

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should seek your own financial advice immediately from a person authorised under the Financial Services and Markets Act 2000 as amended ("FSMA") who specialises in advising on the acquisition of shares, and other securities in the United Kingdom. The whole of the text of this document should be read.**

If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the Record Date, please send this document, together with its accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, the distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom maybe restricted by law or regulation and therefore such documents should not be distributed, forwarded to or transmitted in or into the United States of America, Canada, Australia, Japan or the Republic of South Africa or the Republic of Ireland, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-entitlement Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

**This document is not an offer of securities, or the solicitation of an offer to acquire securities in any jurisdiction, this document is not a prospectus or equivalent document. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies. Neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to section 85 of FSMA.**

**The information about the Placing in this document is provided solely for the information of Shareholders in connection with the General Meeting and not to any other person or for any other purpose.**

This document should be read in conjunction with the accompanying Application Form and Form of Proxy and the definitions set out in this document. The whole of this document should be read and, in particular, your attention is drawn to the letter from the Chairman of Pinnacle Technology Group plc which contains the unanimous recommendation by the Directors to Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting. The Company and the Directors, whose names appear on page 4 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

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# **PINNACLE TECHNOLOGY GROUP PLC**

*(incorporated and registered in England & Wales with registered number 5259846)*

**Proposed Placing of 7,461,535 Ordinary Shares at a price of 6.5 pence per new Ordinary Share**

**Open Offer of up to 1,777,824 Ordinary Shares at 6.5 pence per new Ordinary Share**

**and**

**Notice of General Meeting**

***Nominated Adviser and Broker***

**N+1 SINGER**

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Notice of a general meeting of Pinnacle Technology to be held at 12.00 p.m. on 20 November 2014 at the offices of Nplus1 Singer Advisory LLP ("N+1 Singer"), 1 Bartholomew Lane, London EC2N 2AX is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible but in any event so as to arrive not later than 12.00 p.m. on 18 November 2014 together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by (under CREST participant ID: 3RA50) by no later than 12.00 p.m. on 18 November 2014 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). Completion and return of a Form of Proxy or use of the CREST electronic proxy appointment service will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

**N+1 Singer, which is authorised and regulated in the United Kingdom by the FCA, is acting as Nominated Adviser and Broker to Pinnacle Technology and no one else in connection with the Placing and Open Offer and will not be responsible to any person other than Pinnacle Technology for providing the regulatory and legal protections afforded to customers (as defined by the FCA Rules) of N+1 Singer nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of N+1 Singer, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to Pinnacle Technology or any Director or to any other person in respect of their decision to acquire Placing or Open Offer Shares.**

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, Open Offer and Admission, the Placing or Open Offer Shares or the distribution of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Placing or Open Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. The Placing and Open Offer Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or under the securities laws of any state of the United States of America or under the securities laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, subject to certain exemptions, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

No person has been authorised to give any information or to make any representation about Pinnacle Technology and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in Pinnacle Technology's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

**This document is being sent to all Shareholders, but for those Shareholders who are not Qualifying Shareholders it is being sent to them for information purposes only to enable them to exercise their rights as Shareholders in relation to the General Meeting.**

The Company's Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and dealings for normal settlement in the Placing Shares and Open Offer Shares will commence, at 8.00 a.m. on 21 November 2014. The New Ordinary Shares will not be admitted to trading on any other investment exchange. The New Ordinary Shares will, on their respective admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part V of FSMA) ("UKLA"). 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. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the UKLA.

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## DIRECTORS AND ADVISERS

<b>Directors</b>	Dr James Dodd, <i>Non-Executive Chairman</i> Nicholas Scallan, <i>Chief Executive Officer</i> Dr Tom Black, <i>Non-Executive Director</i>
	all of: 5 Fleet Place London EC4M 7RD
<b>Company Secretary</b>	WJM Secretaries Limited 302 St Vincent Street Glasgow G2 5RZ
<b>Nominated Adviser and Broker</b>	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX
<b>Auditors</b>	Smith & Williamson 25 Moorgate London EC2R 6AY
<b>Legal Advisers to the Company</b>	Wright, Johnston & Mackenzie LLP The Capital Building 12/13 St Andrew Square Edinburgh EH2 2AF
<b>Legal Advisers to N+1 Singer</b>	Gowlings (UK) LLP 15th Floor, 125 Old Broad Street London EC2N 1AR
<b>Registrars</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Receiving Agent for the Open Offer</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

## CAPITAL RAISING STATISTICS

Issue Price	6.5 pence
Basis of Open Offer	1 New Ordinary Share for every 21 Existing Ordinary Shares
Number of New Ordinary Shares in issue as at the date of this document	37,334,288
Number of Placing Shares	7,461,535
Number of New Ordinary Shares to be issued pursuant to the Open Offer*	1,777,824
Enlarged Issued Share Capital immediately following completion of the Placing and Open Offer*	46,573,647
Proportion of the Enlarged Issued Share Capital represented by the New Ordinary Shares	19.8 per cent.
Estimated net proceeds of the Capital Raising*	£0.53 million

\*Assuming full take-up under the Open Offer

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement under the Open Offer	5.30 p.m. on 31 October 2014
Announcement of the Placing and Open Offer	3 November 2014
Ex-entitlement date for the Open Offer	3 November 2014
Posting of this Circular, Forms of Proxy and, to Qualifying non-CREST Shareholders only, the Application Forms	3 November 2014
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	4 November 2014
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 12 November 2014
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 13 November 2014
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 14 November 2014
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 18 November 2014
Latest time and date for receipt of Forms of Proxy	12.00 p.m. on 18 November 2014
Expected time and date of announcement of results of the Placing and Open Offer	8.00 a.m. on 20 November 2014
General Meeting	12.00 p.m. on 20 November 2014
Expected time of announcement of results of the General Meeting	by 4.30 p.m. on 20 November 2014
Admission effective and dealings in the New Ordinary Shares expected to commence on AIM	8.00 a.m. on 21 November 2014
Expected date for crediting of New Ordinary Shares in uncertificated form to CREST stock accounts	8.00 a.m. on 21 November 2014
Expected date of despatch of share certificates in respect of New Ordinary Shares in certificated form	on or around 1 December 2014

*Notes:*

If you have any further queries regarding the Open Offer, please call the Shareholder Helpline on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

1. The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this Circular may be adjusted by Pinnacle Technology Group PLC in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.
2. All references to time in this Circular are to time in London.

