all Warrants are exercised in full and Daroy Gordon Limited is allotted 4,717 Ordinary Shares).

Further details of the Placing Agreement are set out in paragraph 12.6 of Part 4 of this document.

## 10. USE OF FUNDS

The directors believe that the Group has reached a stage in its development where it will benefit from its shares being admitted to trading on AIM. Admission will significantly raise the Group's corporate profile allowing easier access to potential clients and partners as well as strengthen its balance sheet. The estimated net proceeds of the Placing of £0.55m, along with its existing cash resources, will be used as follows:

- To fund business development and support the acquisition of new contracts in the current and targeted markets. Mobile marketing projects usually require a period of preparation accompanied by high upfront payments (including the provision of bank guarantees to MNOs). The Directors anticipate the fundraising will allow the Group to resolve these working capital issues, achieve more favourable revenue share terms with its partners and ultimately increase its profit margins;
- To set up offices and recruit regional sales teams in current and targeted markets where the Directors believe there is a need of permanent presence and which not only allow the Group to become an established player, but can also be used as a platform for further expansion in adjacent regions; and
- To invest in expanding network technology equipment and further enhancing its technology platform's data mining and profiling capacity. The Group's technology infrastructure upgrades will support increased scalability of its services, while the enhancements to the platform's data mining and profiling techniques will further refine quality of service and increase revenue generation.

## 11. TAXATION

**Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 15 of Part 4. These details are, however, intended only as a general guide to the current position under UK taxation law.**

The Company received advance assurance from HM Revenue & Customs on 15 May 2014 that the Company should be a qualifying company for the purposes of the Enterprise Investment Scheme ("**EIS**") and a qualifying holding for investment by a Venture Capital Trust ("**VCT**") under the Venture Capital Trust Scheme under Part 5 (EIS) and Part 6 (VCT) of Chapter 4 of the UK Income Tax Act 2007 respectively, and that the Placing Shares will be eligible shares for the purposes of Section 173 and Section 285(3A) of the UK Income Tax Act 2007.

The advance assurance relates only to the qualifying status of the Company and the Placing Shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition on Ordinary Shares. The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for VCT purposes will be conditional, amongst other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making an investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a qualifying holding. Neither the Company nor the Company's advisers are providing any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of the Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the EIS of VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding the EIS or VCTs change, then any relief or qualifying status previously obtained may be lost.

**Any person who is in any doubt as to their taxation position should consult an appropriate professional adviser immediately.**

## 12. ADMISSION, SETTLEMENT AND DEALINGS

An application has been made to the London Stock Exchange for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 27 June 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

## 13. INTERESTS IN ORDINARY SHARES AND LOCK-IN ARRANGEMENTS

**Lock-in and orderly market arrangements**

Each of the Directors as set out in paragraph 12.8 of Part 4 of this document have undertaken to the Company, Mirabaud and Strand Hanson that, except in certain limited circumstances, they will not dispose of any interest in the Ordinary Shares held by them for a period of 12 months from the date of Admission and, for the 12 months following that period, that they will only dispose of their holdings with the consent of the Company's broker and nominated adviser from time to time.

Certain employees and consultants who were issued with Ordinary Shares immediately before Admission have undertaken to the Company that they will not dispose of any interest in such Ordinary Shares for a period of 12 months from Admission. The Ordinary Shares held by such employees and consultants represent approximately 2.4 per cent. of the Enlarged Share Capital.

## 14. SHARE OPTION SCHEME

The Directors believe it important that directors, employees and consultants of the Company are appropriately and properly motivated and rewarded. To this end, the Company intends to review possible employee share option scheme models following Admission.

If an option scheme is put in place, the Directors intend that any shares under option will be limited in total to 10 per cent. of the Company's issued share capital from time to time. The Board has no current intention of awarding options to the founders given their existing substantial interest in the Company's issue share capital.

## 15. CORPORATE GOVERNANCE

The Directors and Proposed Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies. However, the Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, the QCA Guidlines, which include a code of best practice for AIM companies, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. However, the Directors intend to take account of the Corporate Governance Code and the QCA Guidelines, to the extent they consider it appropriate and having regard to the size, current stage of development and resources of the Company.

The Corporate Governance Code provides that the board of directors of a public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Corporate Governance Code states that the Board should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

The Board will, immediately following Admission, be comprised of four directors consisting of two executive directors and three non-executive directors. The Board considers that the Proposed Non-Executive Directors are independent within the meaning of the Corporate Governance Code. If necessary the Non-Executive Directors will take independent legal advice. Please refer to the paragraph 8 of this Part 1 and paragraph 6 of Part 4 of this document for more information in relation to each Director and Proposed Director.

Set out below is a description of the Company's proposed corporate governance practices.

***The Board***

The Board will meet regularly and be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board intends that following Admission it will have a formal schedule of matters specifically reserved to it for decision, including matters relating to major capital expenditure, management structure and appointments, strategic and policy considerations, corporate transactions and finance.

The Board will be responsible for establishing and maintaining the Group's system of internal financial controls and importance is placed on maintaining a robust control environment. The key procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- the Company will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;
- the Board will adopt and review a comprehensive annual budget for the Group. Quarterly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

To enable the Board to discharge its duties it is intended that all of the Directors will receive timely information in respect of the affairs of the Group.

***The audit committee***

The audit committee will comprise Jeffrey Gordon and Mark Horrocks on Admission. It shall meet not less than three times a year. The audit committee receives and reviews reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

***The remuneration committee***

The remuneration committee will comprise Jeffery Gordon and Mark Horrocks on Admission. It shall meet not less than twice a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the grant of options implemented from time to time.

***The nominations committee***

The Company will following Admission form a nominations committee at such time that the Board believes it is appropriate to the scale of the Company and the number of Board directors.

***Share Dealing Code***

The Directors and the Proposed Directors will comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted a Share Dealing Code for directors and applicable employees and the Company will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

***AIM Compliance Code***

The Company has adopted an AIM Compliance Code to ensure that all necessary steps are taken to ensure full compliance with the AIM Rules.

## 16. DIVIDEND POLICY

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Company. Other than the bonus share issue referred to in paragraph 2.8 of Part 4 of this document, the Company has not paid any dividends since incorporation.

It is the current intention of the Directors and Proposed Directors to retain any earnings arising from the Group's activities to fund its working capital needs and to achieve capital growth. Accordingly, the Directors and Proposed Directors do not intend to pay dividends in the immediate future. The declaration and payment by the Company of any future dividends and the amount of them will depend upon the Company's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

## 17. REGULATORY RIGHTS AND OBLIGATIONS

***Disclosure and Transparency Rules***

Shareholders are required to comply with DTR 5 and to notify the Company when they acquire or dispose of a major proportion of their voting rights of the Company (either as Shareholder or through their direct or indirect holding or certain financial instruments, or a combination of such holdings) equal to or in excess of three per cent. of the nominal value of that share capital (and every one per cent. thereafter).

***The City Code***

The City Code is issued and administered by the Panel on Takeovers and Mergers (the "**Panel**"). The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the "**Directive**"). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the City Code which are derived from the Directive now have a statutory basis.

The Company is a public company incorporated in England and will be admitted to trading on AIM. Accordingly, the City Code will apply to the Company from Admission.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders of that company to acquire their shares. Similarly, when any person, together with persons acting concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a

company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, a general offer will normally be required in accordance with Rule 9.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer. Under the City Code a concert party arises when persons acting together pursuant to an agreement or understanding (whether formal or informal) actively cooperate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, a company subject to the City Code. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

Palaiologos Spanos and Georgios Karakovounis are considered to be acting in concert (the "**Concert Party**"), and will each be interested in shares representing 44.1 per cent. of the issued share capital upon Admission. Further details on the Concert Party are set out in paragraph 8 of Part 4. The Concert Party will be interested in 88.1 per cent., in aggregate, of the issued share capital with effect from Admission.

Upon Admission, members of the Concert Party will be interested in shares representing, in aggregate, more than 50 per cent. of the issued share capital. Accordingly, following Admission and for so long as they continue to be recognised as acting in concert, members of the Concert Party may increase their aggregate interests in the Company without incurring an obligation under Rule 9 to make a general offer. However, an individual member of the Concert Party may incur an obligation to make a general offer as a result of an acquisition of an interest in shares which increases his interests to 30 per cent. or more of the issued share capital or, if he is already interested in 30 per cent. or more, which increases the percentage of shares in which he is interested.

## 18. RISK FACTORS

Your attention is drawn to the risk factors set out in Part 2 of this document and to the section entitled "Forward Looking Statements" at the front of this document. In addition to all other information set out in this document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## 19. RELATIONSHIP AGREEMENT

The Company has entered into the Relationship Agreement providing for regulation of certain matters in respect of the relationship between the Group and the Founders, who will, following Admission, in aggregate, have an interest in approximately 88.1 per cent. of the Enlarged Share Capital.

Further details of this agreement are set out in paragraph 12.9 of Part 4 of this document.

## 20. CREST AND TRADING IN ORDINARY SHARES

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertified form in accordance with the CREST requirement.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form they will have their CREST accounts credited with Ordinary Shares on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched within fourteen Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares, transfers will be certified against the register.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to AIM and separately for the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 27 June 2014.

## 21. ADDITIONAL INFORMATION

You should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 5 (inclusive) of this document which contain further information on the Company.

# PART 2

# RISK FACTORS

*Investing in the Ordinary Shares involves a high degree of risk. Potential investors should carefully consider the risks described below, which the Directors believe are the material risks of the Group's business, its industry and the Placing, before making an investment decision.*

***The list of risks set out below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company, nor are the risks set out in any order of priority.***

*Additional risks not presently known by the Directors or that the Directors currently deem immaterial may also impair the Group's business operations. If any of the following risks actually occur, the Group's business, financial condition and operating results could be harmed. In that case, the trading price of the Ordinary Shares could decline and investors might lose all or part of their investment in the Ordinary Shares. In assessing these risks, potential investors should also refer to the other information contained in this document, including (without limitation) the Group's consolidated financial statements and the related notes thereto.*

***The Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.***

## Risks Related to the Group's Business

### *Customer concentration*

The Company is a young business and has not yet achieved a diverse customer base. At present most of its revenues and profits are generated from Zain Iraq and Zain Kuwait in conjunction with a local partner based in the region. Details of currrent agreements with the local partner are set out in paragraph 12.11 of Part 4. Although the Group will seek contracts with new customers in other territories, it is currently reliant on these relationships and its local partner, and any failure to maintain good relationships with these parties would harm the Group's business, operating results and financial condition.

### *Lack of direct agreements with customers*

The Group currently provides its services and receives its revenue pursuant to agreements entered into with local partners rather than directly with the MNOs. Whilst this has the benefit of MNOs having no recourse to the Group, it also means that the Group is to some extent reliant on its relationship with a local partner, and that local partner's relationship with the MNO, to carry on its business, although for all practical purposes the Group is directly integrated with the MNO's systems. Whilst the Group intends to diversify its customer base by entering into direct contractual arrangements with MNOs in new territories in the future, such arrangements may take longer and be more difficult to negotiate and expose the Group to greater liabilities. In addition it may not always be possible in emerging markets to contract directly with MNOs and the Group may still be reliant on its relationship with local partners. Failure to establish direct contractual relationships with MNOs, or to maintain good relationships with local partners would harm the Group's business, operating results and financial condition.

### *Other Business risks*

The Group also faces risks, uncertainties and potential difficulties relating to:

- retaining current economic arrangements with local partners and the relevant MNOs;
- managing evolving pricing models;
- maintaining and expanding current, and developing new, customer relationships;

- developing new, innovative mobile marketing strategies that achieve market acceptance and are seen as superior to alternatives that may emerge over time;
- maintaining a stable service infrastructure and reliable service delivery for the Group's products and services offering;
- managing a rapidly growing business that since inception has operated in several countries, many of which are lesser developed and generally known as being relatively difficult to conduct business in while ensuring appropriate levels of internal controls as well as compliance with local laws and regulations;
- executing business and marketing strategies successfully, including gaining acceptance for the Group's brand and the practice of mobile marketing in general; and
- attracting, integrating and retaining qualified personnel.

Failure to achieve any of these objectives will harm the Group's business. In addition, the costs of preventing any of these risks may be more expensive than planned, which could adversely impact on the operating results and financial condition of the Group.

There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. No representation is or can be made as the future financial performance of the Group and there can be no assurance that the Group will achieve its objectives.

***The Group's sales process requires significant time and could hinder its ability to expand its customer base and increase revenue.***

Attracting new customers requires substantial time and expense and no assurance can be given that the Group will be successful in establishing new, or maintaining or advancing current, relationships. For example, it may be difficult to identify, engage and market to customers who do not currently perform mobile marketing or advertising or are unfamiliar with our current services or platform. Some new customers may require one or more internal levels of approval. As a result, during the Group's sales effort, it may need to identify multiple people involved in the purchasing decision and devote a significant amount of time to presenting its products and services to those individuals.

***The Directors may not be able to enhance the Group's mobile marketing platform to keep pace with technological and market developments, or to remain competitive against potential new entrants in the Group's markets.***

The market for mobile marketing and related services is emerging and is characterised by evolving industry standards and frequent introductions of new services. Some solutions that the Group may offer may not be acceptable or attractive to its customers. To keep pace with technological developments, satisfy customer requirements and achieve a wider acceptance of the Group's mobile marketing campaigns, the Group will need to continually improve its current technology platform and systematically introduce new modules, applications and solutions on a timely basis and at competitive prices. The Group's inability to enhance, develop, introduce and deliver compelling mobile marketing services in a timely manner, or at all, in response to changing market conditions, technologies or customer expectations, could have a material adverse effect on operating results or could result in the Group's mobile marketing services platform becoming wholly or partly obsolete. The Group's ability to compete successfully will depend in large measure on the Group's ability to retain technically skilled development and engineering staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of the Group's mobile marketing services platform with evolving industry standards and protocols. In particular, the SMS/USSD systems as a bearer for the campaign may be superceded by other IP based bearers such as: Message, WhatsApp, amongst others, and the Group may not be able to make the transition to using these platforms successfully, or quickly enough.

***Appearances of new competitors could weaken the Group's competitive position.***

As the Directors and Proposed Directors believe that the mobile marketing market will continue to grow substantially, other companies which are larger, and have significantly more capital to invest in development, than the Group may emerge as new competitors. In addition, if two or more of the Group's competitors were to merge or enter into partnership arrangements or joint ventures, the resulting change in the competitive landscape could adversely affect the Group's ability to compete effectively. Such consolidation could result in new, larger entrants to the market.

Direct competitors may also establish or strengthen co-operative relationships with their MNO clients, sales channel partners or other parties with whom the Group has strategic relationships, thereby limiting its ability to promote its products and services. New entrants could seek to gain market share by introducing new technology or reducing prices. This may make it more difficult for the Group to sell its products and services, could result in increased pricing pressure, reduced profit margins, increased sales and marketing costs or the loss of present or expected market shares. Any of the above events or disruptions in the business of the Group caused by these events could reduce revenue and adversely affect the business, operating results and financial condition of the Group.

***The Group does not have longer or medium term agreements with many of its customers and it may not be able to obtain repeat agreements with its key customers or attract new customers to replace such customers as a source of comparable revenues.***

Most of the Group's contracts for its services are short term contracts although may provide repeat business for the Group. The Directors cannot be sure that the Group's customers will continue to use its products and services or that the Group will be able to replace, in a timely or effective manner, departing customers with new customers that will generate comparable revenues. Further, the Directors and Proposed Directors cannot assure you that the Group will continue to generate consistent amounts of revenues over time. The Group's failure to develop and sustain long-term relationships with its customers would materially affect the Group's operating results.

***The Group's pipeline may be delayed or cancelled***

The Group may have potential contracts or campaigns in the pipeline which may be delayed or cancelled through no fault of the Company or the Group. If this were to happen then there could be a material adverse affect on the business of the Group.

***The Group's future customer contracts may lead to business and other risks.***

The Group intends to move to direct customer contracts in new territories with large mobile networks which have substantial purchasing power and negotiating leverage. As a result, the Group will need to negotiate contracts on a customer-by-customer basis and, in order to close a transaction, the Group may have to accept onerous contract terms, in return for a commercial benefit including indemnities, no limitations on the liability of the Group, refund obligations, penalties or unfavourable invoicing terms or such other terms that could expose the Group to significant financial or operating risk. If the Group is unable effectively to negotiate or impose invoicing terms in a timely manner pursuant to its contracts with key customers, the business and operating results of the Group may be adversely affected.

***The international nature of the Group's business subjects it to additional costs and risks that may adversely affect its operating results.***

***Emerging Markets***

The Group intends to open offices in emerging market countries. As such, it will be subject to international laws and regulations which may be unusual or different from those applicable in developed countries and which may increase the cost of doing business in these countries. Possible violations of such laws and regulations could result in fines and/or criminal sanctions against the Group's officers or its employees. Any

such violation could also result in restrictions or prohibitions on the Group's ability to offer its products and services in one or more countries, could delay or prevent potential acquisitions and could also materially damage its reputation, brand, international expansion efforts, ability to attract and retain employees, and operating results. The Group's success depends, in part, on its ability to anticipate these risks and manage these difficulties. The Group intends to monitor its international operations and investigate allegations of improprieties relating to transactions and the way in which such transactions are performed or recorded, and has adopted an Anti-Bribery Policy to deal with any such circumstances, albeit that this may not always prevent an employee, service provider or joint venture partner from improper behaviours or practices of which the Company and the Board are or have been unaware. Where circumstances warrant, the Group intends to provide information and reports its findings to government authorities, but no assurance can be given that action will not be taken by such authorities. Any of the above risks could adversely affected the reputation, business and operating results of the Group.