## DEFINITIONS

The following definitions apply throughout this Circular unless the context otherwise requires:

“Act”	means the Companies Act 2006 (as amended)
“Admission”	means the admission to trading on AIM of the New Ordinary Shares to be issued pursuant to the Capital Raising taking place in accordance with the AIM Rules for Companies
“AIM”	means the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	means the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange
“AIM Rules for Nominated Advisers”	means the rules for nominated advisers to AIM companies, as published and amended from time to time by the London Stock Exchange
“Applicant”	means a Qualifying Shareholder or a person entitled by virtue of a <i>bona fide</i> market claim who lodges an Application Form under the Open Offer
“Application Form”	means the application form which accompanies this Circular for Qualifying non-CREST Shareholders for use in connection with the Open Offer
“Articles”	means the existing articles of association of the Company as at the date of this Circular
“Board”	means the board of directors of the Company from time to time
“Business Day”	means any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading
“Capital Raising”	means together, the Placing and Open Offer, details of which are set out in this Circular
“CCSS”	means the CREST courier and sorting service, established by Euroclear UK & Ireland to facilitate, <i>inter alia</i> , the deposit and withdrawal of certified securities
“certificated” or “certificated form”	means not in uncertificated form
“Company” or “Pinnacle Technology”	means Pinnacle Technology Group PLC
“CREST”	means the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations
“CREST member”	means a person who has been admitted by Euroclear UK & Ireland as a system-member (as defined in the CREST Regulations)
“CREST participant”	means a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
“CREST payment”	shall have the meaning given in the CREST Manual issued by Euroclear UK & Ireland

“CREST Regulations”	means the Uncertified Securities Regulations 2001, as amended
“CREST sponsor”	means a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	means a CREST member admitted to CREST as a sponsored member (which includes all CREST Personal Members)
“Directors”	means the directors of the Company at the date of this Circular whose names are set out on page 4 of this Circular
“Enlarged Share Capital”	means the issued ordinary share capital of the Company immediately following Admission
“enabled for settlement”	means in relation to Open Offer Entitlements or Excess Open Offer Entitlements, enabled for the limited purpose of settlement of claim transactions and unmatched stock event transactions (each as described in the CREST Manual issued by Euroclear UK & Ireland)
“Euroclear UK & Ireland” or “Euroclear”	means Euroclear UK & Ireland Limited, the operator of CREST
“Excess Application Facility”	means the arrangement pursuant to which Qualifying Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlement
“Excess CREST Open Offer Entitlement”	means, in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this Circular
“Excess Open Offer Entitlement”	means an entitlement for each Qualifying Shareholder to apply to subscribe for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this Circular
“Excess Shares”	means New Ordinary Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
“Excluded Territories”	means the United States, Australia, Canada, Japan, the Republic of South Africa, the Republic of Ireland and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law or regulations
“Existing Ordinary Shares”	means the existing issued ordinary shares of 0.1 pence each in the capital of the Company as at the date of this Circular
“Form of Proxy”	means the form of proxy relating to the General Meeting being sent to Shareholders with this Circular
“FCA”	means the Financial Conduct Authority of the United Kingdom
“Final Results”	means the audited results of the Company for the year ended 30 September 2013

“FSMA”	means the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	means the general meeting of the Company convened at 12.00 p.m. on 20 November 2014 (or any adjournment of it), notice of which is set out on page 51 of this Circular
“Group”	means the Company and its subsidiary undertakings
“ISIN”	means International Securities Identification Number
“Issue Price”	means 6.5 pence per New Ordinary Share
“London Stock Exchange”	means London Stock Exchange plc
“Member Account ID”	means the identification code or number attached to any member account in CREST
“New Ordinary Shares”	means up to 9,239,359 ordinary shares of £0.01 each in the capital of the Company to be issued pursuant to the Capital Raising
“N+1 Singer”	means N+1 Singer of One Bartholomew Lane, London EC2N 2AX, the Company’s Nominated Adviser and Broker
“Official List”	means the Official List of the UK Listing Authority
“Open Offer”	means the invitation to Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price on the terms of and subject to the conditions set out or referred to in Part IV of this Circular and, where relevant, in the Application Form
“Open Offer Entitlement”	means the <i>pro rata</i> basic entitlement for Qualifying Shareholders to apply to subscribe for 1 Open Offer Share for every 21 Existing Ordinary Shares held by them on the Record Date pursuant to the Open Offer
“Open Offer Shares”	means the 1,777,824 New Ordinary Shares for which Qualifying Shareholders are being invited to apply under the terms of the Open Offer
“Overseas Shareholders”	means Shareholders who are resident in, or who are citizens of, or who have registered addresses in, territories other than the United Kingdom
“Participant ID”	means the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Placees”	means the persons who conditionally agree to subscribe for the Placing Shares
“Placing”	means the conditional firm placing by N+1 Singer of the Placing Shares at the Issue Price pursuant to the Placing and Open Offer Agreement, as described in Part I of this Circular
“Placing and Open Offer Agreement”	means the agreement dated 3 November 2014 between the Company and N+1 Singer relating to the Placing and Open Offer, details of which are set out in paragraph 4 of Part V of this Circular
“Placing Shares”	means the 7,461,535 New Ordinary Shares which have been placed conditionally with investors by N+1 Singer pursuant to the Placing

“Qualifying CREST Shareholders”	means Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are held in uncertificated form
“Qualifying non-CREST Shareholders”	means Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are held in certificated form
“Qualifying Shareholders”	means holders of Existing Ordinary Shares on the Company’s register of members at the Record Date (other than certain Overseas Shareholders)
“Record Date”	means 5.30 p.m. on 31 October 2014
“Receiving Agent” or “Computershare”	means Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH
“Registrar”	means Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE
“Resolutions”	means the resolutions set out in the notice of the General Meeting on page 51 of this Circular
“Shareholders”	means holders of Existing Ordinary Shares
“stock account”	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
“subsidiary”	means a subsidiary undertaking as that term is defined in the Act
“uncertificated” or “uncertificated form”	means recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“UK Listing Authority”	means the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland
“USA”	means the United States of America
“£” or “Pounds”	means UK pounds sterling, being the lawful currency of the United Kingdom
“US Securities Act”	means the United States Securities Act of 1933, (as amended).

## PART I

### LETTER FROM THE CHAIRMAN

# PINNACLE TECHNOLOGY GROUP PLC

(incorporated in England and Wales with registered number 5259846)

*Directors:*

Dr James Dodd (*Non-executive Chairman*)  
Nicholas Scallan (*Chief Executive Officer*)  
Dr Tom Black (*Non-executive Director*)

*Registered Office:*

5 Fleet Place  
London  
EC4M 7RD

3 November 2014

*To holders of Ordinary Shares and, for information only, to holders of options or warrants over Ordinary Shares*

Dear Shareholder

**PROPOSED PLACING OF NEW ORDINARY SHARES AT 6.5 PENCE PER SHARE  
OPEN OFFER OF UP TO 1,777,824 NEW ORDINARY SHARES AT 6.5 PENCE PER SHARE  
NOTICE OF GENERAL MEETING**

#### **1. Introduction**

The Company announced earlier today that it has conditionally raised funds by way of a placing of 7,461,535 new Ordinary Shares, at a price of 6.5 pence per New Ordinary Share, raising approximately £0.5 million (before expenses). The Issue Price of 6.5 pence per new Ordinary Share is equal to the closing middle market price of 6.5 pence per Ordinary Share on 31 October 2014, the last business day prior to the announcement of the Placing. N+1 Singer is acting as sole broker for the Company in connection with the Placing.

In addition, in order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of new Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for an aggregate of up to 1,777,824 new Ordinary Shares, to raise approximately £0.1 million, on the basis of 1 new Ordinary Share for every 21 Existing Ordinary Shares held on the Record Date, at 6.5 pence each (the same price per Ordinary Share as the Placing). Shareholders subscribing for their full entitlement under the Open Offer may also request additional new Ordinary Shares through the Excess Application Facility.

The Open Offer provides Qualifying Shareholders with an opportunity to participate in the proposed issue of the Open Offer Shares on a pre-emptive basis whilst providing the Company with additional capital to invest in the business of the Group.

The Issue Price of 6.5 pence per new Ordinary Share is equal to the closing middle market price of 6.5 pence per Existing Ordinary Share on 31 October 2014, the last business day before the announcement of the Capital Raising.

It is proposed that the net proceeds of the Capital Raising will be used to strengthen the Company's balance sheet and accelerate growth through investment in sales and marketing activities.

The Placing and Open Offer are conditional, *inter alia*, on the passing of Resolutions by Shareholders at the General Meeting, notice of which is set out on page 51 of this Circular. If the Resolutions are passed, the New Ordinary Shares will be allotted immediately after the General Meeting and Admission of the New Ordinary Shares is expected to occur at 8.00 a.m. on 21 November 2014. Should Shareholder approval not be obtained at the General Meeting, the Placing and Open Offer will not proceed. The Placing and Open Offer are not underwritten.

**The purpose of this document is to explain the background to and reasons for the Capital Raising and why the Directors consider the Placing and the Open Offer to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.**

**The contents of this letter are important and I would urge you to read it carefully and to sign and return the enclosed Form of Proxy in accordance with the instructions given on it and in paragraph 11 below headed “Action to be Taken”, as soon as possible.**

## **2. Background on the Company**

Pinnacle Technology focuses on the business market for IT and communications services across the UK. Having grown since inception both organically and through a series of acquisitions, Pinnacle Technology offers a wide range of IT managed services and solutions including Managed Support Services; Unified Communications and Collaboration; IT Security; Voice, Broadband and Mobile Communications; Hosted Services and Infrastructure services. It operates as a value added reseller and integrator, and is focused on providing these services both as an integrated offering to the SME market and more broadly to the mid-market and public sector.

## **3. Background to and reasons for the Placing**

In the interim results statement announced on 26 June 2014 the Chairman drew attention to the work-in-progress nature of the turnaround, noting that the business was still consolidating a variety of disparate acquisitions, that time and resource had been previously committed to an inappropriate sales strategy, and that the business had been subject to wilful misconduct which is subject to ongoing court proceedings. Whilst provisions were made for the anticipated legal costs in the (unaudited) half year accounts, this was an unplanned cash drain on the business.

However, under the leadership of the new Chief Executive the business commenced a business and operational review with three aims: to return the Company to profitable revenue growth, to sharpen the focus of the business, and to continue to reduce costs.

There are early indications of good progress on each aim, and further progress is given in the current trading update below.

The progress being made to return, in the first instance, to being cash generative has highlighted areas of investment that the group can undertake to build a better business with accelerated revenue growth in subsequent years. It has also highlighted certain investments that can be made to save cost, but which require an initial investment before paying back.

The working capital demands of the business have therefore increased and the Directors believe that it is appropriate to raise capital for these purposes.

## **4. Use of Proceeds**

The Company is proposing to raise approximately £0.6 million (before expenses) by means of the Capital Raising in order to:

- invest in Sales and Marketing initiatives. As a result of the revised sales and marketing strategy, customer insight, more focussed product portfolio and go-to-market strategy, the business sees increased opportunities for new customer acquisition and intends to invest in further resources to support this, including telemarketing, marketing, and sales resources. These programmes are scoped to draw on existing areas of Pinnacle Technology’s experience and expertise, where there has been success in the past. These customer acquisition programmes are complementary to enhanced cross- and up-sell activities, management of the existing client base, and selected higher margin product development;
- invest in cost reductions. There are a number of initiatives identified in the operational review that require up-front investment for longer-term payback. The proceeds will be used to support these investments;

- invest in core infrastructure and systems. There are a number of legacy systems and technologies deployed in the business, and proceeds will be used to refresh core IT and systems to ensure a high quality customer experience; these investments will also bring greater scalability and efficiency to the business; and
- provide general working capital. The Directors are mindful of the net assets of the business relative to the cash inflows and outflows, and it is desirable that the business has a greater buffer of general working capital for day-to-day purposes.

## **5. Current Trading and Outlook**

For the second half of the year, the business has responded well to the various initiatives that have been put in place to support the turnaround strategy. Following the reduction of adjusted EBITDA losses in H2 2013 of £685,099 to an unaudited £269,882 in H1 2014, the situation has improved further and the group is now trading close to adjusted EBITDA neutral on a monthly basis. Further improvements are expected as a number of the exceptional costs are diminishing in the coming months. Revenue for the second half of 2014 continues to show a reduction in line with previous periods.

During this time the business has become more focused, thinning out the product portfolio and clarifying Pinnacle Technology's differentiation from our competitors, clearly defining the go-to-market strategy and developing greater integration across our business. Ongoing costs will be reduced significantly as a result of the partnership with Easynet, reducing the access network cost base.

The traditional telecommunications market represents an important base from which Pinnacle Technology derives recurring revenue and upon which it places continued importance. Additionally, the market for IT Services and Security, which is an area of key strength for Pinnacle Technology, continues to represent opportunity for significant growth.