***Risks Resulting from International Operations***

The Group is also subject to a variety of other risks and challenges in managing an organisation operating in various countries, including those related to:

- challenges caused by distance, language and cultural differences;
- general economic conditions in each country or region;
- fluctuations in currency exchange rates;
- frequent regulatory changes in less established legal systems;
- political unrest, terrorism and the potential for other hostilities;
- public health risks, particularly in areas in which the Group has significant operations;
- longer payment cycles and difficulties in collecting accounts receivable;
- overlapping tax regimes;
- economic sanctions;
- the Group's ability to repatriate funds held by its international subsidiaries at favourable tax rates or at all;
- difficulties in transferring funds to or from certain countries; and
- reduced protection for intellectual property rights in some countries.

If the Board is unable to manage the foregoing international aspects of the Group's business, its operating results and overall business will be significantly and adversely affected.

***Risks Resulting from Operations in Iraq***

Iraqi armed forces are currently engaged in heavy clashes with Sunni Islamist militants led by the Islamic State of Iraq and the Levant ("ISIS") across the central and northern parts of Iraq. The conflicts in Syria and Iraq have converged into a widening regional crisis as ISIS has taken control over large areas.

Currently, approximately half of the Group's revenues are generated from its campaigns in Iraq. Despite the deterioration in the political situation in Iraq, revenues have not suffered a material change. However, the Directors are continuing to monitor this situation closely. If the political or economic situation in Iraq deteriorates further, this could significantly and adversely affect the business and operating revenue of the Group.

***The Group's services are provided on mobile communications networks that are owned and operated by third parties which the Group does not control and any performance failure on the part of any of these networks would adversely affect its ability to deliver services to its customers.***

The effective execution of mobile marketing campaigns depends on the reliability of MNOs which maintain sophisticated and complex communication networks. Such mobile networks have historically, and particularly in recent years, been subject to both rapid growth and technological change. If the network of a

MNO with which the Group is integrated should fail, including as a result of incompatibility with new technology, the degradation of network performance under the strain of too many mobile consumers using it, or a general failure resulting from natural disaster or political or regulatory shut-down, the Group will not be able to provide its services to its customers through such MNO. This in turn, could impair the Group's reputation and business, potentially resulting in a material adverse effect on its financial results.

***The success of the Group's business depends, in part, on MNOs continuing to accept the Group's customer messages for delivery to their subscriber base.***

The Group depends on MNOs to deliver its customers' messages to their subscriber base. MNOs often impose standards of conduct or practice that significantly exceed current legal requirements and potentially classify its messages as "spam'' despite the Group's different classification. In addition, the MNOs use technical and other measures to attempt to block non-compliant senders from transmitting messages to their customers. For example, MNOs block short codes or internet protocol addresses associated with those senders. There can be no guarantee that the Group, or short codes registered to it, will not be blocked or blacklisted or that the Group will be able to successfully remove itself from those lists. Blocking of this type could interfere with its ability to market products and services of its customers and communicate with end users and could undermine the effectiveness of its customers' marketing campaigns, all of which could have an adverse effect on its business and the results of its operations.

***The Group depends on third party providers for a reliable internet infrastructure and any failure of such third parties, or the internet in general, for any reason would significantly impair ability to conduct its business.***

The Group outsources all of its data centre facility management to a third party who hosts the actual servers and provides power and security in a UK data centre. These third party facilities require uninterrupted access to the internet. If the operation of its servers is interrupted for any reason, including natural disaster, financial insolvency of the third party provider, or malicious electronic intrusion into the data centre, the Group's business would be significantly damaged. As has occurred with many internet-based businesses on occasion in the past, the Group has been subject to ''denial-of-service'' attacks in which unknown individuals bombarded its computer servers with requests for data, thereby degrading the servers' performance. While the Group has historically been successful in relatively quickly identifying and neutralising these attacks, the Directors cannot be certain that the Group will be able to do so in the future. If either a third party facility fails, or the Group's ability to access the internet is interfered with because of the failure of internet equipment in general or the Group becomes subject to malicious attacks of computer intruders, its business and operating results will be materially adversely affected.

***The Group's customers require the Group to maintain specified levels of service commitments and failure to meet these levels would both adversely impact on the Group's customer relationships as well as overall business.***

The Group's customers require the Group to commit to maintain specified levels of customer service. In particular, because of the importance that mobile customers in general attach to the reliability of a MNO, MNOs are especially known for their rigorous service level requirements. Although to date the Group has not experienced any significant interruption of service, if it were to be unable to meet such service level expectations, it would have adverse effects on the Group's reputation which would in turn materially harm its business.

Failure to adequately manage the Group's growth may seriously harm the Group's business.

The Group operates in an emerging technology market and has experienced, and may continue to experience, significant growth in its business. If the Directors do not effectively manage the Group's growth, the quality of its products and services may suffer. This could negatively affect the Group's brand and operating results. Growth has placed, and is expected to continue to place, a significant strain on managerial, administrative, operational and financial resources and infrastructure. Future success will depend, in part, upon the ability of senior management to manage growth effectively. This will require the Group, among other things to:

- implement additional management information systems;

- further develop operating, administrative, financial and accounting systems and controls;
- hire additional personnel;
- develop additional levels of management within the Group;
- locate additional office space in various countries; and
- maintain close co-ordination among engineering, operations, legal, finance, sales and marketing and customer service and support organisations.

The net proceeds from the Placing will help to control these risks, but cannot alleviate them altogether.

Moreover, as sales increase, the Directors may be required to concurrently deploy the Group's services infrastructure at multiple additional locations or provide increased levels of customisation. The Group may lack the resources to deploy mobile marketing services on a timely and cost-effective basis due to the lack of available resources. Failure to accomplish any of these requirements would seriously harm the Group's ability to deliver the Group's mobile marketing services platform in a timely fashion, fulfil existing customer commitments and attract and retain new customers.

***The Group may be required to reduce its prices to compete successfully, or it may incur increased or unexpected costs, which could have a material adverse effect on the Group's operating results and financial condition.***

The intensely competitive market in which the Group conducts its business may require it to reduce prices, which could negatively impact operating results. The market is highly fragmented with a number of companies providing one or more competitive offerings to the Group's marketing and advertising platform. New entrants seeking to gain market share by introducing new technology, products or services may make it more difficult for the Group to sell its products and services and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share or expected market share, any of which may significantly harm the Group's business, operating results and financial condition.

Moreover, the Group may experience cost increases or unexpected costs which may also negatively impact on operating results, including increased or unexpected costs related to:

- the implementation of new data centres and expansion of existing data centres, as well as increased data centre rent, hosting and bandwidth costs;
- the replacement of ageing equipment;
- acquiring key technologies to support or expand the Group's mobile marketing services solution; and
- acquiring new technologies to comply with newly implemented regulations.

Any unanticipated costs associated with the foregoing items would have a material adverse effect on business, operating results and the financial condition of the Group.

***The Group depends on the services of key personnel to implement its strategy. If the Group loses the services of its key personnel or is unable to attract and retain other qualified personnel, the Group may be unable to implement its strategy.***

The Directors and the Proposed Directors believe that the future success of the Group's business depends on the services of a number of key management and operating personnel. The Group does not maintain any key-person life insurance policies. Some of these key employees have strong relationships with customers and business may be harmed if these employees leave the Group and the Group is unable to hire suitable replacements within the applicable notice periods. The loss of members of the Group's key management and certain other members of its operating personnel could materially adversely affect business, operating results and the financial condition of the Group.

In addition, the Board's ability to manage the Group's growth depends, in part, on their ability to identify, hire and retain additional qualified employees, including technically skilled development and engineering staff. The Group faces intense competition for qualified individuals from numerous technology, marketing and mobile software and service companies.The Group requires a mix of highly talented engineers as well as individuals in sales and support who are familiar with the marketing and advertising industry. In addition, new hires in sales positions require significant training and may, in some cases, take more than a year before they achieve full productivity. Recent sales force hires and planned hires may not become as productive as the Board would like, and the Group may be unable to hire sufficient numbers of qualified individuals in the future in the markets where it does business. Further, given the rapid pace of the Group's expansion to date, the Group may be unable to attract and retain suitably qualified individuals who are capable of meeting the growing creative, operational and managerial requirements of the Group, or may be required to pay increased compensation in order to do so. If the Group is unsuccessful in attracting and retaining these key personnel, the Board's ability to operate the Group's business effectively would be negatively affected and the business, operating results and financial condition of the Group would be adversely affected.

***The Group may need to raise additional capital to grow its business, and the Group may not be able to raise capital on terms acceptable to it or at all.***

The operation of the Group's business and its efforts to grow the business further will require significant cash outlays and commitments. The timing and amount of the Group's cash needs may vary significantly from current expectation depending on numerous factors, including but not limited to:

- market acceptance of its mobile marketing and advertising services;
- the need to adapt to changing technologies and technical requirements;
- the need to adapt to changing regulations requiring changes to processes or platform; and
- the existence of opportunities for expansion.

If existing working capital, borrowings available under existing loan agreements and the net proceeds from the Placing are not sufficient to meet cash requirements, the Group will need to seek additional capital, potentially through debt, or other equity financings to fund growth earlier than presently anticipated. The Group may not be able to raise cash on terms acceptable to the Group or at all. Financing, if available, may be on terms that are dilutive to Shareholders, and the prices at which new investors would be willing to purchase the Group's securities may be lower than the Placing Price. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing Shareholders. If new sources of financing are required but are insufficient or unavailable, the Board would be required to modify the Group's growth and operating plans to the extent of available funding, which could harm the Group's ability to grow its business in accordance with its plans.

***The Group's business involves the use, transmission and storage of confidential information and potentially sensitive personal data regarding mobile phone numbers of mobile subscribers, and the failure to properly safeguard such information and mobile subscriber data could result in significant reputational harm, monetary damages and regulatory compliance issues.***

The Group's business activities involve the use, transmission and storage of confidential information and potentially sensitive personal data regarding mobile phone numbers of mobile subscribers. While the Directors and the Proposed Directors believe that the Group takes reasonable steps to protect the security, integrity and confidentiality of the information and data the Group collects and stores, there is no guarantee that inadvertent or unauthorised disclosure will not occur or that third parties will not gain unauthorised access to this information and data despite the Group's efforts. The Group may also be subject to claims of breach of contract for such disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information and data was disclosed. The unauthorised disclosure of information may result in the termination of one or more of the Group's commercial relationships and/or a reduction in customer confidence and usage of the Group's services, which would have a material adverse effect on the business, operating results and financial condition of the Group.

The Company stores certain data including personal phone numbers of subscribers in the UK, which is likely to fall within the definition of "personal data" for the purpose of the UK Data Protection Act 1998 ("**DPA**"), which will therefore be applicable to the Company. Whilst the Company controls the data, and keeps it safe and secure, there is a risk that the Company could be prosecuted for breach of the DPA, which could have a detrimental effect on the business and prospects of the Group.

***Activities of customers could damage the Group's reputation or give rise to legal claims against the Group.***

The Group's customers' promotion of their products and services may not comply with all applicable federal, state and local laws, including, but not limited to, laws and regulations relating to mobile communications. Failure of customers to comply with such federal, state or local laws or the Group's policies could damage its reputation and adversely affect business, operating results or financial condition. The Directors cannot predict whether the Group's role in facilitating customers' marketing activities would expose the Group to liability under these laws. Any claims made against the Group could be costly and time-consuming to defend. If the Group is exposed to this kind of liability, the Group could be required to pay substantial fines or penalties, redesign business methods, discontinue some of its services or otherwise expend resources to avoid liability.

***If the Group is unable to protect its intellectual property and proprietary rights, the Group's competitive position and business could be harmed.***

Although each employee of the Group is subject to an agreement pursuant to which all rights to intellectual property which is developed by them are assigned to the Group, such intellectual property rights may still be held to be the property of the employees. In addition, the Group has numerous layers of physical security and encryption to secure its software assets and the Group relies upon the physical security and encryption provided by a third party provider. However, if any of these levels of protection or security were to fail, the Board cannot guarantee that the Group's business and reputation would misappropriate the Group's intellectual property.

***Proprietary rights of third parties***

The commercial success of the Company will depend upon non-infringement of patents or other intellectual property rights belonging to, or granted to, third parties who may have filed applications or who have obtained, or may obtain, patents or other rights relating to technologies which might inhibit the Company's ability to develop and exploit its own technologies. If this is the case, the Company may have to obtain alternative technology or reach commercial terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Company will be able to obtain alternative technology or, if any licences are required, that the Company will be able to obtain any such licence on commercial favourable terms, if at all. This may have a material adverse elect on the Company.

In the event that the Company uses any technology or intellectual property which belongs to a third party, this may result in claims being made against the Company and which would have an adverse affect on the business and success of the Group.

***Software and components that the Group incorporates into its mobile marketing services may contain errors or defects, which could have an adverse effect on business.***

The Group uses a combination of custom and third party software, including open source software, in building the Group's mobile marketing services platform. Although the Group tests certain software before incorporating it into the platform, the Directors cannot guarantee that all of the third party technology that the Group incorporates will not contain errors, defects or bugs. In addition, should any third party licensor of the Group terminate its licence of its product to the Group, it could be detrimental to the Group's own rights.

If errors or defects occur in products and services that the Group utilises in its mobile marketing services platform, it could result in damage to the Group's reputation, lost revenues and diverted development resources.

***The Group uses data centres to deliver its platform and services. Any disruption of service at these facilities could harm the Group's business.***

The Group hosts its services and serves all of its customers from data centre facilities located in the UK. The Group does not control the operations at these third party facilities. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, terrorist attacks, power losses, telecommunications failures and similar events. They could also be subject to break-ins, computer viruses, denial of service attacks, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the third party facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the Group's services. Although the Group maintains off-site backups of customers' data, the Group does not currently operate or maintain a backup data centre for any of its services, which increases the Group's vulnerability to interruptions or delays in service. Interruptions in services might harm the Group's reputation, reduce revenue, cause the Group to incur financial penalties, subject the Group to potential liability and cause customers to terminate their contracts.

***The Group may have exposure to greater than anticipated tax liabilities.***

The Group's future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions where the Group has lower statutory tax rates and higher than anticipated in jurisdictions where the Group has higher statutory tax rates, by changes in the valuation of deferred tax assets and liabilities or changes in tax laws, regulations, accounting principles or interpretations thereof. In addition, there is a risk that amounts paid or received under arrangements between various international subsidiaries in the past and/or the future could be deemed for transfer tax purposes to be lower or higher than the Group previously recognised or expected to recognise.

Determination of tax liability is always subject to review by applicable tax authorities. Any adverse outcome of such a review could have a negative effect on the operating results and financial condition of the Group. In addition, the determination of worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Directors and Proposed Directors believe the Group's estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in the Group's financial statements and may materially affect financial results of the Group in the period or periods for which such determination is made.

**Risks Related to the Mobile Communications Industry**

***The mobile advertising or marketing market may deteriorate or develop more slowly than expected, any of which could harm the Group's business.***

If the market for mobile advertising or marketing deteriorates, or develops more slowly than the Directors and Proposed Directors expect, the Group's business could suffer. Future success is highly dependent on an increase in the use of mobile communications, the commitment of advertisers and marketers to mobile communications as an advertising and marketing medium, the willingness of potential clients to outsource their mobile advertising and marketing needs, and the Group's ability to sell technology services to advertising agencies and brands. Due to the rapidly evolving nature of the mobile advertising and marketing market, future demand and market acceptance for mobile advertising, marketing and technology services is uncertain. Many of the Group's current or potential clients have little or no experience of using mobile communications for advertising or marketing purposes and have allocated only a limited portion of their advertising or marketing budgets to mobile communications advertising or marketing. There is no certainty that they will continue to allocate at least as much or more funds for innovation in the future, if any. Also, the Group must compete with traditional advertising media, including television, print, radio and outdoor advertising, for a share of its clients' total advertising budgets.

Businesses, including current and potential clients, may find mobile advertising or marketing to be less effective than traditional advertising media or marketing methods or other technologies for promoting their products and services, and therefore the market for mobile communications advertising, marketing and

technology services may deteriorate or develop slower than expected. These challenges could significantly undermine the commercial viability of mobile advertising and seriously harm the business, operating results and financial condition of the Group.

***Changes in the wireless communications industry may adversely affect the Group's business.***

The wireless communications industry may experience significant growth and change which could adversely affect the Group's business. Technologies such as 4G mobile broadband, Wi-Fi, worldwide interoperability for microwave access, or WiMAX, and VOIP are challenging existing wireless communication technologies. The Directors and Proposed Directors believe the Group will be able to adapt to future technologies changes; however, in order to do so, the Group may require significant additional investment in order to keep pace with such technological innovation. This could have an adverse effect on the business, operating results and financial condition of the Group if it were unable to raise the necessary finance.