In IT Services, Pinnacle Technology provides higher margin 'managed' services rather than break/fix models, working with best-in-breed providers, and the Board can see opportunities to sell these 'managed' services selectively outside its current geographical market – predominantly the central belt of Scotland. Our 'managed' services, sold mainly to SMEs, are complemented by Pinnacle Technology's mobile, broadband and voice communication services. This integrated service offering enables the Company to provide a complete communications service to its clients and provides Pinnacle Technology with monthly recurring revenues.

The IT Security segment, which has been streamlined as a more focused and profitable business, now has a clearer product roadmap and sales strategy in place to support the sustained market trend from low-margin end-point security licenses toward a higher value and 'managed' service model. The company's security products are relevant to both the UK mid-market enterprise market, and increasingly the small and medium business base taking IT Services. Early indications from this renewed strategy demonstrate promising results, with a number of clients procuring professional services from Pinnacle as well as renewing their existing technology solutions.

The business continues to simplify its operations – and customer experience will be improved – by the imminent deployment of a new market-leading customer management and monitoring system from N-Able. This integrated system will replace multiple legacy systems used in the business, driving efficiency and ultimately enhancing customer experience.

The Directors continue to work towards stabilising revenues in the business and positioning the Company to become EBITDA positive. With the opportunities available to Pinnacle Technology the Board is increasingly confident about the future prospects of the Company.

## **6. Details of the Placing and Open Offer**

### **Structure**

The Directors have given consideration as to the best way to structure the proposed equity fundraising, having regard to current market conditions, the composition of the Company's Shareholder register, the level of the Company's share price and the importance of pre-emption rights to Shareholders. After considering these factors, the Directors have concluded that the structure of the Capital Raising by way of

the Placing and Open Offer is the most suitable option available to the Company and its Shareholders as a whole. The Open Offer provides an opportunity for all Qualifying Shareholders to participate in the Capital Raising by acquiring Open Offer Shares *pro rata* to their current holdings of Existing Ordinary Shares.

The Capital Raising will comprise a firm placing of up to 7,461,535 Placing Shares and an Open Offer of up to 1,777,824 Open Offer Shares.

### **Principal terms of the Placing**

The Company has conditionally raised £0.5 million by means of the placing of 7,461,535 new Ordinary Shares at the Issue Price to the Placees. The intended use of the monies raised is set out in paragraph 4 of this letter. A General Meeting is being called to seek Shareholders' approval to grant new authorities to enable the Directors, *inter alia*, to complete the Placing.

The Placing is conditional on (amongst other things):

- (i) Admission becoming effective by no later than 8.00 a.m. on 21 November 2014 or such later time and/or date as N+1 Singer and the Company may agree; or
- (ii) passing of all the Resolutions; and
- (iii) the Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not being terminated before Admission.

All of the Placing Shares have been placed with institutions and other investors and are not, therefore, being offered to existing Shareholders and do not form part of the Open Offer. The Placing Shares will be issued subject to the articles of association of the Company, credited as fully paid and will, upon issue, rank *pari passu* with each other, the Existing Ordinary Shares and the Open Offer Shares in issue following the Capital Raising and will be free of any right of pre-emption, encumbrance, third party right or interest and will be issued with clear legal and beneficial title. The Placing is not being underwritten by N+1 Singer or any other person.

The Company has appointed N+1 Singer as its agent to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. Further terms of the Placing and Open Offer Agreement are set out in Part V of this Circular.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence at 8.00 a.m. on 21 November 2014.

### **Principal terms of the Open Offer**

Subject to the fulfilment of the conditions set out below and in Part V of this Circular, Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at a price of 6.5 pence per Open Offer Share (being the Issue Price), *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

#### **1 Open Offer Shares for every 21 Existing Ordinary Shares**

Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

The Open Offer is conditional on:

- (i) Admission becoming effective by no later than 8.00 a.m. on 21 November 2014 or such later time and/or date as N+1 Singer and the Company may agree;
- (ii) passing of all the Resolutions; and
- (iii) the Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms before Admission.

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Open Offer will not proceed.

Assuming full take-up under the Open Offer, the issue of the Open Offer Shares will raise further gross proceeds of approximately £0.1 million for the Company.

The Open Offer Shares will, upon issue, rank *pari passu* with the Placing Shares to be issued pursuant to the Placing.

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. The fractional entitlements will be aggregated and made available under the Excess Application Facility.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Open Offer Entitlements.

The Open Offer is not being underwritten by N+1 Singer or any other person.

### **Excess Application Facility**

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Open Offer Entitlements. Qualifying non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 5.3 of Part IV of this Circular for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Applications for Excess Open Offer Entitlements will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Application will be made for the Open Offer Entitlements and Excess Open Offer Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 4 November 2014. Such Open Offer Entitlements and Excess Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 4 November 2014. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying non-CREST Shareholders will have received an Application Form with this Circular which sets out their entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements on 4 November 2014.

Shareholders should note that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer. If applications are made for less than all of the Open Offer Shares available, then the lower number of Open Offer Shares will be issued.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part V of this Circular.

For Qualifying non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned either by post to Computershare, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 18 November 2014. For Qualifying CREST Shareholders the relevant CREST instructions must have been settled as explained in this Circular by no later than 11.00 a.m. on 18 November 2014.

## **Other information relating to the Capital Raising**

The Placing and Open Offer will result in the issue of in total 9,239,359 New Ordinary Shares assuming full take up under the Open Offer (representing, in aggregate, approximately 19.8 per cent. of the Enlarged Share Capital). The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares. No temporary documents of title will be issued.

Following the issue of the New Ordinary Shares pursuant to the Capital Raising, Qualifying Shareholders who take up their full entitlements, excluding any New Ordinary Shares acquired through the Excess Application Facility, in respect of the Open Offer will undergo a dilution of up to 20 per cent. to their interests in the Company because of the Placing. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will experience a more substantial dilution of approximately 24.7 per cent. to their interests in the Company because of the Capital Raising.

Application will be made to the London Stock Exchange for the Placing Shares and the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective on 21 November 2014 and that dealings in the Placing Shares and the Open Offer Shares will commence at 8.00 a.m. on 21 November 2014.

A summary of the principal terms of the Placing and Open Offer Agreement is set out in Part V of this Circular.

## **7. Enterprise Investment Scheme and Venture Capital Trusts**

Investors should not consider that any of the reliefs under the EIS and VCT regimes will be available to them in respect of any New Ordinary Shares to be issued under the Placing and Open Offer.