***Changes in government regulation of the wireless communications industry may adversely affect the Group's business.***

Depending on the products and services that they offer, mobile data service providers are or may be subject to regulations and laws applicable to providers of mobile, internet and VOIP services both domestically and internationally.

The application of existing laws and regulations relating to issues such as user privacy, defamation, pricing, advertising, gambling, promotions, consumer protection, content regulation, telecommunications and intellectual property ownership to wireless industry providers and platforms in many instances is unclear or unsettled.

Further, the application to the Group of existing laws regulating or requiring licences for certain businesses of advertisers can be unclear. It is possible that laws and regulations may be adopted in the countries where the Group operates that may be inconsistent and that could restrict the wireless communications industry, including laws and regulations regarding lawful interception of personal data, taxation, content suitability, content marketing and advertising, copyright, distribution and antitrust.

The growth and development of the market for electronic storage of personal information may prompt calls for more stringent consumer protection laws that may impose additional burdens, including costs on companies such as the Group which store personal information. The Directors and the Proposed Directors anticipate that regulation of the Group's industry will increase and that the Board will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations regarding the media and wireless communications industries may lessen the growth of wireless communications services and may materially reduce the Group's ability to increase or maintain sales of mobile marketing services. The Group may incur substantial liabilities for expenses necessary to comply with these laws and regulations, or to investigate or defend litigation in respect of such compliances as well as incur potentially substantial penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit the Group's business practices in a manner adverse to the Group's business.

The Group could be adversely affected if domestic or international legislation or regulations are expanded to require changes in business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect its business. Many of the proposed laws or regulations are in early stages and the Directors cannot yet determine the impact that these regulations may have on the Group's business over time. The Directors and the Proposed Directors cannot assure you that the Group's practice with respect to these matters will be found sufficient to protect the Group from liability or adverse publicity in this area.

In addition, because various foreign jurisdictions have different laws and regulations concerning the storage and transmission of personal information, the Group may face unknown requirements that pose compliance challenges in new international markets that the Group seeks to enter. Such variation could subject the Group to costs, liabilities or negative publicity that could impair its ability to expand operations into some countries

and therefore limit future growth. A number of studies have examined the health effects of mobile device use, and the results of some of the studies have been interpreted as evidence that mobile device use causes adverse health effects. The establishment of a link between the use of mobile devices and health problems, or any media reports suggesting such a link, could increase government regulation of, and reduce demand for, mobile devices and, accordingly, the demand for mobile marketing services, which could harm the business, operating results and financial condition of the Group.

***The gathering, transmission, storage and sharing or use of personal information could give rise to liabilities or additional costs of operation as a result of governmental regulation, legal requirements, civil actions or differing views of personal privacy rights.***

The Group transmits and stores a large volume of personal mobile information and data in the course of providing its services. International laws and regulations govern the collection, use, retention, sharing and security of data that the Group receives from customers and their users. The Group may be contractually liable to indemnify and hold harmless customers from the costs or consequences of inadvertent or unauthorised disclosure of their customers' personal data which the Group stores or handles as part of providing its services. The interpretation and application of privacy, data protection and data retention laws and regulations are currently unsettled internationally, particularly with regard to location-based services, use of customer data to target advertisements and communication with consumers via mobile devices. Such laws may be interpreted and applied inconsistently from country to country and inconsistently with current data protection policies and practices. Complying with these varying international requirements could cause the Group to incur substantial costs or require the Group to change business practices in a manner adverse to its business, operating results or financial condition. As privacy and data protection have become more sensitive issues, the Group may also become exposed to potential liabilities as a result of differing views on the privacy of personal information. These and other privacy concerns, including security breaches, could adversely impact the business, operating results and financial condition of the Group.

**Risks Related to the Placing and Admission and the Ordinary Shares**

There has been no prior public market in the Ordinary Shares, the trading price of the Ordinary Shares is likely to be volatile, and you might not be able to sell your shares at or above the Placing Price.

An active or liquid market in the Ordinary Shares may not develop upon completion of the Placing or, if it does develop, it may not be sustainable. The Placing Price may not be indicative of the market price of the Ordinary Shares after Admission and therefore it may vary from the market price of the Ordinary Shares after Admission. As a result of these and other factors, you may be unable to resell your Ordinary Shares at or above the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the numerous countries in which the Group does business;
- foreign currency exchange fluctuations and the denominations in which the Group conducts business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;

- sales of the Ordinary Shares by the Directors or Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if these events do not directly affect the Group. Each of these factors, among others, could harm the value of your investment in the Ordinary Shares. In the past, following periods of volatility in the market, securities litigation has often been instituted against companies. Such litigation, if instituted against the Group, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect the business, operating results and financial condition of the Group.

***Future equity issuances or sales of the Ordinary Shares in the public market could cause the share price to decline.***

If the Company issues equity securities in the future or if Shareholders sell a substantial number of the Ordinary Shares in the public market after the Admission, or if there is a perception that these sales or issuances might occur, the market price of the Ordinary Shares could decline.

The Company may issue Ordinary Shares, or other securities, from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of Ordinary Shares, or the number or aggregate principal amount, as the case may be, of other securities that the Company may issue may in turn be significant, causing further downward pressure on the Company's share price.

The Company may decide to offer additional Ordinary Shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to take up such an offer will find their proportionate ownership and voting interests in the Company to be reduced.

***The Founders will continue to have substantial control over the Group after the Placing and will be able to exercise significant influence over matters subject to Shareholder approval.***

The Founders will beneficially own approximately 88.1 per cent. of the Ordinary Shares as at Admission. Accordingly, they will be able to exercise influence over all matters requiring Shareholder approval, including the election of Directors and approval of corporate transactions, such as a merger or other sale of the Group or its assets, for the foreseeable future. This concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of the Group, which in turn could have a material adverse effect on the market value of the Ordinary Shares.

***The Group's management will have broad discretion over the use and investment of the net proceeds that it receives in the Placing and might not apply the proceeds in ways that increase the value of your investment.***

The management will have broad discretion over the use and investment of the net proceeds from the Placing and Shareholders will be relying on the judgment of the management regarding the application of these net proceeds. The management intends to use the net proceeds from the Placing for general corporate purposes and working and investment capital, including funding the strategic plan for expansion and making further investments in technology solutions. The Group may also use a portion of the net proceeds to acquire other businesses, products or technologies. The Group does not, however, have any agreements or commitments for any specific acquisitions. The management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence decisions on how the net proceeds from the Placing are used.

***If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, of the Group the share price and trading volume could decline.***

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares would be negatively impacted. In the event the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

***If the Group fails to maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired and investors' views of the Group could be harmed.***

The Group has systems and controls in place to allow it to produce accurate and timely financial statements. If any of these systems or controls were to fail the Group may be unable to produce interim and annual financial statements accurately or on a timely basis. As such, investors may have concerns both over the lack of available financial information and the controls the Group has in place which could adversely affect the Company's share price.

***The Company has never declared or paid dividends on the Ordinary Shares and it does not anticipate paying dividends in the foreseeable future.***

The Company has never declared or paid cash dividends on the Ordinary Shares. The Directors currently intend to retain all available funds and any future earnings to support the operation of and to finance the growth and development of the business. Any future determination to declare cash dividends will be made at the discretion of the Board, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit the ability to pay dividends, and will depend on financial condition, operating results, capital requirements, general business conditions and other factors that the Board may deem relevant. The Directors do not anticipate paying any cash dividends on the Ordinary Shares in the foreseeable future. As a result, a return on your investment will only occur if the share price appreciates.

**AIM**

Application is being made for the Enlarged Share Capital to be admitted to trading on AIM and it is emphasised that no application is being made for admission of any of the Ordinary Shares to the Official List or to any other stock exchange at this time. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this Document.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised for the purposes of FSMA who specialises in the acquisition of shares and other securities.

**Liquidity and possible price volatility**

The market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control. In addition, stock market prices may be volatile and may go down as well as up.

The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Company's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

The admission of the Ordinary Shares to trading on AIM should not be taken as implying that there is or will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Company than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

***General Risks***

*Litigation risks*

All industries, including the technology industry, are subject to legal claims, with and without merit. The Company 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 effect on the Group's financial position or results of operations.

*Future funding*

Whilst the Directors have no current plans for raising additional capital it is possible that the Company will need to raise extra capital in the future to develop fully the Group's business or to take advantage of future expansion opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable 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 commercialisation activity and/or business development, which may have a material adverse effect on the Group's business, financial condition, future trading performance and prospects.

*Taxation risk*

Any change in the Company's tax status (including its VCT/EIS status) or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon tax law and practice at the date of this document, which is subject to change.

*Enterprise Investment Scheme*

Advance assurance has been received from HMRC that the Company satisfies the relevant conditions for being a qualifying company and the Placing shares are eligible shares for the purposes of EIS provisions. The actual availability of relief under the EIS provisions will be contingent, *inter alia*, upon certain conditions being met by both the Company and the relevant investors. Neither the Company not the Company's advisers give any warranties, representations or undertakings that EIS relief will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding EIS change then any reliefs or qualifying status previously obtained may be lost. Circumstances may arise (which may include sale of the

Company) where the Directors believe that the interests of the Group are not best serviced by acting in a way that preserves EIS tax relief (including capital gains tax reliefs). In such circumstances, the Group cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder. If the Group does not employ the proceeds of an EIS Share issue for qualifying purposes within two years of issue, the EIS Shares would cease to be eligible and all of the EIS tax reliefs of investors in respect of the EIS Shares would be withdrawn. If the Company or any qualifying subsidiary ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Group's activities and which is a non-qualifying trade for EIS purposes, this could prejudice the qualifying status of the Company (as referred to above) under the EIS if this occurred during the three year period from the last issue of shares to the EIS investors.

*Venture Capital Trust*

The Company has sought provisional clearance from HMRC that the Placing Shares will be eligible for the purposes of section 258(3A) of the Income Tax Act 2007 and that certain of such shares will be "qualifying holdings" for the purposes of Chapter 4, Part 6, Income Tax Act 2007. In order for the Placing Shares to be "qualifying holdings" for VCT purposes, *inter alia*, the Company must satisfy and continue to satisfy the relevant requirements. There is no guarantee that such clearance will be obtained or that any particular VCT will qualify for relief in respect of an acquisition of the Placing Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this. Neither the Company nor the Directors is/are giving any warranty, representation or undertaking that the Company will meet or continue to meet any conditions relation to VCT relief. Should the law regarding VCTs change then any reliefs or qualifying status previously obtained may be lost. Circumstances may arise where the Directors believe that the interests of the Group are not best served by acting in a way which reserves any VCT-related status. In such circumstances, the Group cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder. Investors considering making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the reliefs may apply to their individual circumstances.

*Force majeure*

The Group's operations now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

*General economic conditions*

Market conditions, particularly those affecting telecoms and technology companies may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including, natural disaster, terrorist attacks and political unrest and/or government legislation or policy. Market perception of telecoms and technology companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing.

# PART 3

# FINANCIAL INFORMATION

**SECTION A: ACCOUNTANTS' REPORT**

Set out below is the text of a report by Crowe Clark Whitehill, covering the financial information of the Group for the three years ended 31 December 2013.

24 June 2014

The Directors
CDialogues plc
One America Square
Crosswall
London
EC3N 2SG

Strand Hanson Limited
26 Mount Row
London W1K 3SQ
United Kingdom

Dear Sirs

**Introduction**

We report on the audited financial information of the CDialogues Group (the "**Group**") set out below. The financial information has been prepared for inclusion in Part 3 of the AIM Admission Document dated 24 June 2014 (the "**Document**") of CDialogues plc (the "**Company**"), on the basis of the accounting policies set out in Notes 2 and 3 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "**AIM Rules**") and is given for the purposes of complying with the AIM Rules and for no other purpose.

**Responsibilities**

The Directors are responsible for preparing the financial information on the basis of preparation set out in Note 2 of Section B below and in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

**Basis of Opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the CDialogues Group as at the dates stated and of the results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1(b) to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

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

Yours faithfully

**Crowe Clark Whitehill LLP**
*Chartered Accountants*

# SECTION B: HISTORICAL FINANCIAL INFORMATION

**Consolidated and combined statements of comprehensive income**

| | Note | Financial year ended 31 Dec 2011 €000's | Financial year ended 31 Dec 2012 €000's | Financial year ended 31 Dec 2013 €000's |
|---|---|---|---|---|
| Revenue | 8 | 200 | 1,583 | 4,585 |
| Cost of sales | 9 | (89) | (945) | (2,538) |
| **Gross profit** | | 111 | 638 | 2,047 |
| Administrative expenses | 9 | (31) | (124) | (232) |
| Selling and distribution costs | 9 | (29) | (167) | (410) |
| Operating profit | | 51 | 347 | 1,405 |
| Finance income | 10 | – | – | 1 |
| Finance costs | 10 | – | (24) | (22) |
| **Profit before tax** | | 51 | 323 | 1,384 |
| Income tax expense | 12 | (10) | (13) | (38) |
| **PROFIT FOR THE YEAR** | | 41 | 310 | 1,346 |
| **Other comprehensive income:** | | | | |
| Exchange differences on translation of foreign operations | | – | – | (34) |
| Income tax effect | | – | – | – |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | – | – | (34) |
| Unrecognised net Gain or (Loss) | | – | – | 2 |
| Income tax effect | | – | – | – |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | – | – | 2 |
| **Other comprehensive income/(loss) for the year, net of tax** | | – | – | (32) |
| **Total comprehensive income for the year, net of tax** | | 41 | 310 | 1,314 |
| **Profit for the year attributable to:** | | | | |
| Equity holders of the parent | | 41 | 310 | 1,346 |
| **Total comprehensive income for the year, attributable to:** | | | | |
| Equity holders of the parent | | 41 | 310 | 1,314 |
| | | 41 | 310 | 1,314 |
| **Earnings per share, basic and diluted (cents)** | 13 | 0.66 | 4.97 | 21.57 |

**Consolidated and combined statements of financial position**

| | Note | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | 26 | 27 | 50 |
| Intangible assets | 15 | 71 | 252 | 548 |
| Deferred tax assets | 16 | – | 3 | 12 |
| Trade and other receivables | 17 | 1 | 3 | 10 |
| | | 98 | 285 | 620 |
| **Current assets** | | | | |
| Trade and other receivables | 17 | 68 | 633 | 975 |
| Available for sale financial assets | 18 | – | – | 102 |
| Cash and cash equivalents | 19 | 16 | 103 | 644 |
| | | 84 | 736 | 1,721 |
| **TOTAL ASSETS** | | 182 | 1,021 | 2,341 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to equity holders for the parent** | | | | |
| Issued share capital | 20 | 5 | 5 | 15 |
| Reserves | 21 | 100 | 90 | 94 |
| Retained earnings | | 41 | 350 | 1,660 |
| **Total Equity** | | 146 | 445 | 1,769 |
| **Non-current liabilities** | | | | |
| Employee benefit liability | 22 | – | 11 | 12 |
| | | – | 11 | 12 |
| **Current liabilities** | | | | |
| Trade and other payables | 23 | 26 | 539 | 496 |
| Income tax payables | | 10 | 26 | 64 |
| | | 36 | 565 | 560 |
| **Total liabilities** | | 36 | 576 | 572 |
| **TOTAL EQUITY AND LIABILITIES** | | 182 | 1,021 | 2,341 |

**Consolidated and combined statements of changes in equity**

| | Ordinary share capital €000's | Reserves €000's | Retained earnings €000's | Total equity €000's |
|---|---|---|---|---|
| **Balance at 1 January 2011** | **–** | **–** | **–** | **–** |
| Profit for the year | – | – | 41 | 41 |
| Other comprehensive income/(loss) | – | – | – | – |
| Total comprehensive income | – | – | 41 | 41 |
| Issue of share capital | 5 | – | – | 5 |
| Adjustment on combination of CDialogues SA | – | 100 | – | 100 |
| **Balance at 31 December 2011** | **5** | **100** | **41** | **146** |
| Profit for the year | – | – | 310 | 310 |
| Other comprehensive income/(loss) | – | – | – | – |
| Total comprehensive income | – | – | 310 | 310 |
| Transaction costs | – | – | (1) | (1) |
| Adjustment on acquisition of CDialogues SA | – | (10) | – | (10) |
| **Balance at 31 December 2012** | **5** | **90** | **350** | **445** |
| Profit of the year | – | – | 1,346 | 1,346 |
| Other comprehensive income/(loss) | – | – | (32) | (32) |
| Total comprehensive income | – | – | 1,314 | 1,314 |
| Issue of share capital | 10 | – | – | 10 |
| Transfers to reserves | – | 4 | (4) | – |
| **Balance at 31 December 2013** | **15** | **94** | **1,660** | **1,769** |

**Consolidated and combined statements of cash flows**

| | Note | Financial year ended 31 Dec 2011 €000's | Financial year ended 31 Dec 2012 €000's | Financial year ended 31 Dec 2013 €000's |
|---|---|---|---|---|
| **Cash flows from Operating Activities** | | | | |
| Profit before tax | | 51 | 323 | 1,384 |
| Adjustments to reconcile profit before tax to net cash flows: | | | | |
| Depreciation of property, plant and equipment | 9 | 3 | 8 | 13 |
| Amortisation of intangible assets | 9 | 4 | 56 | 153 |
| Interest income | 10 | – | – | (1) |
| Interest expense | 10 | – | 24 | 22 |
| Movements in provisions for employee benefits | 22 | – | 11 | 1 |
| Operating cash flows before changes in working capital | | 58 | 422 | 1,572 |
| Working capital adjustments: | | | | |
| Increase in trade and other accounts receivable | | (68) | (567) | (349) |
| Increase/(decrease) in trade and other accounts payable | | 25 | 513 | (41) |
| Income tax paid | | – | – | (9) |
| Net cash flows from operating activities | | 15 | 368 | 1,173 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (29) | (9) | (36) |
| Purchase of intangible assets | | (75) | (237) | (449) |
| Interest received | | – | – | 1 |
| Purchase of financial instruments | 18 | – | – | (102) |
| Acquisition of subsidiary | | – | (10) | – |
| Net cash flows used in investing activities | | (104) | (256) | (586) |
| Cash flows from financing activities | | | | |
| Issue of share capital | 20 | 5 | – | 10 |
| Adjustment on combination of CDialogues SA | | 100 | – | – |
| Transaction costs | | – | (1) | – |
| Proceeds from borrowings | | – | 60 | – |
| Repayment of borrowings | | – | (60) | – |
| Interest paid | | – | (24) | (22) |
| **Net cash flows from/(used in) financing activities** | | 105 | (25) | (12) |
| **Net increase in cash and cash equivalents** | | 16 | 87 | 575 |
| Cash and cash equivalents at 1 January | | – | 16 | 103 |
| Currency translation differences | | – | – | (34) |
| **Cash and cash equivalents at 31 December** | 19 | 16 | 103 | 644 |

**Notes to the consolidated and combined financial information**

**1. Corporate information**

The consolidated and combined financial information of CDialogues plc and its subsidiaries (collectively, the "Group") has been prepared on the basis set out below

CDialogues plc (the "**Company**") was incorporated in England and Wales as a Limited Liability Company on 1 June 2011.