## **8. Related Party Transaction**

James Dodd, Thomas Black and Nicholas Scallan, directors of the Company, have all conditionally agreed to subscribe for Placing Shares pursuant to the Placing. Further details with regard to the directors' conditional subscriptions are set out below:

	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Placing Shares conditionally subscribed for</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>% of Ordinary Shares of Enlarged Share Capital*</i>
James Dodd	1,512,308	4.05%	769,230	2,281,538	4.90%
Thomas Black	2,147,737	5.75%	1,538,461	3,686,198	7.91%
Nicholas Scallan	270,019	0.72%	230,769	500,788	1.08%

\*assuming full take-up under the Open Offer

The conditional agreements entered into by James Dodd, Thomas Black and Nicholas Scallan to subscribe for Placing Shares are classified as related party transactions for the purposes of the AIM Rules. In the absence of an independent director, N+1 Singer, the Company's Nominated Adviser, considers that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

## **9. General Meeting**

The Company currently does not have sufficient authorities in place under section 551 and section 570 of the Act to allot Ordinary Shares pursuant to the Placing and Open Offer and to disapply pre-emption rights in respect of such allotments. Accordingly, the Directors are seeking authority at the General Meeting to allot Ordinary Shares on a non pre-emptive basis to implement the Placing and Open Offer.

Notice of the General Meeting is set out at the end of this document. The General Meeting will be held at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX on 20 November 2014 at 12.00 p.m.

Shareholders have the right to attend, speak and vote at the General Meeting (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (namely 12.00 p.m. on 18 November 2014). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the General Meeting. If the General Meeting is adjourned, only those Shareholders on the Register 48 hours before the time of the adjourned General Meeting (excluding any part of a day that is not a Business Day) will be entitled to attend, speak and vote or to appoint a proxy.

In addition, a Form of Proxy for use at the General Meeting is enclosed with this document (see paragraph 11 below headed "Action to be Taken").

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his proxy will have in the event of a poll.

### ***Explanation of the Resolutions to be proposed at the General Meeting***

The notice convening the General Meeting sets out the Resolutions to be proposed at the General Meeting. An explanation of these Resolutions is set out below:

#### ***Authority to allot Placing Shares and Open Offer Shares (Resolution 1)***

Resolution 1 would give the directors the authority to allot Ordinary Shares for the purposes of the Placing and the Open Offer up to an aggregate nominal value of £92,393.59. This represents approximately 24.7 per cent. of the ordinary share capital of the Company in issue at 31 October 2014 (being the latest practicable date prior to the publication of this document). This authority, if granted, would expire 15 months from the date upon which the resolution is passed or at the conclusion of the Company's 2015 Annual General Meeting, whichever is sooner.

#### ***Disapplication of pre-emption rights for the issue of the Placing Shares and Open Offer Shares (Resolution 2)***

Under the Companies Act 2006, when Ordinary Shares are allotted for cash, they must generally first be offered to existing shareholders *pro rata* to their holdings. This special resolution which is conditional upon the passing of Resolution 1 gives the Directors authority, for the period ending on the expiry of the authorities granted under Resolution 1, to allot Ordinary Shares for cash on a non pre-emptive basis for the purposes of the Placing and Open Offer up to an aggregate nominal amount of £92,393.59.

## **10. Issued share capital**

If the Placing is approved by Shareholders, then immediately following Admission the Company's issued share capital will be 46,573,647 Ordinary Shares, assuming full take up under the Open Offer.

## **11. Action to be taken**

### ***General Meeting***

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to attend the General Meeting you are strongly encouraged to complete, sign and return the Form or Proxy in accordance with the instructions printed on it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible, and in any event so as to arrive no later than 12.00 p.m. on 18 November 2014 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

If you hold your Ordinary Shares in CREST you may appoint a proxy using the CREST proxy appointment service by following the instructions in notes 5 to 8 to the Notice of General Meeting. The completion and return of a Form of Proxy or the electronic appointment of a proxy will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

## **Open Offer**

### *Qualifying non-CREST Shareholders*

If you are a Qualifying non-CREST Shareholder you will have received an Application Form which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer Entitlement and any Excess Open Offer Entitlements), you should complete the accompanying Application Form in accordance with the procedure for application set out in paragraph 4 of Part IV of this Circular and on the Application Form itself.

### *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder and do not hold any Ordinary Shares in certificated form, no Application Form accompanies this Circular and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of an Excluded Territory. Applications by Qualifying CREST Shareholders for Excess Open Offer Entitlements in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in paragraph 4 of Part IV of this Circular, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in paragraph 6 of Part IV of this Circular.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 18 November 2014. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part IV of this Circular.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this Circular and the Open Offer.

## **12. Overseas Shareholders**

Information for Overseas Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom appears in paragraph 6 of Part IV of this Circular, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you read that part of this Circular.

## **13. Additional Information**

Your attention is drawn to the additional information set out in Part V of this Circular.

## **14. Recommendation**

**Your Board believes the Placing and Open Offer to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their holdings, amounting, in aggregate, to 3,930,064 Ordinary Shares, representing 10.5 per cent. of the existing issued share capital of the Company.**

Yours faithfully

Dr James Dodd  
*Chairman*

## PART II

### RISK FACTORS

*An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor and Shareholders should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.*

*Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.*

*If any of the following risks were to materialise, the Company's business, financial conditions, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of his or her investment. This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.*

*There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company. An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser authorised or exempt under the Investment Intermediaries Act 1995 of Ireland or an authorised investment firm within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 and in the case of UK resident shareholders, an independent financial adviser who is authorised to carry on a regulated activity under the Financial Services and Markets Act 2000 of the UK) who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.*

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

##### ***Service Delivery***

The Group provides an essential service to an extensive client base many of whom rely on the provision of that service in order to run their businesses. Any diminution in the level of service could have serious consequences for customer acquisition and retention, and therefore on the Group's business, operation and financial position.

##### ***Key Suppliers***

The Group is dependent on suppliers for the continued operation of its business. The most significant of which are those for electricity, core and access bandwidth, servers, physical space, IP addresses, software licenses, equipment, maintenance and the delivery of calls and access from licensed fixed line and mobile operators. A failure of one or more suppliers to provide services to the Group could severely impact or inhibit the Group from providing services to its clients, and thereby having an adverse effect on the Group's business, operational and financial position.

##### ***Technology***

The Group operates in a fast developing technology market and certain technologies, including hardware and software, which exist today may well be obsolete faster than expected in the future. This would have a

negative impact on the Group, which would be exposed to higher costs or lower margins, not necessarily recoverable from its clients.

### **Competition**

A deteriorating financial climate might cause buying decisions to move more in the direction of a price-based sale compared to a value-based sale. Competitive threats exist by nature of operating in the technology market, the number of competitors in the market and the ease of market entrance.

There is a risk that larger more highly capitalised competitors may pose a threat to the Company's ability to win new business or to maintain its current client base. Competitors with greater resources, financial and or technological, may win business which the Company might expect to retain or receive.

### **Litigation**

Whilst the Group takes precautions to avoid or minimise the likelihood of any legal proceedings or claims, the Directors cannot preclude the possibility of litigation being brought against the Group.

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

Particular attention is drawn to the ongoing litigation concerning the wilful misconduct of various formerly closely associated parties, as disclosed in the Company's interim results for the six months ended 31 March 2014.

Pinnacle Cloud Solutions Limited ("PCS") is the pursuer in two actions in the Court of Session in Edinburgh. The first action (court reference CA90/14) was raised against the company now known as Braveheart Technology Limited and three former employees ("the Braveheart action") and the second action (court reference CA91/14) was raised against the company now known as MacLellan Property Limited ("the MacLellan Property action").

In the Braveheart action, PCS seeks various interdicts preventing the defenders from trading under various names; preventing the defenders from contacting customers of PCS in certain circumstances; preventing the defenders from disclosing certain confidential information relating to PCS's business; compelling the defenders to disclose certain information to PCS; for payment by the defenders to PCS of £400,000; and for the expenses of the action to be awarded to PCS.

In the MacLellan Property action, PCS seeks the recovery of various items of property which are or were in the possession of MacLellan Property Limited.

A judgment is expected in the MacLellan Property Action in October or November 2014 but will only deal with certain preliminary matters in the Braveheart Action. Further Court proceedings will be required in the Braveheart Action.

### **Reliance on key systems and equipment**

The Group's business relies on various key systems and equipment, including software and hardware. If the Group's access to or use of these systems was restricted or terminated for whatever reason, including system or equipment failure, the Group would have to incur expense sourcing suitable replacement and/or alternative systems, time deploying or restoring the equipment or service; time in relation to staff training; customer dis-satisfaction, loss and/or compensation and damages; all of which could have an adverse effect on the Group's business, operation and financial position.

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

The Group's development and prospects are dependent upon the continued services and performance of its Directors, senior management and other key personnel. The loss of the services of any of the Directors, senior management or key personnel or a substantial number of talented employees or key consultants,

could cause disruption or the loss of experience, skills or customer relationships of such personnel, which could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Ability to recruit and retain skilled personnel***

The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Group. However, any difficulties encountered in retaining or hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

### ***Malicious Activity and Data Protection***

The Group operates in the technology sector and, as a result, has information assets that could be compromised, disrupted or lost as a result of malicious activity. This could severely impact or inhibit the Group from providing services to its clients; this could result in the loss of or make public client or Pinnacle confidential information; could cause Pinnacle reputational damage, and in all cases thereby having an adverse effect on the Group's business, operational and financial position.

### ***Banking***

The Group is dependent on its bankers and financial suppliers for the provision of general banking services, including credit and the BACS payment system. In the event of the Group's bankers withdrawing their facilities from the Group, or suffering a failure of their own services, the Group's business, operational and financial position would be adversely impacted.

### ***Working capital***

The Group's cash resources are finite and its borrowing facilities are limited. Although the group has successfully reduced its ongoing administrative expenses going forward there is no guarantee that the group will achieve monthly profitability (before the amortisation of intangibles). The Directors recognise the importance of maintaining a policy of careful cash management and ensuring that any investment in future growth, delivers a profitable return for shareholders. However, a deterioration in the working capital position of the business could have an adverse impact on the Group's business, operational and financial position.

### ***Bad Debts***

The customer base is mainly made up of SME customers, who are one of the groups most impacted during economic downturns and/or tightening of general credit availability. Although the Group has not experienced any material lift in bad debt, that does not mean that there will not be an increase in the future, with subsequent adverse impact on the Group's business, financial and operational position.

### ***Sales and Marketing***

The Group is reliant on effective sales and marketing to maintain its existing clients and to grow. A failure or underperformance on sales and marketing would adversely impact the Group's business, financial and operational position.

### ***Regulatory Compliance***

The Group provides services, some of which are in regulated markets. The Group must maintain compliance to any applicable regulations. The regulated services may also be affected by price increases or decreases. In either instance there is therefore the risk of an adverse impact on the Group's business, financial and operational position.

## **2. General risks**

The Existing Ordinary Shares are traded on AIM rather than the main market of the London Stock Exchange. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange.

An investment in the Group is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Group is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Group should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Group's investments will occur or that the investment objectives of the Group will be achieved. Investors may not get back the full amount initially invested, especially as the market in New Ordinary Shares on AIM may have limited liquidity.

The prices of shares and any income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors in each of the territories in which it operates can substantially and adversely affect equity investments and the Group's prospects.

### **3. Risks relating to the Open Offer**

#### ***Shareholders will experience dilution in their ownership of the Company***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Open Offer. In particular, holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Open Offer will not be registered under the Securities Act.

#### ***Overseas Shareholders may not be eligible to participate in the Open Offer***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Open Offer. In particular, holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Open Offer will not be registered under the Securities Act.

Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.

Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than Ireland and the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for and/or receive new Ordinary Shares.

## PART III

### SOME QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER

*The questions and answers set out in this Part III of this Circular are intended to be in general terms only and, as such, you should read Part IV of this Circular for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.*

*This Part III deals with general questions relating to the Placing and Open Offer and more specific questions relating principally to the Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this Circular and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements or apply for Excess Shares pursuant to the Excess Application Facility. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this Circular for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.*

The contents of this Circular should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This Circular is for your information only and nothing in this Circular is intended to endorse or recommend a particular course of action.