The Group provides mobile marketing solutions that enable brands, MNO operators and media companies to design and implement targeted, interactive and measurable campaigns by engaging with and entertaining MNO subscribers via their mobile devices.

The Group has developed internally a technology platform (C/Profiler Software Platform), which is used for the provision of mobile marketing solutions. The Group's technology platform is offered as either a fully managed or as Software-as-a-Service (SAAS) product.

The core services supported by the Group's platform include SMS, MMS, IVR and mobile internet services. Furthermore, the Group's platform supports recurring user subscription and mobile billing services in cooperation with the MNO operators on either a pre-paid or post-paid basis.

The Group's technical infrastructure is connected directly with MNO Operators in the territories in which it operates and, in most cases, transacts with its business partners through revenue sharing arrangements under which the net revenues generated from the relevant mobile marketing initiatives are divided. In several cases, those mobile marketing initiatives are devised in cooperation with the operators themselves. In other instances, campaigns are instigated by the Group and may be rolled out concurrently across several mobile operator networks and in a number of different countries.

More specifically, through the use of its mobile marketing platform, the Group tries to attract as many mobile subscribers to participate in any given campaign and then make them engage with the content. To attract potential mobile subscribers, the Group employs promotional seeding techniques which include the use of traditional media and the use of mobile. Once mobile subscribers are initially attracted, the Group tries to make them engage by providing exciting mobile utilities or providing incentives. The pool of mobile subscribers that eventually engage is analyzed and profiled into categories in order for the Group to design the appropriate loyalty building programs and reward schemes.

The ongoing management of mobile marketing campaigns provides the Group with a growing database of performance and response statistics. The knowledge and experience of these campaigns provides important feedback for the Group's future campaigns and is also reflected in improvements to the Group's technology platform in order to maximize its efficiency.

**2. Basis of preparation**

The financial information has been prepared on a consolidated basis as modified to include combined financial information in respect of CDialogues SA in the period prior to the change in legal ownership of CDialogues SA in July 2012 when it was acquired by its management, who are the principal shareholders in the Company, and the present legal group structure established. The change in legal ownership of CDialogues SA did not present any essential change in the underlying business of CDialogues SA and consolidated and combined financial information has therefore been presented in accordance with the convention described in paragraphs 56 to 58 of the Annexure to Standards for Investment Reporting 2000 (Revised). The consequential change in capital structure which took place on the change in legal ownership of CDialogues SA has been reflected in other reserves within equity in the consolidated and combined financial information.

The financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and IFRIC interpretations as adopted by the European Union and issued by the International Accounting Standards Board ("**IASB**").

The financial information is presented in Euros ("€") which, as the Group is expected to transact more of its business in Euros than any other currency, is also the functional currency of the Group. All financial information is presented in €'000.

The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

## 3. Summary of significant accounting policies

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Any subsequent changes in fair value of contingent consideration, which is presumed to be an asset or liability, will be recognized under IAS 39 either in the income statement or as a change in other comprehensive income. If the contingent consideration is classified as a component of equity, it will not be measured until its final settlement through the equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenues mainly consist of Mobile Marketing access services.

**Segmental reporting**

The Group operates as a provider of Mobile Marketing services. In this context there is no obligation to prepare and publish financial results by segment, according to the requirements of IFRS 8 "**Operating Segments**". As far as geographical segment the Group operates mainly (95 per cent.) in the area of Middle East and therefore is considered as one geographical segment.

**Research and Development Costs**

Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognised as an intangible asset only when the requirements of IAS 38 "**Intangible Assets**" are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.

## Income Tax

Income tax comprises of current income tax and deferred income tax.

*Current income tax*

Current income tax is computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in the tax jurisdictions in which foreign subsidiaries operate. Current income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns and additional income taxes to cover potential tax assessments which are likely to occur from tax audits by the tax authorities, using the enacted tax rates.

*Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax is recognised in the statement of comprehensive income unless it relates to transactions recognized directly in equity, where the related deferred tax effects are also recognised directly in equity.

## Foreign currency translation

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

*Group companies*

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

(1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(3) All resulting exchange differences are recognized as reserves in other comprehensive income and are transferred to the income statement upon disposal of those entities.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive income as part of the gain or loss on sale.

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the statement of comprehensive income in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in a separate component of equity and recognised in the statement of comprehensive income on disposal of the net investment in foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Property, plant and equipment**

All property, plant and equipment ("**PPE**") is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on PPE is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, in order to write down the cost in its residual value. The expected useful life of property, plant and equipment is as follows:

| | | |
|---|---|---|
| Transportation assets | 6-7 | years |
| Other equipment | 3-5 | years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

When the carrying amount of the asset is higher than its recoverable amount, the resulting difference (impairment loss) is recognized immediately as an expense in the statement of comprehensive income.

In case of sale of property, plant and equipment, the difference between the sale proceeds and the carrying amount is recognized as profit or loss in the statement of comprehensive income.

**Intangible Assets**

*Purchased software*

Purchased software acquired is stated at historical cost less subsequent amortisation and any impairment. Amortisation is calculated using the straight-line method over the useful economic life, not exceeding a period of 3 to 4 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

*Software development costs*

Expenditure on research is expensed as incurred. Software development costs are recognised if, and only if, all of the following can be demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the probable future economic benefits. The existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development must be demonstrated.

Costs that are directly associated with identifiable and unique software products utilised by the Group are recognized as part of intangible assets. Direct costs include materials, staff costs of the software development team and an appropriate portion of relevant overheads.

Software development costs are stated at historical cost less subsequent amortisation and any impairment. Amortisation is calculated using the straight-line method over the useful economic lives, not exceeding a period of 3 to 4 years. The amortisation method used reflects the rate of future economic benefits that are expected to flow into the Group.

**Impairment of assets**

*Non-financial assets*

The carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognized in the statement of comprehensive income. The recoverable amount is measured as the higher of fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount of investment in subsidiaries and associates is determined in the same way as the non financial assets.

*Financial assets*

The Group assess at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The financial assets that are reviewed for impairment (provided that the relative indications exist) are assets stated at cost, assets measured at amortized cost based on the effective interest rate method (non-current receivables) and available for sale investments.

The recoverable amount of investments in subsidiaries and associates is determined in the same way as for non-financial assets.

For the purposes of impairment testing of the other financial assets the recoverable amount is determined based on the present value of future cash flows, discounted using the original asset-specific rate or a rate of a similar financial asset. Any resulting impairment losses are recognised in the statement of comprehensive income.

**Financial assets**

The Group classifies its financial assets in the following categories. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

*Financial assets at fair value through profit or loss*

This category refers to financial assets acquired principally for the purpose of selling in the short term or if so designated by Management at inception and the following criteria are met: (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or (c) if the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis that the separation of the embedded derivative is prohibited. Derivatives are also categorised as held for trading unless they are designated as hedges. If these assets are either held for trading or are expected to be realised within 12 months of the statement of financial position date these assets are classified as current assets.

*Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

*Available-for-sale financial assets*

These are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Purchases and sales of investments are recognized on trade date, which is the date on which the Group commit to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets except those carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group have transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value and unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognized in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair

value adjustments are included in the statement of comprehensive income as gains and losses from investment securities. Impairment losses recognized in the statement of comprehensive income are not reversed through profit and loss.

Realized and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

The fair values of quoted investments are based on year-end bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Financial instruments which are not traded in an active market and of which the fair value cannot be measured reliably are measured at acquisition cost.

At each statement of financial position date management estimates whether there are indications of impairment.

For companies' shares which are classified as available for sale financial assets, such indication is the decrease in the fair value compared to the acquisition cost. If impairment is identified then the cumulative- loss, which is included in equity and represents the difference between acquisition cost and fair value, is transferred to the statement of comprehensive income. Impairment losses in shares recognized in the statement of comprehensive income are not reversed through profit and loss.

**Financial Liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the statement of comprehensive income either through the amortisation process or where the liabilities are written-off.

**De-recognition of financial assets and liabilities**

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the

transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised as selling and distribution expenses in the statement of comprehensive income. In case the receivable is considered as uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent collection of written off receivable in prior financial periods is credited against the selling and distribution expenses in the statement of comprehensive income.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with low risk and with original maturities of three months or less.

**Share capital**

Share capital comprise of the Company's ordinary shares. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown after the reduction of the relative income tax in reduction to the product of issue. Incremental costs directly attributable to the issue of new shares for the acquisition of other entities are included in the cost of acquisition of the new company.

**Dividend Distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the General Meeting of the Company's Shareholders.

**Interest-bearing loans and borrowings**

Interest-bearing loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

The component of any convertible preference shares that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the statement of comprehensive income.

The fair value of the liability component of a convertible bond loan is determined using a market rate for an equivalent non convertible bond; and this amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity.

Loans are classified as short-term liabilities unless the Group has the unconditional right to defer payment for at least 12 months from the statement of financial position date.

**Trade payables**

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

**Leases**

**(a) The Group as lessee**

*Finance leases*

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**(b) The Group as lessor**

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### Reserve for Staff Retirement Indemnities

Staff retirement obligations are calculated at the present value of the future retirement benefits deemed to have accrued, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions and are determined using the projected unit credit actuarial valuation method. Net costs for the period are included in payroll in the accompanying statement of comprehensive income and consist of the present value of benefits earned in the period, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognised on a straight-line basis over the average period until the benefits under the plan become vested.

Past service costs are recognised on a straight-line basis over the average period until the benefits under the plan become vested. Actuarial gains or losses actuarial gains and losses recognised in other comprehensive income (OCI) and permanently excluded from profit and loss. The retirement benefit obligations are not funded.

### Provisions and Contingent Assets-Liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Regarding the provisions that are expected to be settled in the long term (and therefore the effect of time value of money is material), provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks related to the liability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

### Earnings per Share

Earnings per share are calculated by dividing the financial period net profit, corresponding to ordinary shareholders, by the weighted average number of ordinary shares issued. The accompanying financial statements did not include any profit decreasing bonds or other stock, convertible to shares. Consequently, diluted earnings per share were not calculated.

## 4. Adoption of standards

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

Issued but not yet EU adopted

IFRS 9 – Financial instruments
IFRIC 21 Levies
IFRS 14 Regulatory Deferral Accounts

Issued and EU adopted

IFRS 10, 12 and IAS 27 Amendments – Investment Entities
IAS 36 – Amendment – Impairment of assets
IAS 39– Amendment – Novation of derivatives
IFRIC 21 – Levies

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

## 5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting dates. Actual results may ultimately differ from those estimates. Such judgments and estimates are periodically reviewed by management in order to reflect current condition and correspond to anticipation of current risks and are based on management's prior experience in conjunction to the volume /level of such transactions and events.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are discussed below.

*Development Costs*

Development costs are capitalised according to the accounting policy as described under paragraph "**Intangible Assets**". In order for the Group to account for the amounts to be capitalised, management proceeds in certain assumptions in relation to expected future cash inflows generated from the asset, discount rates and expected future periods in which benefits will inflow to the Group.

*Impairment of available-for-sale financial assets*

The Group follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

*Provision for income tax*

Current income tax liabilities for the current and prior periods are measured, in accordance with IAS 12, at the amounts expected to be paid to the taxation authorities and includes provision for current income taxes reported in the respective income tax returns and the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years.

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Further details and information are disclosed in Notes 12 and 16.

## 6. Capital management

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

| | **2011 €000's** | **2012 €000's** | **2013 €000's** |
|---|---|---|---|
| Trade and other payables | 26 | 539 | 496 |
| Less cash and cash equivalents | (16) | (103) | (644) |
| Net Debt | 10 | 436 | (148) |
| Equity | 146 | 445 | 1,768 |
| Total equity | 146 | 445 | 1,768 |
| **Total equity and net debt** | 156 | 881 | 1,620 |
| **Gearing ratio** | 6% | 50% | –9% |

## 7. Group information

Information about subsidiaries

The consolidated and combined financial information of the Group include:

| **Subsidiary undertaking** | **Country of registration** | **2011 Percentage of Ordinary Shares held** | **2012 Percentage of Ordinary Shares held** | **2013 Percentage of Ordinary Shares held** |
|---|---|---|---|---|
| Telilea Ltd | CYPRUS | – | 100.00% | 100.00% |
| CDialogues S.A. | GREECE | – | 100.00% | 100.00% |
| CDialogues MEA JLT | U.A.E | – | – | 100.00% |
| CDialogues LLC | RUSSIA | – | – | 100.00% |

The principal activity of each company is analyzed as follows:

CDialogues plc was incorporated in England and Wales as a Limited Liability Company on June 2011. It is the Parent entity of the Group.

Telilea Ltd was incorporated in Cyprus in March 2012. Its principal activities are the provision of mobile marketing services.

CDialogues S.A. was established in Greece in July 2011 and acquired by the Group on July 2012. Its principal activities include software development services as well as support and maintenance services related to the software.

## 7. Group information (continued)

CDialogues LLC was established in Russia in March 2012 as Benastipik LLC and acquired by the Group in March 2013 (20 per cent.) and April 2013 (80 per cent.). Its name changed to CDialogues LLC in June 2013. Its principal activity is general trading.

CDialogues MEA JLT was established in Dubai U.A.E. in October 2013. Its principal activities are the provision of IT services and solutions.

## 8. Revenue

Revenue is analysed as follows:

| | 2011<br>€000's | 2012<br>€000's | 2013<br>€000's |
|---|---|---|---|
| Software services | 200 | 80 | – |
| Mobile marketing services | – | 1,503 | 4,585 |
| Total | 200 | 1,583 | 4,585 |

## 9. Expenses by nature

Expenses are analyzed as follows:

| | Note | 2011<br>€000's | 2012<br>€000's | 2013<br>€000's |
|---|---|---|---|---|
| Payroll and related costs | 11 | 37 | 82 | 203 |
| Depreciation of property, plant and equipment | | 3 | 8 | 13 |
| Amortisation of intangible assets | | 4 | 56 | 153 |
| Operating lease payments | | 39 | 75 | 95 |
| Cost of services | | 29 | 725 | 2,200 |
| Connectivity & hosting costs | | – | 67 | 112 |
| Marketing & consulting fees | | – | 95 | 250 |
| Auditors' remuneration | | – | 5 | 22 |
| Travelling expenses | | – | 29 | 55 |
| Utilities | | 7 | 15 | 14 |
| Net foreign exchange differences | | – | 12 | (8) |
| Other | | 30 | 67 | 71 |
| **Total** | | 149 | 1,236 | 3,180 |
| *Allocation of expenses by category:* | | | | |
| Cost of sales | | 89 | 945 | 2,538 |
| Administrative expenses | | 31 | 124 | 232 |
| Selling and distribution costs | | 29 | 167 | 410 |
| Total | | 149 | 1,236 | 3,180 |
| *Allocation of depreciation and amortisation by category:* | | | | |
| Cost of sales | | 5 | 61 | 160 |
| Administrative expenses | | 1 | 2 | 4 |
| Selling and distribution costs | | 1 | 1 | 2 |
| **Total** | | 7 | 64 | 166 |

## 10. Finance (cost)/income

Finance (cost)/income are analysed as follows:

| | 2011 €000's | 2012 €000's | 2013 €000's |
|---|---|---|---|
| Interest expense from loans | – | (2) | – |
| Other (Project financing fees, bank charges) | – | (22) | (22) |
| Total finance costs | – | (24) | (22) |
| Interest income from cash at banks | – | – | 1 |
| **Total finance income** | – | – | 1 |

## 11. Payroll and related costs

Payroll and related costs are analysed as follows:

| | Note | 2011 €000's | 2012 €000's | 2013 €000's |
|---|---|---|---|---|
| Wages and salaries | | 89 | 214 | 253 |
| Social security costs | | 23 | 52 | 62 |
| Pension costs | 22 | – | 12 | 3 |
| Less: Amounts transferred to development cost | | (75) | (196) | (115) |
| **Total** | | 37 | 82 | 203 |

## 12. Income tax

The major components of income tax expense for the years ended 31 December 2011, 2012 and 2013 are:

| | Note | 2011 €000's | 2012 €000's | 2013 €000's |
|---|---|---|---|---|
| Current income tax | | 10 | 16 | 47 |
| Deferred income tax | 16 | – | (3) | (9) |
| **Income tax in the income statement** | | 10 | 13 | 38 |

The reconciliation of income taxes reflected in statements of comprehensive income and the amount of income taxes determined by the application of the United Kingdom statutory tax rate to pre-tax income is summarized as follows:

| | 2011 €000's | 2012 €000's | 2013 €000's |
|---|---|---|---|
| Profit before tax | 51 | 323 | 1,384 |
| At United Kingdom statutory income tax rate of 20 per cent. (2012: 20 per cent.) (2011: 20 per cent.) | 10 | 65 | 277 |
| Income not subject to taxation | – | (23) | (49) |
| Expenses not deductible for taxation purposes | – | 7 | 20 |
| Differences in tax rates | – | (37) | (212) |
| 10 per cent. additional charge | – | 1 | 1 |
| Defence contribution current year | – | – | 1 |
| **Total** | 10 | 13 | 38 |

## 12. Income tax (continued)

The 10 per cent. additional charge, amount of €895, related to Telilea Ltd. According to the Cyprus Tax legislation companies have to pay temporary tax on the 75 per cent. of their estimated taxable profits for the year otherwise there is a surcharge of 10 per cent. on the final tax liability for the year.

The Company is obliged to file its tax returns in accordance with the applicable tax law in England and Wales. No income tax is payable on the net income deriving from subsidiaries with foreign operations.

The Group's subsidiaries file their tax returns in the countries in which they are established and/or operate. The tax rates at 31 December 2013 of the countries where the operations of the Group are located are the following:

Greece 26.0 per cent. (2012: 20.0 per cent., 2011: 20.0 per cent.)

Cyprus 12.5 per cent. (2012: 10.0 per cent.)

Russia 20.0 per cent.

United Arab Emirates NIL per cent.

*Greek subsidiary (CDialogues S.A.)*

Greek tax laws and regulations are subject to interpretations by the tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

*Tax Compliance certificate*

From the financial year 2011 and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to have their statutory financial statements audited must in addition obtain an "**Annual Tax Certificate**" as provided for by paragraph 5 of Article 82 of L.2238/1994. This "Annual Tax Certificate" must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements.

The tax compliance certificate for the financial year 2012 was concluded by its auditors, based on the provisions of §5, article 82 of L.2238/1994. No significant additional tax liabilities arose, in excess of those provided for and disclosed in the financial statements.

The tax compliance certificate for the financial year 2013 is still in progress based on the provisions of §5, article 82 of L.2238/1994. No significant additional tax liabilities are expected to arise, in excess of those provided for and disclosed in the financial statements.

*Cyprus subsidiary (Telilea Ltd)*

Under certain conditions interest income may be subject to defence contribution at the rate of 30 per cent. (2012:15 per cent.). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20 per cent. for the tax years 2012 and 2013 and 17 per cent. for 2014 and thereafter.

The company has utilised tax relief incentives provided by the Cyprus tax legislation. These incentives allow for special treatment on intellectual property.

## 12. Income tax (continued)

The Cyprus tax law on Intellectual Property gives rise to the following tax treatment.

- The cost of the acquisition or development of Intellectual Property of a capital nature is amortised over a period of five years, starting in the year of purchase/development.
- A statutory reduction of 80 per cent. of the profit arising from the use of the Intellectual Property, as well as from any gain on the sale of the Intellectual Property.
- The 80 per cent. deduction applies to profit after deducting any direct expenses including amortisation and interest.

*United Arab Emirates (Cdialogues MEA JLT)*

Taxable income is not applied in the United Arab Emirates.

## 13. Pro forma earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation for basic and diluted earnings per share for the period is based on the profit after taxation attributable to equity holders for each of the periods ended 31 December 2013 and the number of shares in issue at Admission.

| | **2011** | **2012** | **2013** |
|---|---|---|---|
| **Net profit attributable to ordinary equity holders of the parent (€000's)** | 41 | 310 | 1,346 |
| Number of shares in issue at Admission | 6,240,550 | 6,240,550 | 6,240,550 |
| **Basic and diluted earnings per share (cents)** | 0.66 | 4.97 | 21.57 |

## 14. Property plant and equipment

Property, plant and equipment is analysed as follows:

| | Transportation assets €000's | Furniture and other office equipment €000's | Total €000's |
|---|---|---|---|
| **Cost** | | | |
| **Balance at 1 January 2011** | – | – | – |
| Additions | – | 29 | 29 |
| **Balance at 31 December 2011** | – | 29 | 29 |
| **Balance at 1 January 2012** | – | 29 | 29 |
| Additions | – | 9 | 9 |
| **Balance at 31 December 2012** | – | 38 | 38 |
| **Balance at 1 January 2013** | – | 38 | 38 |
| Additions | 23 | 13 | 36 |
| **Balance at 31 December 2013** | 23 | 51 | 74 |
| **Accumulated Depreciation** | | | |
| Balance at 1 January 2011 | – | – | – |
| Depreciation expense | – | 3 | 3 |
| **Balance at 31 December 2011** | – | 3 | 3 |
| **Balance at 1 January 2012** | – | 3 | 3 |
| Depreciation expense | – | 8 | 8 |
| **Balance at 31 December 2012** | – | 11 | 11 |
| **Balance at 1 January 2013** | – | 11 | 11 |
| Depreciation expense | 2 | 11 | 13 |
| **Balance at 31 December 2013** | 2 | 22 | 24 |
| **Net book value at 31 December 2011** | – | 26 | 26 |
| **Net book value at 31 December 2012** | – | 27 | 27 |
| **Net book value at 31 December 2013** | 21 | 29 | 50 |

No property, plant and equipment has been pledged as security.

## 15. Intangible assets

Intangible assets are analysed as follows:

| | Purchased software €000's | Software development costs €000's | Total €000's |
|---|---|---|---|
| **Cost** | | | |
| **Balance at 1 January 2011** | – | – | – |
| Additions | – | 75 | 75 |
| **Balance at 31 December 2011** | – | 75 | 75 |
| **Balance at 1 January 2012** | – | 75 | 75 |
| Additions | 63 | 174 | 237 |
| **Balance at 31 December 2012** | 63 | 249 | 312 |
| **Balance at 1 January 2013** | 63 | 249 | 312 |
| Additions | 314 | 135 | 449 |
| **Balance at 31 December 2013** | 377 | 384 | 761 |
| **Accumulated Amortisation** | | | |
| **Balance at 1 January 2011** | – | – | – |
| Amortisation expense | – | 4 | 4 |
| **Balance at 31 December 2011** | – | 4 | 4 |
| **Balance at 1 January 2012** | – | 4 | 4 |
| Amortisation expense | 6 | 50 | 56 |
| **Balance at 31 December 2012** | 6 | 54 | 60 |
| **Balance at 1 January 2013** | 6 | 54 | 60 |
| Amortisation expense | 57 | 96 | 153 |
| **Balance at 31 December 2013** | 63 | 150 | 213 |
| **Net book value at 31 December 2011** | – | 71 | 71 |
| **Net book value at 31 December 2012** | 57 | 195 | 252 |
| **Net book value at 31 December 2013** | 314 | 234 | 548 |

## 16. Deferred tax

Deferred taxes are defined as timing differences that exist in assets and liabilities between the accounting records and tax records and are calculated by applying the official tax rates.

The total amounts of deferred tax assets and liabilities, before set off are as follows:

| | 2011<br>€000's | 2012<br>€000's | 2013<br>€000's |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| To be recovered after more than 12 months | – | 2 | 12 |
| To be recovered within 12 months | – | 1 | 1 |
| | – | 3 | 13 |
| **Deferred tax liabilities:** | | | |
| To be settled after more than 12 months | – | – | (1) |
| | – | – | (1) |
| | – | 3 | 12 |
| Non-current assets | – | 3 | 12 |
| | – | 3 | 12 |

The movement in deferred tax assets/liabilities as at 31 December 2011, 2012 and 2013 is as follows:

| | 2011<br>€000's | 2012<br>€000's | 2013<br>€000's |
|---|---|---|---|
| Balance at the beginning of the year | – | – | 3 |
| Credited/(Charged) to income statement | – | 3 | 9 |
| **Balance at the end of the year** | – | 3 | 12 |

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

| **Deferred tax asset:** | **Provisions** | **Tax Losses** | **Accrued expenses** | **Intangible assets** | **Total** |
|---|---|---|---|---|---|
| **Balance at 1 January 2012** | – | – | – | – | – |
| Credited/(Charged) to income statement | 2 | – | – | – | 2 |
| **Balance at 31 December 2012** | 2 | – | – | – | 2 |
| **Balance at 1 January 2013** | 2 | – | – | – | 2 |
| Credited/(Charged) to income statement | 1 | 1 | 1 | 8 | 11 |
| **Balance at 31 December 2013** | 3 | 1 | 1 | 8 | 13 |

## 16. Deferred tax (continued)

| Deferred tax liabilities: | Accelerated tax depreciation €000's | Total €000's |
|---|---|---|
| Balance at 1 January 2013 | – | – |
| Credited/(Charged) to income statement | (1) | (1) |
| Balance at 31 December 2013 | (1) | (1) |

## 17. Trade and other receivable

Trade receivables are analysed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Trade receivables | 50 | 223 | 18 |
| V.A.T. receivable | 18 | 28 | 55 |
| Accrued income | – | 380 | 893 |
| Prepaid expenses | – | 2 | 5 |
| Other receivables | 1 | 3 | 14 |
| **Total** | 69 | 636 | 985 |
| Non current assets | 1 | 3 | 10 |
| Current assets | 68 | 633 | 975 |
| **Total** | 69 | 636 | 985 |

The ageing analysis of trade receivables is as follows:

| | Total €000's | Neither past due nor impaired €000's |
|---|---|---|
| 2011 | 50 | 50 |
| 2012 | 223 | 223 |
| 2013 | 18 | 18 |

## 18. Available for sale financial assets

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Balance at the beginning of the year | – | – | – |
| Additions | – | – | 102 |
| Balance at the end of the year | – | – | 102 |

The additions of €102,443 represent a holding of 102,443 Class A shares with a nominal value of €1 each which have been issued by the Bank of Cyprus Public Company Limited on 30 July 2013 pursuant to the provisions of the Bailing-in Decree of 2013 issued by the Central Bank of Cyprus. The shares are expected to be listed on the Cyprus Stock Exchange before 31 December 2014.

## 19. Cash and cash equivalents and restricted cash

Cash and cash equivalents are analyzed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Cash at bank and in hand | 16 | 103 | 590 |
| **Total excluding restricted cash** | 16 | 103 | 590 |
| Restricted cash | – | – | 54 |
| **Total including restricted cash** | 16 | 103 | 644 |

Cash at bank earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at bank and time deposits is accounted for on an accrual basis and for the year ended 31 December 2013, amounted to €1,110, (for the year ended 31 December 2012 and 2011 are NIL) and is included in financial income in the statements of comprehensive income (Note 10).

The restricted cash represents time deposits of nine and twelve months with Bank of Cyprus created as a result of the recapitalization of Bank of Cyprus. The nine month time deposit of an amount of €26,893 expired on 30 April 2014 and the twelve month time deposit of an amount of €26,894 expires on 30 July 2014. Bank of Cyprus has the option to renew both deposits once with the same duration of nine and twelve months respectively.

Cash and cash equivalents are analyzed in the following currencies:

| | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2013 |
|---|---|---|---|
| Euro | 16 | 101 | 205 |
| US Dollar | – | 2 | 391 |
| GBP | – | – | 48 |
| | 16 | 103 | 644 |

## 20. Share capital

| | Number of shares | Ordinary shares €000's | Total €000's |
|---|---|---|---|
| **Balance at 1 January 2011** | – | – | – |
| Share capital increase | 5,000 | 5 | 5 |
| **Balance at 31 December 2011** | 5,000 | 5 | 5 |
| **Balance at 1 January 2012** | 5,000 | 5 | 5 |
| **Balance at 31 December 2012** | 5,000 | 5 | 5 |
| **Balance at 1 January 2013** | 5,000 | 5 | 5 |
| Share capital increase | 10,000 | 10 | 10 |
| **Balance at 31 December 2013** | 15,000 | 15 | 15 |

On 16 April 2013 10,000 ordinary shares of €1 each were allotted and fully paid for cash at par.

## 21. Reserves

Reserves are analysed as follows:

| | Statutory reserve €000's | Merger reserve €000's | Total €000's |
|---|---|---|---|
| **Balance at 1 January 2011** | – | – | – |
| Adjustment on combination of CDialogues S.A. | – | 100 | 100 |
| **Balance at 31 December 2011** | – | 100 | 100 |
| **Balance at 1 January 2012** | – | 100 | 100 |
| Adjustment on acquisition of CDialogues S.A. | – | (10) | (10) |
| **Balance at 31 December 2012** | – | 90 | 90 |
| **Balance at 1 January 2013** | – | 90 | 90 |
| Transfer to reserves | 4 | – | 4 |
| **Balance at 31 December 2013** | 4 | 90 | 94 |

**Statutory reserve**

Under the provisions of Greek corporate law companies are obliged to transfer at least 5 per cent. of their annual net profit, as defined, to a statutory reserve, until the reserve equals the 1/3 of the issued share capital. The reserve is not available for distribution throughout the Company activity.

## 22. Retirement benefit obligations

Personnel benefit obligations relate to a defined benefit obligation plan under Greek labour law 2112/20, according to which employees are entitled to compensation in the case of contract termination, either due to retirement or redundancy. The Group is solely responsible for funding the compensation.

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| **Statement of financial position obligations for:** | | | |
| Pension benefits | – | 11 | 12 |

The expense for staff indemnity recognized in the Statement of Comprehensive Income, is analyzed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Current service cost | – | 11 | 2 |
| Interest cost on benefit obligation | – | – | – |
| Actuarial gain/(loss) | – | – | (2) |
| **Total included in staff costs** | – | 11 | – |

**22. Retirement benefit obligations (continued)**

The movement of the present value of defined benefit obligations is as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| **Present value of defined benefit obligations at the beginning of the year** | – | – | 11 |
| Current service cost | – | 11 | 2 |
| Other cost | – | – | 1 |
| Actuarial gain/(loss) | – | – | (2) |
| **Present value of defined benefit obligations at the end of the year** | – | 11 | 12 |

The principal actuarial assumptions used were as follows:

| | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2013 |
|---|---|---|---|
| Discount rate | – | 4.00% | 4.00% |
| Rate of compensation increase | – | 3.50% | 3.50% |

A quantitative sensitivity analysis for significant assumption as at 31 December 2013 is as shown below:

| | Discount rate | Discount rate |
|---|---|---|
| Sensitivity level | 0.5% increase | 0.5% decrease |
| Impact on defined benefit obligation | 1,460 | (1,460) |

**23. Trade & other payable**

Trade payables are analysed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Trade payables | 7 | 186 | 172 |
| Accrued expenses | – | 330 | 295 |
| Social security and other taxes | 18 | 22 | 23 |
| Other liabilities | 1 | 1 | 6 |
| **Total** | 26 | 539 | 496 |

## 24. Commitments

The Greek subsidiary CDialogues S.A. has entered into commercial operating lease agreements for the lease of office space and car. These lease agreements have an average life of 3 to 12 years with renewal terms included in certain contracts. Future minimum rentals payable under non-cancellable operating leases are as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Within one year | – | 83 | 86 |
| After one year but no more than five years | – | 337 | 349 |
| Over five years | – | 508 | 476 |
| **Total** | – | 928 | 911 |

## 25. Contingencies

The Group had no contingent liabilities as at 31 December 2011, 2012 and 2013.

## 26. Related party transactions

Salaries and fees for the members of the Board of Directors ('BoD') and the Senior Management of the Group (together the key management personnel)for the years ended 2013, 2012 and 2011 are analysed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Salaries and fees for executive members of the BoD | 28 | 54 | 54 |
| Salaries and fees for senior management | 38 | 144 | 106 |
| **Total** | 66 | 198 | 160 |

## 27. Financial risk management objectives and policies

*Fair Value*

The carrying amounts reflected in the statements of financial position for cash and cash equivalents, trade and other accounts receivable, prepayments, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of available for sale financial assets and assets held for trading are reflected in the accompanying statements of financial position.