#### **1. What is an open offer?**

An open offer is a way for companies to raise money. Companies may do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (the open offer) and providing for new investors to acquire any shares not bought by the company's existing shareholders (the placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the placing and open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of up to 1,777,824 Open Offer Shares at a price of 6.5 pence per New Ordinary Share. If you hold Existing Ordinary Shares (provided that you hold 21 or more such shares) on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States or another Excluded Territory, you will be entitled to apply for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Open Offer Share for every 21 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to apply for an Open Offer Share in respect of any fraction of an Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of New Ordinary Shares will be aggregated and made available under the Excess Application Facility.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a price equal to the closing price on the last dealing day before the details of the Capital Raising were announced on 3 November 2014. The Issue Price of 6.5 pence per Open Offer Share is equal to the closing middle market price of 6.5 pence per Existing Ordinary Share on 31 October 2014, the last business day before the announcement of the Placing and Open Offer. Considering this discount, and while the market value of an Existing Ordinary Share exceeds the Issue Price, the right to subscribe for Open Offer Shares is potentially valuable.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

The number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. Assuming that there is no Overseas Shareholder who has a registered address in, or is a resident in or a citizen of an Excluded Territory, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only), and neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

## **2. What is a placing? Am I eligible to participate in the Placing?**

A placing is where specific investors procured by a company's agents agree to acquire placed shares. The Placing Shares to be issued to Placees as part of the Capital Raising have been placed firm and are not being offered to Qualifying Shareholders and therefore do not form part of the Open Offer.

Unless you are a Placee, you will not participate in the Placing.

## **3. I hold my Existing Ordinary Shares in certificated form. How do I know whether I am able to acquire Open Offer Shares under the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address in or located in the United States or another Excluded Territory, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you have not sold all of your Existing Ordinary Shares before close of business on 31 October 2014 (the time when the Existing Ordinary Shares are expected to be marked "ex-entitlement" by the London Stock Exchange).

## **4. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or another Excluded Territory, you have been sent an Application Form that shows:

- how many Existing Ordinary Shares you held at close of business on 31 October 2014 (the Record Date for the Open Offer);
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or one of the Excluded Territories, you will not receive an Application Form.

If you would like to apply for any of, all of or more than the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this Circular. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or banker's draft for the number of Open Offer Shares you want to apply for and allow at least four Business Days for delivery if sent by first class post from within the United Kingdom. Please also see questions 5 and 11 for further help in completing the Application Form.

**5. I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?**

*5.1 If you want to take up all of your Open Offer Entitlement*

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is complete Boxes F and G on the Application Form, sign and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box C of your Application Form), payable to CIS PLC re Pinnacle Technology Group PLC Open Offer and crossed "A/C payee only", by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE to arrive by no later than 11 a.m. on 18 November 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope.

Full instructions are set out in the Application Form. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 1 December 2014

*5.2 If you want to take up some but not all of your Open Offer Entitlement*

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box D of your Application Form; for example, if you are entitled to take up 100 shares but you only want to take up 50 shares, then you should write '50' in Box D.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '50') by 6.5p, which is the price in pounds of each Open Offer Share (giving you an amount of £3.25 in this example). You should write this amount in Box G, rounding down to the nearest whole penny and this should be the amount your cheque or banker's draft is made out for. You should then sign and return your Application Form together with your cheque or banker's draft for that amount, payable to CIS PLC re Pinnacle Technology Group plc Open Offer and crossed "A/C payee only", by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to arrive by no later than 11.00 a.m. on 18 November 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part III of this Circular and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 1 December 2014.

*5.3 If you want to apply for more than your Open Offer Entitlement*

Provided that you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up, in Box D which must be the number of Open Offer Shares shown in Box B. You should then write the number of Open Offer Shares you wish to apply for under the Excess Application Facility in Box E and then complete Box F by adding together the numbers you have entered in Boxes D and E.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares shown in Box F by 6.5p, which is the price in pounds of each Open Offer Share. You should write this amount in Box G, rounding down to the nearest whole penny. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to CIS PLC re Pinnacle Technology Group PLC Open Offer and crossed "A/C payee only", by post to

Computershare, Corporate Actions Projects, Bristol, BS99 6AH, or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to arrive by no later than 11.00 a.m. on 18 November 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

A definitive share certificate will be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 1 December 2014.

#### 5.4 *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are placed, as would happen under a rights issue.

If you do not take up your Open Offer Entitlement then, following the issue of the Open Offer Shares pursuant to the Open Offer (assuming a full take up under the Open Offer), your interest in the Company will be diluted by approximately 24.7 per cent. If you do take up your Open Offer Entitlement in full, your interest in the Company will be diluted by approximately 20 per cent. as a result of the Placing.

### **6. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part IV of this Circular. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to take up or apply for under their Open Offer Entitlement and their Excess CREST Open Offer Entitlement respectively, and should contact their CREST member should they not receive this information.

### **7. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire Open Offer Shares under the Open Offer. Some Qualifying non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire New Ordinary Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 31 October 2014 and who have converted them to certificated form prior to 4.30 p.m. on 12 November 2014;
- Shareholders who bought Existing Ordinary Shares before or on 31 October 2014 and who hold such ordinary shares in certificated form but were not registered as the holders of those shares at the close of business on 31 October 2014; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder helpline on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

#### **8. If I buy Existing Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?**

If you bought Existing Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer, as the Existing Ordinary Shares are expected to start trading ex-entitlement on the London Stock Exchange at 8.00 a.m. on 3 November 2014.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Existing Ordinary Shares at or after 8.00 a.m. on 3 November 2014, you will not be eligible to participate in the Open Offer in respect of those Existing Ordinary Shares.

#### **9. What if I change my mind?**

Once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for.

#### **10. What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of New Ordinary Shares will be aggregated and made available under the Excess Application Facility.

#### **11. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box C of the Application Form?**

If you want to spend more than the amount set out in Box C you should divide the amount you want to spend by 6.5p (being the price in pounds of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £10 you should divide £10 by £0.065, which comes to 153.85. You should round that down to 153 to give you the number of Open Offer Shares for which, in this example, you can apply without exceeding your chosen amount. Write the total number of Open Offer Shares (in this example 153) in Box F. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (153) by £0.065 and then fill in that amount rounded down to the nearest whole penny (in this example being £9.95), in Box G and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, applications made under the Excess Application Facility will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders. Assuming that there are no Overseas Shareholders who have registered addresses in, or are residents in or citizens of an Excluded Territory, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated

to, them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

If you want to spend less than the amount set out in Box C, you should divide the amount you want to spend by £0.065 (being the price, in pounds, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £10 you should divide £10 by £0.065. You should round that down to the nearest whole number (in this example, 153), to give you the number of shares you want to take up. Write that number (in this example, 153) in Box F. Then to get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 153) by 6.5p and then fill in that amount rounded down to the nearest whole penny (in this example being £9.95) in Box G and on your cheque or banker's draft accordingly.