The Group categorised its financial instruments carried at fair value in three categories, defined as follows:

Level 1: Quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non-market observable)

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 27. Financial risk management objectives and policies (continued)

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

| | Level 1 | Level2 | Level3 | Total |
|---|---|---|---|---|
| **Available for sale financial assets** | – | 102,443 | – | 102,433 |

The Group did not held financial instruments as at 31 December 2013, 2012 and 2011.

*Credit Risk*

The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at 31 December 2013, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statements of financial position.

*Foreign Currency Risk:*

The Group is active internationally and is exposed to variations in foreign currency exchange rate which arises mainly from the US Dollar. This type of risk arises mainly from transactions in foreign currency. The financial assets and liabilities in foreign currency translated into Euros using the exchange rate at the financial position date, for the Group is analysed as follows:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| **Nominal amounts in US$** | | | |
| Financial assets | – | 794 | 1,786 |
| Financial liabilities | – | (424) | (605) |
| **Short term exposure** | – | 370 | 1,181 |

The following table presents the sensitivity of the result for the year in regards to the financial assets and financial liabilities and the Euro/US Dollar exchange rate. It assumes a 5 per cent. (2012: 5 per cent.) increase of the Euro/US Dollar exchange rate for the year ended 31 December 2013. The sensitivity analysis is based on the Group's foreign currency financial instruments held at year end.

If the Euro had increased against the US Dollar by 5 per cent., then the result for the year would have the following effect:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Result for the year | – | (13) | (41) |

If the Euro had decreased against the US Dollar by 5 per cent., then the result for the year would have the following effect:

| | 31 Dec 2011 €000's | 31 Dec 2012 €000's | 31 Dec 2013 €000's |
|---|---|---|---|
| Result for the year | – | 15 | 45 |

The above effect on the results, before tax, is based on the average foreign exchange rates for the related year.

## 27. Financial risk management objectives and policies (continued)

The Group's foreign exchange rates exposure varies within the year depending on the volume of the transactions in foreign exchange. Although the analysis above is considered to be representative of the Group's currency risk exposure.

*Liquidity Risk*

The Group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate funding facilities are maintained.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of the financial liabilities at 31 December 2011, 2012 and 2013 based on contractual undiscounted payments.

| | On demand €000's | Less than 6 months €000's | 6 to 12 months €000's | Total €000's |
|---|---|---|---|---|
| **Year ended 31 December 2011** | | | | |
| Trade and other payables | – | (26) | – | (26) |
| | – | (26) | – | (26) |

| | On demand €000's | Less than 6 months €000's | 6 to 12 months €000's | Total €000's |
|---|---|---|---|---|
| **Year ended 31 December 2012** | | | | |
| Trade and other payables | (5) | (525) | (9) | (539) |
| | (5) | (525) | (9) | (539) |

| | On demand €000's | Less than 6 months €000's | 6 to 12 months €000's | Total €000's |
|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | |
| Trade and other payables | (9) | (477) | (10) | (496) |
| | (9) | (477) | (10) | (496) |

## 28. Financial instruments

*Fair values*

Comparison of fair values against carrying amount as presented in the separate and consolidated financial statements for each category of financial assets and liabilities for the years as at 31 December 2011, 2012 and 2013 are as following:

| | Carrying amount €000's | | | Fair value €000's | | |
|---|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2011** | **2012** | **2013** |
| **Financial assets** | | | | | | |
| Cash | 16 | 103 | 644 | 16 | 103 | 644 |
| Available-for-sale financial assets | – | – | 102 | – | – | 102 |

For the valuation of unlisted available-for-sale assets see Note 18.

## 29. Nature of financial information

The consolidated and combined financial information above does not constitute statutory financial statements of the CDialogues Group for each of the three years ended 31 December 2013.

# PART 4

# ADDITIONAL INFORMATION

**1. The Company**

1.1. The Company was incorporated and registered in England and Wales on 1 June 2011 under the Act as a private limited company with the name CDialogues Limited. The Company's registered number is 07653813. The principal legislation under which the Company operates is the Act and the regulations made thereunder.

1.2. On 11 June 2014, pursuant to a written resolution of the Founders dated 11 June 2014, the Company was re-registered as a public limited company under the name CDialogues Plc and the Registrar of Companies issued the Company with a certificate of re-registration under section 96 of the Act.

1.3. The Company's registered office is at SGH Martineau Company Secretarial LLP One America Square Crosswall London EC3N 2SG. The principal place of business of the Company is located at Alamanas 1 Maroussi151 25 Athens Greece, with telephone number +30 210 6300930.

1.4. The liability of the Company's members is limited.

1.5. The financial year end of the Company is 31 December.

1.6. The Company is a member of a group. The Company has one wholly-owned subsidiary, Telilea Limited, a company incorporated in Cyprus (company number 303322).

1.7. Telilea in turn has the following wholly owned subsidiary companies:

1.7.1. CDialogues Greece, a company incorporated and registered in Greece;

1.7.2. CDialogues Dubai, a company incorporated and registered in Dubai; and

1.7.3. CDialogues Russia, a company incorporated and registered in Russia.

**2. Share Capital**

2.1. On incorporation the Company had in issue 2 ordinary shares of €1.00 each, one issued to each of the Founders, who were both subscribers to the Memorandum of Association of the Company.

2.2. On 9 January 2012 2,499 ordinary shares of €1.00 each were issued to each of the Founders.

2.3. On 16 April 2013, pursuant to a written resolution of the Founders the 5,000 issued ordinary shares of €1.00 each were re-designated A Ordinary Shares of €1.00 each.

2.4. On 16 April 2013 5,000 A ordinary shares of €1.00 each were issued to each of the Founders.

2.5. On 11 June 2014, pursuant to written resolutions of the Founders:

2.5.1. each of the issued existing A ordinary shares of €1.00 in the capital of the Company was re-designated as an ordinary share of €1.00 each;

2.5.2. the sum of €51,000 (being part of the Company's distributable reserves) was capitalised and appropriated as capital to the Founders and the Directors were to authorised to apply such sum in paying up in full 51,000 new ordinary shares in the Company (the "**Bonus Shares**") and to allot and issue such Bonus Shares, credited as fully paid up, to the Founders at the rate of 3.4 Bonus Shares for every 1 existing ordinary share of €1.00 each held by them;

2.5.3. the entire issued share capital of the Company was redenominated from Euros (€) to Pounds Sterling (£) at a then prevailing exchange rate of €1.2 to £1; and

2.5.4. the issued existing ordinary shares of €1.00 in the capital of the Company were consolidated on the basis of 1 new ordinary share of £1.00 each in the capital of the Company for every 1.2 existing ordinary shares of €1.00 previously held; and each of the issued existing ordinary shares of £1.00 in the capital of the Company arising from the consolidation was subdivided into 100 new ordinary shares of £0.01 each in the capital of the Company for every 1 existing ordinary share of £1.00 previously held.

2.6. On 11 June 2014, pursuant to written resolutions of the Founders:

2.6.1. the directors were generally and unconditionally authorised, in accordance with section 551 of the Act 2006 to exercise all the powers of the Company to allot the Placing Shares, the Employee Shares, the NED Shares and any Ordinary Shares arising on exercise of the Warrants. The authority shall (unless renewed, varied or extended by the Company in general meeting) expire on the date which is 18 months after the date on which the resolution was passed or, if earlier, on the conclusion of the next annual general meeting of the Company.

2.6.2. the directors were generally and unconditionally authorised, in accordance with section 551 of the Act to exercise all the powers of the Company to allot relevant securities:

a. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £42,890 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph 2.6.2 b. below) in connection with an offer by way of a rights issue:

i. to holders of ordinary shares of the Company in proportion (as nearly as may be practicable) to their respective holdings; and

ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b. in any other case, up to an aggregate nominal amount of £21,440 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 2.6.2 a. above in excess of £21,440).

The authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 18 months after the date on which the resolution was passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

2.6.3. The directors were generally and unconditionally empowered, pursuant to section 570 of the Act, to allot equity securities for cash (as defined by section 560 of the Act) pursuant to that authority as if section 561(1) of the Act did not apply to such allotment provided that such authority shall be limited to the allotment of equity securities;

a. up to a nominal value of £5,880 pursuant to the issue and allotment of the Placing Shares;

b. up to a nominal value of £1,530 pursuant to the issue and allotment of the Employee Shares;

c. up to a nominal value of £100 pursuant to the issue and allotment of the NED Shares and up to a nominal value of £380 pursuant to the issue and allotment of Ordinary Shares arising on exercise of the NED Warrants; and

d. up to a nominal value of £1,445 pursuant to the issue and allotment of Ordinary Shares arising on exercise of the Adviser Warrants.

The power shall expire on the date which is 18 months after the date on which these resolutions are passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by these resolutions has expired.

2.6.4. The directors were generally and unconditionally empowered, pursuant to Section 570 of the Act, to allot: a. equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by the resolution set out at paragraph 2.6.2 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities pursuant to an offer or issue by way of rights, open offer or other pre-emptive offer: to the holders of ordinary shares of the Company and other persons entitled to participate therein in proportion (as nearly as may be practicable) to their respective holdings;

a. and to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b. (otherwise than pursuant to paragraph 2.6.4 a. above) equity securities up to an aggregate nominal amount of £12,870.

The power shall expire (if not previously expired by non-fulfilment of conditions) on the date which is 18 months after the date on which this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

2.7. The provisions of Section 561(1) of the Act (which, to the extent not disapplied pursuant to Section 571 of the Act), which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the issue of equity securities by the Company except to the extent disapplied as described in paragraph 2.6.3 and 2.6.4. Subject to certain limited exceptions, unless the approval of shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of existing Ordinary Shares on a pro rata basis.

2.8. On 11 June 2014, the Bonus Shares were issued and allotted to the Founders. Mr Karakovounis was issued with 2,550,000 Ordinary Shares and Mr Spanos was issued with 2,550,000 Ordinary Shares, all credited as fully paid up.

2.9. On 11 June 2014 the Employee Shares were allotted, conditional on Admission.

2.10. On 23 June 2014 the Placing Shares were allotted, and the Warrants were granted, conditional on Admission.

2.11. The new Ordinary Shares to be issued following Admission (including the Placing Shares) will 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 Admission on the Ordinary Share capital.

2.12. No securities of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.13. Save as disclosed in this paragraph 2 of this Part 4 and apart from the proposed issue of the NED Shares and Ordinary Shares pursuant to the Warrants:

2.13.1. no share or loan capital of the Company has, since the date of incorporation of the Company, been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;

2.13.2. no commissions, discounts, brokerages or other special terms have been granted by the Company since the date of its incorporation in connection with the issue or sale of any such share or loan capital;

2.13.3. no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

2.13.4 there are no shares not representing share capital; and

2.13.5 there are no shares in the Company held by or on behalf of the Company itself or by other member of the Group.

## 3. Articles of Association

The Articles, which were adopted by written resolution of the Founders on 11 June 2014 contain, *inter alia*, provisions to the following effect:

3.1. *Voting Rights*

(i) Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with these Articles, on a show of hands every member who is present in person or by proxy not being himself a member shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

(ii) Subject to the provisions of the Act, and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Ordinary Share of which he is the holder.

3.2. *Major Shareholders*

(i) Nothing in the Articles confers on major shareholders in the Company any voting rights, which are different to those conferred on the holders of Ordinary Shares as described in paragraph 3.1 above.

(ii) Pursuant to Rule 5 of the Disclosure Rules, holders of three per cent. or more of the voting rights of the Company's share capital are required to notify their interest in writing to the Company.

(iii) Pursuant to section 793 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with sections 793(3), (4) and/or (6) of the Act.

3.3. *Transfer of Shares*

(i) Title to, and interest in, shares may be transferred without a written instrument in accordance with statutory regulations from time to time made under the Act.

(ii) Transfer of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members in respect thereof.

(iii) All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee.

(iv) The Board may refuse to register any transfer of shares:

(a) which are not fully paid;

(b) which are held in certificated form, unless the instrument of transfer duly stamped is deposited at the office or such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

(c) unless the instrument of transfer relates to one class of share only;

(d) if the transfer is in favour of more than four transferees;

(e) which are held un uncertified form, in the circumstances set out in the Regulations.

(v) If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferor and the transferee.

(vi) The Ordinary Shares now in issue are, and the new Ordinary Shares to be issued pursuant to the Placing will be, in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as CREST.

(vii) There are no other restrictions on the transfer of shares and no pre-emption rights in respect of them.

3.4. *Requirement to disclose interests in shares*

(i) If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Act and has failed in relation to any shares (the “default shares”) to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

(a) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the default shares represent at least 0.25 per cent. in nominal value of their class:

- the defaulting member shall not be entitled to receive dividends nor elect in the case of a scrip dividend to receive shares instead of that dividend; and

- no transfer of a defaulting share shall be registered unless (i) the holder is not himself in default as regards supplying the information requested and the transfer, when presented for registration, is accompanied by a certificate by him in such form as the Board may in its absolute discretion require to the effect that, after due and careful enquiry, the holder is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; (ii) the transfer is an approved transfer (as defined in the Articles); or (iii) registration of the transfer is required by the Regulations.

(ii) Any disenfranchisement notice shall cease to have effect not more than seven days after the earlier of receipt by the Company of:

(a) a notice of an approved transfer, but only in relation to the shares transferred; or

(b) all the information required by the relevant Section 793 Notice, in a form satisfactory to the Board.

3.5. *Dividends*

(i) Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. No dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

(ii) Any dividend unclaimed after a period of twelve years from its due date of payment shall be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

(iii) Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 793 of Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

3.6. *General meetings*

(i) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and such annual general meeting shall be held at such time (consistent with the terms of the Act) and place as may be determined by the Directors.

(ii) The Directors may, whenever they think fit, and shall, on requisition in accordance with the Act, proceed to convene a general meeting.

(iii) An annual general meeting and each other general meeting of the Company shall be called by notice of at least such length as is required in the circumstances by the Act. The Company may give such notice by any means or combination of means permitted by law.

(iv) Every notice of a general meeting must be in writing and specify the place, the day and the time of meeting, the general nature of the business to be dealt with and, in the case of an annual general meeting, must state that the meeting is an annual general meeting.

(v) Notices shall be given those persons required to be given notice in accordance with the Act and to the auditors.

(vi) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member.

3.7. *Redemption*

The Ordinary Shares are not redeemable.

3.8. *Conversion*

The Company may, by ordinary resolution and subject to the Act, re-convert any stock into fully paid up shares of the same class and denomination.

3.9. *Changes in share capital*

(i) The Company may alter its share capital in accordance with the provisions of the Act.

(ii) Whenever as a result of any consolidation of shares any Shareholders would become entitled to fractions of a share, the Board may deal with the fractions as it thinks fit and, in particular, may on behalf of those Shareholders, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among the Shareholders who would have been entitled to the fractions of shares.

3.10. *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

3.11. *Constitution of board of directors*

Subject to the Articles, the directors shall be not less than two nor greater than ten in number but the Company may by ordinary resolution from time to time vary the minimum or maximum number.

3.12. *Proceedings of directors*

At any meeting of the directors, any questions arising shall be determined by a majority of votes. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

3.13. *Permitted interests of directors*

(i) Subject to the provisions of the Act, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

(ii) A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or

in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

3.14. *Restrictions on voting by directors*

(i) A director who is in any way, whether directly or indirectly, interested or deemed by the Act to be interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the directors in accordance with Section 182 of the Act.

(ii) Save as provided below, a director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. A director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

(a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by another person at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) the giving to him of any indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(d) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangement;

(e) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as a holder of shares, debentures or securities or in the underwriting or sub-underwriting thereof;

(f) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him within the meaning of section 252 of the Act) is not the holder of or beneficially interested in one per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to Members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances);

(g) any proposal concerning the purchase and/or maintenance of any insurance policy against any liability of his or under which he may benefit; and

(h) any proposal concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates.

(iii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any Company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(iv) The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

3.15. *Appointment and retirement of directors*

(i) The directors shall have power at any time, and from time to time, to appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director, but so that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the Articles. Subject to the provisions of the Act and of the Articles, any director so appointed shall hold office only until the conclusion of the next following annual general meeting, and shall be eligible for reappointment at that meeting.

(ii) No person other than a director retiring at the meeting shall, unless recommended by the directors for appointment, be eligible for appointment to the office of director at any general meeting unless, not less than seven nor more than forty two days before the day appointed for the meeting, there shall have been given to the Company notice in writing by some member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, and also notice in writing signed by the person to be proposed of his willingness to be appointed.

(iii) At every annual general meeting of the Company, any director:

(a) who has been appointed by the Board since the last annual general meeting;

(b) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or

(c) who has held office with the Company as a non-executive Director (that is, he has not been employed by the Company or held executive office) for a continuous period of nine years or more at the date of the meeting,

shall retire from office and may offer himself for election/re-election.

3.16. *Remuneration of directors*

(i) The maximum aggregate annual fees payable to the directors for their services in holding office of director of the company shall be the sum of £100,000 or such larger sum as the Company in general meeting by ordinary resolution shall from time to time determine. In the case of an executive director, such fees (if any) are payable to him in addition to his remuneration by way of salary, commission, profit participation or otherwise as an executive director.

(ii) Any Director who serves on any committee, or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration (in addition to any fee payable referred to above) by way of salary, participation in profits or otherwise as the Board may determine.

3.17. *Borrowing powers*

Subject as hereinafter provided the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and subject to the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.18. *Change in Control*

There are no provisions in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.

3.19. *Liquidation*

The Articles do not contain any specific rights in respect to the surplus in the event of liquidation.

**4. Directors' Interests**

4.1. The interests of each of the Directors and the Proposed Directors (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at the date of this Document or which are interests of a person connected with a Director or Proposed Director (within the meaning of section 252 of the Act) and the existence of which is known or could, with reasonable diligence, be ascertained by a Director or a Proposed Director and as they are expected to be immediately following Admission are as follows:

| Name | Number of Ordinary Shares as at the date of this Document | Percentage of issued share Capital as at the date of this Document | Number of Ordinary Shares as at Admission | Percentage of Enlarged Share Capital |
|---|---|---|---|---|
| Palaiologos Spanos | 2,750,000 | 50.0 | 2,750,000 | 44.1 |
| Georgios Karakovounis | 2,750,000 | 50.0 | 2,750,000 | 44.1 |
| Mark Horrocks | Nil | Nil | Nil | Nil |
| Jeff Gordon | Nil | Nil | 4,717 | 0.1 |

4.2. Save as disclosed in paragraph 4.1 above as at the date of this document none of the Directors or Proposed Directors (nor any person connected with them within the meaning of section 252 of the Act) had or will have any interest, beneficial or otherwise, in the share capital of the Company or any of its subsidiaries.

4.3. There are no loans or guarantees provided by the Company for the benefit of any of the Directors or Proposed Directors nor are there any loans or guarantees provided by any of the Directors for the benefit of the Company.

4.4. As at the date of this document, no Director or Proposed Director holds options to subscribe for Ordinary Shares.

4.5. Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company since its incorporation or which is or was unusual in its nature or conditions or significant to the business of the Company.

**5. Directors' service contracts, Proposed Directors appointment letters, remuneration and benefits in kind**

5.1. Palaiologos Spanos and George Karakovounis are executive Directors. The details of their respective service agreements with the Company are set out in paragraphs 12.10.1 and 12.10.2 in this Part 4. In addition, they have employment contracts with CDialogues Greece, details of which are set out in paragraphs 12.10.3 and 12.10.4 of this Part 4.

5.2 Mark Horrocks is Proposed Non-Executive Chairman of the Company, and his services are provided to the Company pursuant to the IC Consultancy Agreement, details of which are set out in paragraph 12.10.5 of this Part 4.

5.3. Jeff Gordon is a Proposed Non-Executive Director and his services to be provided to the Company pursuant to the DG Consultancy Agreement, details of which are set out in paragraph 12.10.6 of this Part 4.

5.4. The aggregate remuneration paid and benefits in kind granted to the Directors for the last financial year (including payments made by CDialogues Greece) amount to €54,000. The aggregate remuneration and benefits in kind granted to the Directors and Proposed Directors in respect of the financial year ending 31 December 2014 (including payments made by CDialogues Greece) under the arrangements in force as at the date of this Document is expected to be approximately €204,000.

**6. Additional information on the Directors**

6.1. In addition to their directorship of the Company, the Directors and Proposed Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

| Director | Current Directorships | Past Directorships |
|---|---|---|
| Palaiologos Spanos | CDialogues SA<br>CDialogues MEA JLT | None |
| Georgios Karakovounis | CDialogues SA<br>CDialogues MEA JLT | Internet Q Poland Spolka<br>Mobile Dialogue Spolka |
| Mark Horrocks | The One Place Capital Limited<br>Interactive Investor plc<br>Concha plc<br>Immedia Group plc<br>Dewscope Limited<br>Horrocks Protectorate Limited<br>Horrocks Guardian Limited<br>Jars of Sweets Limited<br>Marshdale Properties Limited<br>Intrinsic Value Limited<br>Intrinsic Value Partnership Limited<br>Witheby Management Company Limited<br>Intrinsic Capital Services Limited<br>Dean Art Investments Limited<br>Biopharm Knowledge Publishing Limited<br>Intrinsic Capital LLP<br>Open Golf and Leisure Limited<br>Echo Digital Limited | Draganfly Investments Limited<br>The Production Switchboard Limited<br>Deans Yard Limited<br>Envenio Limited<br>Technomark Consulting Services Limited<br>Trochus Plc<br>Technomark Investment Management Limited |
| Jeff Gordon | Opencloud Limited<br>Daroy Gordon Limited<br>T-Tech Limited | Celltick Incorporated<br>The Charles Kalms, Henry Ronson College Immanuel |

6.2. Save as set out above, the Directors or Proposed Directors hold or have held no other directorships or been partners in any partnership within the five years preceding the date of this document.

6.3. Save as disclosed in paragraph 6.4 of this Part 4, none of the Directors has:

6.3.1. any unspent convictions in relation to indictable offences;

6.3.2. had any bankruptcy order made against him or entered into any voluntary arrangements;

6.3.3. been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

6.3.4. been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

6.3.5. been the owner of any assets of a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

6.3.6. been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

6.3.7. been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

6.4. Disclosures against paragraph 6.3 are as follows:

6.4.1 **Mark Horrocks**

Biopharm Knowledge Publishing Limited, a private company Mr. Horrocks is currently a director of, is part of a creditors' voluntary liquidation as at today's date. This is expected to be resolved shortly.

Envenio Limited, a private company Mr. Horrocks was a director of from October 2004 until February 2009, was dissolved as part of a creditors' voluntary liquidation initiated in June 2008.

Ballymore Leisure Limited, a private company Mr. Horrocks was a director of from December 1999 until March 2006, was dissolved as part of an administrative receiver cessation initiated in November 2004.

Trochus plc, a public company Mr. Horrocks was a director of from July 2001 to January 2011, was dissolved as part of a members' voluntary liquidation initiated in 2009.

Technomark Consulting Services Limited, a company where Mr. Horrocks was a director from July 2005 to December 2009, was dissolved pursuant to a winding up order in June 2011.

6.4.2 **Jeffrey Gordon**

Jeffrey Gordon was appointed to Qarana Solutions Limited in November 2000 and resigned in September 2001. This company underwent a creditors voluntary liquidation commencing in June 2002 in which creditors were left with a shortfall of approximately £115,000.

Jeffrey Gordon was appointed to Intuwave Limited in February 2004. This company appointed administrators in November 2006 and commenced a creditors voluntary liquidation in September 2007 leaving a shortfall to creditors of approximately £3.4m.

6.3. None of the Directors or Proposed Directors (nor any member of any of the Directors' or Proposed Directors' families) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

**7. Substantial Shareholdings**

7.1. As at 23 June 2014 (the latest practicable date prior to the publication of this document), the Directors and Proposed Directors were aware that the following persons were interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company as at that date:

| **Name** | **Number of Ordinary Shares held** | **Percentage of Existing Ordinary Shares** |
|---|---|---|
| Palaiologos Spanos | 2,750,000 | 50.0 |
| Georgios Karakovounis | 2,750,000 | 50.0 |

7.2. The Directors are aware that, as at 23 June 2014 (the latest practicable date prior to the publication of this document), the following persons are expected to be interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company on Admission:

| **Name** | **Number of Ordinary Shares held** | **Percentage of Enlarged Share Capital** |
|---|---|---|
| Palaiologos Spanos | 2,750,000 | 44.1 |
| Georgios Karakovounis | 2,750,000 | 44.1 |
| City Financial Investment Company Limited | 212,000 | 3.4 |

7.3. Save as disclosed in paragraphs 7.1 and 7.2 of this Part 4, the Directors are not aware of any person who was at 23 June 2014 (the latest practicable date prior to the publication of this document) interested, directly or indirectly, or who will, on Admission have an interest, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

7.4. None of these substantial Shareholders have voting rights different from any other Shareholders.

7.5. Save as disclosed in paragraphs 7.1 and 7.2 of this Part 4, the Company is not aware of any person who exercises or could exercise, directly or indirectly, jointly or severally, control over the Company.

**8. Concert party**

The Concert Party comprises the founder shareholders and directors, Palaiologos Spanos and Georgios Karakovounis. The interests of the Concert Party are as follows:

| | **As at the date of this Document** | | **As at Admission** | |
|---|---|---|---|---|
| | **Number of Ordinary Shares** | **Percentage of issued share capital** | **Number of Ordinary Shares** | **Percentage of issued share capital** |
| Palaiologos Spanos | 2,750,000 | 50.0 | 2,750,000 | 44.1 |
| Georgios Karakovounis | 2,750,000 | 50.0 | 2,750,000 | 44.1 |
| Total | 5,500,000 | 100 | 5,500,000 | 88.1 |

## 9. Related Party Transactions

9.1 On 23 June 2014 the Company entered into a relationship agreement with the Founders to regulate aspects of the continuing relationship between the Company and the Founders, further details of which are described at paragraph 12.9 of this Part 4.

9.2 On 23 June 2014 the Company entered into a termination agreement with the Founders pursuant to which a shareholders' agreement between the Company and the Founders dated 28 November 2012 was terminated.

9.3 Save as set out in paragraphs 8.1 and 8.2 above, and in Part 3 there are no other related party transactions during the period covered by the financial information set out in Part 2, or which have taken place following the period covered by that information.

## 10. Employees

As at the date of this document, including the Directors, the Group had 18 employees.

## 11. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that, after taking account of bank and other facilities available and the estimated net proceeds of the Placing, the Company and the Group will have sufficient working capital for their present requirements, that is for at least 12 months from Admission.

## 12. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any other member of the Group within the two years immediately preceding the date of this document and are or may be material:

**Contracts relating to Admission**

12.1. *Strand Hanson Engagement Letter*

On 26 February 2014 the Company signed an engagement letter dated 6 February 2014 from Strand Hanson under which Strand Hanson agreed to act as the Company's financial adviser in relation to the Placing and Admission. The agreement contains an indemnity from the Company in favour of Strand Hanson. Pursuant to this agreement the Company shall pay to Strand Hanson fees in connection with the Admission and grant to Strand Hanson the Strand Hanson Warrants.

12.2. *Mirabaud Engagement Letter*

On 5 February 2014 the Company entered into an engagement letter with Mirabaud under which Mirabaud agreed to act as the Company's lead broker in connection with the Placing. The agreement contains an indemnity from the Company in favour of Mirabaud. Pursuant to this agreement the Company shall pay to Mirabaud a commission and grant to Mirabaud the Broker Warrants.

12.3. *Crowe Clark Whitehill Engagement Letter – Reporting Accountants*

On 18 March 2014 the Company entered into an agreement with Crowe Clark Whitehill LLP under which Crowe Clark Whitehill LLP agreed to act as the Company's Reporting Accountants in respect of the Admission and on an ongoing basis until terminated with immediate effect by either party giving a written notice.

12.4. *Nomad Agreement*

On 23 June 2014 the Company entered into an agreement with Strand Hanson pursuant to which the Company has appointed Strand Hanson to act as nominated adviser to the Company. Subject to an initial 12 month term the agreement can be terminated by either party on three months' written notice. The agreement contains an indemnity on the part of the Company in favour of the nominated adviser and its associates.

12.5. *Broker Agreement*

On 23 June 2014 the Company entered into an agreement with Mirabaud pursuant to which the Company has appointed Mirabaud to act as broker to the Company following Admission. The agreement is for an initial term of 12 months whereafter it can be terminated by either party on three months' notice. The Broker Agreement contains an indemnity on the part of the Company in favour of the Broker and its associates.

12.6. *Placing Agreement*

On 12 June 2014 the Company and the Directors entered into a Placing Agreement with Strand Hanson and Mirabaud whereby Strand Hanson has agreed to act as the nominated adviser and Mirabaud has agreed to use its reasonable endeavours (as an agent of the Company) to procure placees for the Placing Shares. The agreement is conditional, *inter alia*, upon Admission and the raising of £900,000 before expenses. The Company and the Directors have given certain warranties as to the accuracy of the information contained in this document and other matters in relation to the Group and its business and the Company and the Directors have given indemnities to each of Strand Hanson and Mirabaud.

12.7. *Warrant Agreements*

12.7.1. On 23 June 2014 the Company entered into the Broker Warrant Deed pursuant to which the Company, conditional upon Admission, grants to Mirabaud the 14,515 Adviser Warrants are exercisable at the Placing Price (subject to usual adjustment and anti dilution provisions) during the period starting on Admission and ending on the fifth anniversary thereof.

12.7.2. On 23 June 2014 the Company entered into the Nomad Warrant Deed with Strand Hanson pursuant to which the Company, conditional upon Admission, grants to Strand Hanson 130,696 Adviser Warrants exercisable at the Placing Price (subject to usual adjustment and anti dilution provisions) during the period starting on Admission and ending on the fifth anniversary thereof.

12.7.3. On 23 June 2014 the Company entered into the NED Warrant Deed with Intrinsic Capital LLP pursuant to which the Company, conditional upon Admission, grants to Intrinsic Capital LLP the NED Warrants, exercisable at the Placing Price (subject to the usual adjustment and anti-dilution provisions) during the period commencing on Admission and ending on the third anniversary thereof.

The NED Warrants are to vest as follows:

- On Admission: 15,094
- On the first anniversary of Admission: 11,321
- On the second anniversary of Admission: 11,321

12.8. *Lock In Agreements*

12.8.1 On 23 June 2014, the Locked In Persons entered into a lock in agreements with the Company, Strand Hanson and Mirabaud whereby they agreed, subject to certain exceptions, not to dispose of any of their shareholdings in the Company which they hold as of the date of the Admission, or acquire at any time during the 12 months following Admission: (i) at any time

prior to the first anniversary of the date of the Admission; (ii) at any time during the period starting on the first anniversary of Admission and ending on the second anniversary of the date of the Admission without effecting such disposal through Mirabaud.

12.8.2 On or around 23 June 2014 the Company entered into agreements with certain employees and consultants pursuant to which the Company agreed to issue to them, conditional on Admission, 152,550 Ordinary Shares in aggregate at par in consideration for an undertaking from each of them (i) not to dispose of the Ordinary Shares for 12 months and (ii) to retain their respective positions within the Group for 24 months.

12.9. *Relationship Agreement*

The Company has entered in to a relationship agreement dated 23 June 2014 with the Founders, as the Company's majority shareholders for the purposes of regulating the relations between the Company and the Founders. Accordingly, the Founders each undertake that he shall exercise his voting rights in such way as to ensure that the Company is capable of carrying on its business independently of them, will act in good faith and will not abuse his power over the Company or the Group. The agreement also contains and undertaking from the Founders in relation to related party transactions and exercise of voting rights so as to preserve the Company's independence.

12.10. *Service Agreements and Letters of Appointment*

12.10.1. Palaiologos Spanos entered into a service agreement with the Company on 23 June 2014 pursuant to which he was appointed as CEO of the Company for an initial period of 12 following Admission, where after it may be terminated on not less than 6 written months notice from either party. The agreement contains customary provisions in relation to duties of confidentiality and post-termination restrictive covenants. The agreement also has provisions to protect the Company's (and any Group Company's) intellectual property rights. His annual salary from the Group is an aggregate amount of €66,000, of which €45,000 is payable by the Company.

12.10.2. Georgios Karakovounis entered into a service agreement with the Company on 23 June 2014 pursuant to which he was appointed as CFO of the Company for an initial period of 12 following Admission, where after it may be terminated on not less than 6 written months notice from either party. The agreement contains customary provisions in relation to duties of confidentiality and post-termination restrictive covenants. The agreement also has provisions to protect the Company's (and any Group Company's) intellectual property rights. His annual salary from the Group is an aggregate amount of €66,000, of which €45,000 is payable by the Company.

12.10.3. Georgios Karakovounis was appointed as President of the Board of Directors on 30 June 2011 and entered into a service agreement with CDialogues SA dated 8 July 2011 for his employment as the CDialogues SA's President of the Board of Directors. The labour agreement started on 8 July 2011, for an indefinite period of time. The parties can terminate the agreement according to the provisions of Greek labour laws, but the employee must give the Company at least 30 days written notice. The salary is set at €1,500 per month calculated on a 14 month year which is customary in Greece. The agreement does not provide any obligatory bonus arrangements. A non compete clause prevents the employee from being involved in any similar activity as long as the agreement remains in force and for an additional 6 months period after it is terminated. The employee is entitled to annual vacations according to the provisions of Greek labour laws.

12.10.4. Palaiologos Spanos was appointed as a Managing Director of the Company on 30 June 2011 and entered into a service agreement with the CDialogues SA dated 08 July 2011 with regard to his employment as the CDialogues SA's Managing Director. The labour agreement started on 8 July 2011, for an indefinite period of time. The parties can terminate the agreement according to the provisions of Greek labour laws, but the employee must give the Company at least 30 days written notice. The salary is set at €1,500 per month, calculated on a 14 month

year, as is customary in Greece. The agreement does not provide any obligatory bonus arrangements. A non compete clause prevents the employee from being involved in any similar activity as long as the agreement remains in force and for an additional 6 months period after it is terminated. The employee is entitled to annual vacations according to the provisions of Greek labour laws

12.10.5. The IC Consultancy Agreement pursuant to which Intrinsic Capital LLP agrees to provide the services of Mark Horrocks as Non-Executive Chairman of the Company for a fee of £20,000 plus the NED Warrants. The appointment is for an initial term of three years to be reviewed annually and terminable on three months' notice by either party.

12.10.6. The DG Consultancy Agreement pursuant to which Daroy Gordon Limited agrees to provide the services of Jeffrey Gordon as Non-Executive Director of the Company for an annual fee of £21,875 plus the issue and allotment to Daroy Gordon Limited of 4,717 Ordinary Shares no later than the first anniversary of Admission. The appointment is expected to be two three year terms with the potential to serve for an additional period on invitation by the Board and terminable by the Company on immediate effect.

**Other contracts**

12.11. *Agreements with local partners*

The Company currently has two current campaign agreements with a local partner entered into in March 2014 and April 2014 respectively in relation to campaigns being carried out for the Zain Group in Iraq and Kuwait. Pursuant to the agreements each party is obliged to co-operate to structure and execute the relevant campaign. The agreements are for periods of 95 and 92 calendar days respectively each with the ability to be extended by mutual agreement, and the parties agree to share the profits and costs of the relevant campaign.

12.12. The Company, in co-operation with its local partner, has also recently started a new campaign for a large mobile operator in the Middle East.

**13. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware, which may have or have had during the 12 months immediately preceding the publication of this document a significant effect on the financial position of the Group.

**14. Significant Change**

Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 31 December 2013.

**15. Intellectual Property**

15.1 The companies within the Group own the copyright and moral rights in (i) the software code of the C/Profiler Suite and (ii) the HTML and website design of the website at <cdialogues.com>. Based upon various data collected during previous mobile marketing campaigns, the Group has also developed and is the proprietor of confidential/trade secret algorithms that facilitate and improve the success of future mobile marketing campaigns.

15.2 The Group also has a registered European Community trade-mark for CDIALOGUES (CTM No. 010026532) and several domain names including: <cdialogues.com>, <cdialogue.gr>, <cdialogues.gr> and <cdialogues.ru>.

## 16. Taxation

**The following paragraphs are intended as a general guide only for shareholders who are resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HMRC practice. Any person who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.**

UK Taxation

16.1. *Taxation of dividends*

Under current UK legislation, no tax is withheld from dividend payments by the Company. The Company assumes no obligation to withhold UK tax at source from dividend payments.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "Gross Dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the Gross Dividend). The Gross Dividend will be treated as the top slice of the individual's income.

In the case of a UK resident individual who is liable to income tax at the basic rate only, there will be no further tax to pay on the dividend received. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 25 per cent. of the dividend received. A UK resident individual who is liable to income tax at the additional rate will be subject to income tax on the Gross Dividend at 37.5 per cent., but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 30.55 per cent. of the dividend received. A UK resident Shareholder who is not liable to income tax on the dividend (or part of it) is not able to claim payment of the tax credit in cash from HM Revenue & Customs.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK taxation on any dividend received and are not entitled to payment in cash of the related tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom.

16.2. *Capital Gains*

Shareholders who are resident for tax purposes in the United Kingdom may be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares, depending upon their individual circumstances and subject to any available exemption or relief.

A Shareholder who is not resident for tax purposes in the United Kingdom will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. Such Shareholders may also be subject to tax under any law to which they are subject outside the United Kingdom.

United Kingdom resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on any disposals Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£31,865 for 2013-14), the rate of capital

gains tax will be 18 per cent.. For gains (and any parts of gains) above that limit, the rate will be 28 per cent.. For trustees and personal representatives, the rate will be 28 per cent. for gains above the applicable capital gains tax annual exempt amount.

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase a loss.

16.3. *Inheritance Tax*

The Ordinary Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

16.4. *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("**SDRT**") position and do not apply to persons such as market makers, brokers, dealers or intermediaries. No stamp duty or SDRT will be payable on the issue of Ordinary Shares. UK Stamp Duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer, rounded up where necessary to the nearest £5) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK.

Ordinarily, where Ordinary Shares are held in certificated form, no stamp duty or SDRT will be payable on an instrument of transfer of such Ordinary Shares into CREST unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

16.5. *Venture Capital Trust Company investors*

VCT company investors may be taxed differently on their interests in shares in the Company than other Corporate Shareholders. VCTs should take their own advice on the tax consequences of receiving income or capital gains from their shareholding in the Company.

16.6. *Enterprise Investment Scheme*

The Company intends to operate so that it qualifies for the taxation advantages offered under the EIS. The main advantages are as follows:

- Individuals can claim a tax credit of 30 per cent. Of the amount invested in the Company against their UK income tax liability, thus reducing the effective cost of their investment to 70 pence for each £1 invested. However, there is an EIS subscription limit of £1,000,000 in each tax year and, to retain the relief, the Ordinary Shares must be held for at least three years.
- UK investors (individuals or certain trustees) may defer a chargeable gain by investing the amount of the gain in the Company. There is no limit to the level of investment and, therefore, to the amount of gain which may be deferred in this way.

There is no tax on capital gains made upon disposal after the Three Year Qualifying Period (defined below) of shares in an EIS qualifying company on which income tax relief has been given and not withdrawn. If a loss is made on disposal of the shares at any time, the amount of the loss (after allowing for any income tax relief initially obtained) can be set off against either the individual's gains for the tax year in which the disposal occurs, or, if not so used, against capital gains of a subsequent tax year, or against the individual's income of the tax year of the disposal or of the previous tax year.

Provided a Shareholder has owned Ordinary Shares in the Company for at least two years and certain conditions are met at the time of transfer, 100 per cent. business property relief will be available, which reduces the inheritance tax liability on the transfer of Ordinary Shares to nil.

For example: if an EIS qualifying investor who has a chargeable capital gain of £50,000 and invests this amount in the Company, they could receive tax reliefs as follows:

| | |
|---|---|
| Initial Investment | £50,000 |
| Income Tax Relief at 30 per cent. | £(15,000) |
| CGT deferral relief at 28 per cent. | £(14,000) |
| Net cash cost of EIS investment | £21,000 |

However the deferred gain will come back into charge when the EIS shares are disposed of, or if the Company ceases to qualify as an EIS company within the Three Year Qualifying Period.

The amount of relief an investor may gain from an EIS investment in the Company will depend on the investor's individual circumstances.

*Three Year Qualifying Period*

In order to retain EIS reliefs, an investor must hold their shares for at least three years. A sale or other disposal (other than an inter-spousal gift or a transfer on death) will result in any income tax relief that has been claimed being clawed back by HMRC. Additionally, any capital gains deferred will come back into charge and the capital gains tax exemption will be lost. It is the investor's responsibility to disclose a disposal to HMRC.

Additionally, if the Company ceases to meet certain qualifying conditions within the Three Year Qualifying Period, tax reliefs will be lost.

The Three Year Qualifying Period expires on the later of the third anniversary of the date the shares are issued, and the third anniversary of the date the Company's trade commenced. In this case, as the Company is already trading, the Three Year Qualifying period will expire on the third anniversary of the date the shares are issued. This will be shown as the "Termination Date" on the EIs certificate which the Company will issue to investors following formal approval of the share issue by HMRC.

*Advance Assurance of EIS Status*

In order for investors to claim EIS reliefs relating to their shares in the Company, the Company has to meet a number of rules regarding the kind of company it is, the amount of money it can raise, how and when that money must be employed for the purposes of the trade, and the trading activities carried on. The Company must satisfy HMRC that it meets these requirements, and is therefore a qualifying company.

The Company has sought advanced assurance from HMRC that it would be able to issue shares under the EIS regime.

*EIS Tax Legislation – further detail*

The following is a summary of the main provisions of the EIS regime as far as is relevant to the Company. It does not set out any of the provisions in full and prospective investors are strongly recommended to seek professional advice as to the tax relief that their particular investment will attract and the tax consequences of selling or otherwise disposing of their shares.

16.7. *Tax Reliefs*

*Income Tax*

EIS relief allows qualifying individuals to deduct from their total liability to income tax an amount equal to tax at 30 per cent. on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the year in which the shares are issued.

EIS relief is currently obtained at a rate of 30 per cent. on qualifying investments up to £1,000,000 in any tax year. The spouse of the claimant is also entitled to claim EIS relief on his or her own investments.

EIS income tax relief reduces an individual's tax liability, and cannot exceed an amount which reduces the individual's tax liability for the year in question to nil.

Income tax relief may be claimed in the tax year in which the shares are issued, or, by election, carried back to the previous tax year, subject to the annual investment limit for that year. The annual investment limit for the 2014/15 tax year is £1,000,000.

*Capital Gains Tax Exemption*

To the extent that EIS relief is given and not withdrawn, there will be no capital gains tax charged in respect of the gain arising on the EIS shares on a disposal of the shares in the Company, provided those shares have been held for at least three years. However in order for the shares to be exempt from capital gains tax, some income tax relief must have been claimed and given.

*Capital Gains Tax Deferral Relief*

The deferral relief available under EIS means that an investor may use investment in an EIS company to defer a charge to capital gains tax arising on a gain made on the disposal of any other asset in the period commencing one year before, and ending three years following, the disposal of that asset. The maximum gain that can be deferred is equal to the lower of the amount subscribed by an investor or the amount of the gain. The gain will then become chargeable at such time as the investor disposes of his EIS shares, or if the Company loses its EIS qualifying status within the three year qualifying period.

*Loss Relief*

Where a loss is incurred by an investor on the first disposal of his shares, the loss (after deducting any EIS income tax relief claimed) may be set against either chargeable gains or against taxable income at the election of the investor. A claim to set the loss against income may be made against income of the tax year of the loss, or the preceding tax year.

The following example illustrates the position of an Investor who has subscribed £50,000 for EIS qualifying shares, and has claimed income tax relief only, in the event of a complete loss on the shares:

| | |
|---|---|
| EIS Qualifying Investment | £ 50,000 |
| Less income tax relief at 30 per cent. | £(15,000) |
| Net cost of investment | £ 35,000 |
| Income tax relief at 40 per cent. on net cost | £(14,000) |
| Maximum cash loss to investor | £ 21,000 |

This example assumes the investor is liable to income tax at 40 per cent. in the year of the loss, and elects for the loss to be set against their income.

16.8. *Persons Qualifying for Relief*

*Income Tax*

An investor need not be UK resident, but relief will only be available against UK taxable income.

An investor must not be connected with the Company at any time in the period beginning two years before the issue of the shares and ending immediately before the third anniversary of the date on which the shares are issued.

Connection is defined by reference to the investor and his associates (i.e. spouse, lineal ancestor or descendent, a business partner and certain persons with whom there is a connection through a trust), and will prohibit the following qualifying for income tax relief under EIS:

- Where the investor or one of his associates is an employee, partner or paid director of the Company, or a subsidiary of the Company;
- Where the investor or one of his associates directly or indirectly possesses of would be entitled to acquire more than 30 per cent. of the issued Ordinary Share Capital, or the voting power of the Company or any subsidiary; or
- Where the investor or one of his associates possesses directly or indirectly such rights as would, in the event of a winding up of the Company or any subsidiary or in any other circumstances, entitle him to receive more than 30 per cent. of the assets of the Company or any subsidiary which would be available for distribution to equity holders (i.e. Shareholders and certain types of loan capital holders).

*Capital Gains Tax*

An investor must be resident or ordinarily resident in the UK at the time of accrual of the capital gain and at the time when he makes the EIS qualifying investment in the Company, in order to claim the capital gains tax relief and/or deferral relief.

For the purposes of residency, the investor must not be regarded by any tax treaty as resident in another country.

*Claims*

Investors need to make a formal claim for EIS relief or EIS deferral relief from their individual tax office. The claim is made on receipt of Form EIS3 from the Company. Form EIS3 is a certificate issued by the Company, with the approval of HMRC, confirming that it is a qualifying company for EIS purposes. The Company proposes to submit its application to HMRC to issue an EIS3 as soon as practicable after the Placing.

An investor's claim must be submitted to his tax office no later than the fifth anniversary of 31 January following the year of assessment in which the shares were issued.

*Withdrawal of Relief*

The investor should note that there are a number of anti-avoidance provisions that can apply to the reliefs described above, but a description of these is beyond the scope of this summary. If you are in any doubt about whether such provisions could affect your investment, we strongly recommend that you seek professional advice.

*Income Tax*

If the Company ceases to be a qualifying company within three years, commencing with the issue of the shares all EIS relief will be withdrawn.

If shares are disposed of within three years of their issue, relief will be withdrawn in respect of those shares to the extent of the amount or value of the consideration received for them. The exception to this is if the disposal is not made at arm's length, in which case all relief in respect of the shares will be withdrawn.

EIS income tax relief will be withdrawn if value is received by an investor from the Company or a person connected with the Company (or in more limited circumstances, by other shareholders) within the period commencing one year before the share issue and ending three years after it.

*Capital Gains Tax*

The gain that is deferred becomes a chargeable gain when an investor disposes of his or her shares, otherwise than to a spouse, or ceases to be UK resident within the three years commencing with the issue of the shares (or if later the commencement of the relevant trade).

EIS deferral relief is withdrawn if the Company ceases to be a qualifying company, the Company ceases to carry on a qualifying business activity or the proceeds of the share issue are not used within 24 months of the share issue. The deferred gain is deemed to arise on the relevant date on which such circumstance occurs.

EIS deferral relief will be withdrawn if value is received by an investor from the Company or a person connected with the Company (or in more limited circumstances by other shareholders) within the period commencing one year before the share issue and ending three years after.

**17. Mandatory Bids, Squeeze-out and Sell-out Rules relating to the Shares**

17.1 *Mandatory Bid*

17.1.1 The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel, to make a cash offer for all of the remaining Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

17.1.2 This requirement would also be triggered by an acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

17.2 *Squeeze-out*

17.2.1 Under the Act, if an offeror were to acquire 90 per cent. or more of the Ordinary Shares within the period specified by the Act, it could then compulsorily acquire the remaining Ordinary Shares. It would do so by sending a notice to the relevant Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold such consideration on trust for such Shareholders.

17.2.2 The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the relevant takeover offer, unless such Shareholders can show that the offer value is unfair.

17.3 *Sell-out*

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which such offer relates who has not accepted the offer can by written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. If a Shareholder exercises its right to be bought out, the offeror is bound to acquire the relevant.

17.4 The Company has not been the subject of any public takeover bid by third parties during the last financial year, no any such bids following the end of the last financial year.

**18. Persons Responsible for this Document**

18.1. The Directors and Proposed Directors, whose names and addresses appear on page 5 of this document, accept responsibility for the information contained in this document.

18.2. Crowe Clark Whitehill LLP accepts responsibility for their report contained in Section A of Part 3 of this document.

**19. General**

19.1. The gross proceeds of the Placing are expected to be approximately £1.25 million. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £700,000 (excluding Value Added Tax).

19.2. Crowe Clark Whitehill LLP has given and has not withdrawn its written consent to the inclusion of its report on the Company in the form set out in Part III – "Financial Information" of this document and to the references to its name in the form and context in which they appear in this document.

19.3. Strand Hanson has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

19.4. Mirabaud has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

19.5. Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

19.6. The Placing is conditional on the raising of £900,000 before expenses.

19.7. The accounting reference date of the Company is 31 December in each year.

19.8. The Placing Price represents a premium of 211 pence over the nominal value of one penny for an Ordinary Share.

19.9. Other than the Warrants, the Company has no convertible securities in issue.

19.10. Save for professional advisers disclosed in this document, in the last twelve months no person has received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value (calculated by reference to the expected opening price) or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

19.11. The financial information relating to the Company contained in this document does not constitute statutory accounts within the meaning of section 434 of the Act.

19.12. Following Admission, share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched by post to Placees who do not wish to receive shares in uncertificated form, at the relevant Placee's sole risk. It is expected that certificates in respect of the Placing Shares will be despatched by 4 July 2014. No temporary documents of title will be issued in connection with the Placing. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

19.13. The CREST accounts of Placees who have duly elected to receive their Ordinary Shares in uncertificated form are expected to be credited to the designated CREST account on 27 June 2014.

19.14 Crowe Clark Whitehill LLP was appointed auditor to the Company on 15 May 2014. Prior to that date the Company had not appointed auditors as it had been entitled to an exemption from audit under Section 477 of the Act. In the period covered by the financial information in Part 3 of this document the Company's principal subsidiary undertakings were audited as follows: Telilea was audited by M.T. Michaelides Ltd, Chartered and Certified Accountants, Limassol, Cyprus and CDialogues Greece audited by Efthinoi Certified Auditors HHL, Athens, Greece.

19.15 Save as set out in Part 3 of this document, there are no investments in progress and there are no further investments on which the Directors have already made firm commitments which are significant to the Group.

19.16 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any trade uncertainties, demands or errors that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

19.17 Where information in this document has been sourced from a third party it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.18 Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory and costs and selling prices since 31 December 2013.

## 20. Availability of Admission Document

Copies of this Document are available during normal business hours on any weekday (Saturdays, Sundays and public holidays are excepted) free of charge from the Company's registered office and at the offices of Strand Hanson Limited, 26 Mount Row, London W1k 3SQ for the period from the date of this document until one month after Admission.

Dated: 24 June 2014

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