**12. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold shares in the Company directly and you sell some or all of your Existing Ordinary Shares, by 8am on 3 November 2014 you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares after 8.00 a.m. on 3 November 2014, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**13. I hold my Existing Shares in certificated form. How do I pay?**

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling on a UK bank or building society account in the accompanying reply-paid envelope (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. Cheques should be drawn on a personal account of the Qualifying Shareholder who is applying for the Open Offer Shares or you may be required to supply additional documentation to satisfy Money Laundering Regulations. The funds should be made payable to CIS PLC re Pinnacle Technology Group PLC Open Offer. In each case, the cheque should be crossed "A/C Payee only". Payments via CHAPS, BACS or electronic transfer will not be accepted.

**14. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

**15. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form and monies in the accompanying reply-paid envelope (from within the United Kingdom) by post to: Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE. You should allow at least four Business Days for delivery if using first class post within the United Kingdom.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**16. I hold my Existing Ordinary Shares in certificated form. When do I have to decide whether I want to apply for Open Offer Shares?**

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 18 November 2014. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form, within the United Kingdom.

**17. I hold my Existing Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?**

It is expected that the Registrar will post all new share certificates by 1 December 2014.

**18. What should I do if I think my holding of Existing Ordinary Shares (as shown in Box A on page 1 of the Application Form) is incorrect?**

If you bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not have been entered on the register of members before the Record Date for the Open Offer. If you bought Existing Ordinary Shares before close of business on 31 October 2014 but were not registered as the holder of those shares on the Record Date for the Open Offer (31 October 2014), you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure that you claim your entitlement. You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 31 October 2014.

**19. Will the Placing and Open Offer affect dividends on the Existing Ordinary Shares?**

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

**20. What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or another Excluded Territory are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this Circular.

**21. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you would complete the CREST deposit form (Box O on page 4 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 13 November 2014 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to Part III of this Circular for details on how to pay for the Open Offer Shares.

**22. Do I need to comply with the Money Laundering Regulations (as set out in paragraph 5 of Part IV of this Circular)?**

If you are a Qualifying non-CREST Shareholder, you do not need to follow these procedures if the value of the Open Offer Shares you are acquiring is less than €15,000 (or its pounds sterling equivalent) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying non-CREST Shareholders should refer to paragraph 5.1 of Part IV of this Circular and Qualifying CREST Shareholders should refer to paragraph 5.2 of Part IV of this Circular for a fuller description of the requirements of the Money Laundering Regulations.

### **23. Further assistance**

Should you require further assistance please call the Shareholder Helpline on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

## PART IV

### TERMS AND CONDITIONS OF THE OPEN OFFER

Open Offer of up to 1,777,824 New Ordinary Shares at a price of 6.5 pence per Share

#### 1. Introduction

As explained in Part I of this Circular, the Company is proposing to issue up to 1,777,824 New Ordinary Shares pursuant to the Open Offer to raise up to £0.1 million, net of expenses and assuming a full take up under the Open Offer. Upon completion of the Open Offer, assuming a full take up under the Open Offer, the Open Offer Shares will represent approximately 3.8 per cent. of the Enlarged Share Capital (assuming a full take up under the Open Offer). Qualifying Shareholders are being offered the opportunity under the Open Offer to acquire New Ordinary Shares at the Issue Price, being the same price per share as they are being offered to Placees under the Placing. The Placing Shares have been placed with institutional and other investors at the Issue Price and are not being offered to Shareholders and do not form part of the Open Offer. A summary of the Placing and Open Offer Agreement is set out in paragraph 5 of Part V of this Circular.

The Issue Price of the New Ordinary Shares is equal to the closing middle market price of 6.5 pence per Existing Ordinary Share on 31 October 2014 (being the latest practicable date prior to publication of this Circular).

This Circular and, where relevant, the accompanying Application Form contain the formal terms and conditions of the Open Offer.

#### 2. The Open Offer

Subject to the terms and conditions set out below and, where relevant, in the Application Form, the Company hereby invites Qualifying Shareholders to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

- (a) 1 Open Offer Share for every 21 Existing Ordinary Shares held by them and registered in their names at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held; and
- (b) further Open Offer Shares in excess of their Open Offer Entitlement through the Excess Application Facility (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Open Offer Entitlement in full).

Holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Fractions of New Ordinary Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of New Ordinary Shares. New Ordinary Shares representing the aggregate of fractional entitlements will be made available under the Excess Application Facility.

Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their Open Offer Entitlement, which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST and, if they so wish, may apply for Open Offer Shares in excess of their Open Offer Entitlement. Accordingly, applications in excess of the Open Offer Entitlements will only be satisfied to the extent that applications made by other Qualifying Shareholders are for less than their full Open Offer Entitlement and may therefore be scaled down *pro rata* to the number of Excess Shares applied for under the Open Offer, or otherwise at the absolute discretion of the Company. Any monies paid for applications in excess of their Open Offer Entitlements which are not so satisfied will be returned to the Applicant without interest within 14 days by way of cheque or CREST payment, as appropriate. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your

entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.

Not all Shareholders will be Qualifying Shareholders. Overseas Shareholders who are located in, or who are citizens of, or have a registered address in certain overseas jurisdictions (including, without limitation, any Excluded Territory) will not qualify to participate in the Open Offer. The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this Circular into a jurisdiction other than the United Kingdom is drawn to paragraph 6 of this Part IV.

If you have received an Application Form with this Circular please refer to paragraph 4 of this Part IV.

If you hold your Existing Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to paragraph 4 of this Part IV and also to the CREST Manual for further information on the CREST procedures referred to below.

The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and the New Ordinary Shares to be issued pursuant to the Placing and will rank for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued.

Application will be made to the London Stock Exchange for the Open Offer Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective on 21 November 2014 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on 21 November 2014. It is expected that the results of the Placing and Open Offer will be announced by 8.00 a.m. on 20 November 2014.

Shareholders should be aware that the Open Offer is not a rights issue. Entitlements to Open Offer Shares will neither be tradeable nor sold in the market for the benefit of Qualifying Shareholders who do not apply for them in the Open Offer.

Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Before making any decision to acquire Open Offer Shares, you are asked to read and carefully consider all of the information in this Circular, including in particular the important information set out in the letter from the Chairman of the Company in Part I of this Circular, as well as this paragraph 2 of this Part IV and the Risk Factors set out in Part II of this Circular. Shareholders who do not participate in the Open Offer will be subject to a more substantial dilution of their existing Pinnacle Technology Group PLC shareholdings. The material terms of the Open Offer are contained in paragraph 6 of Part I of this Circular.

### **3. Conditions of the Open Offer**

The Open Offer is conditional, *inter alia*, upon:

- (a) the passing of the Resolutions;
- (b) the Placing and Open Offer Agreement becoming unconditional in all respects (other than Admission) and having not been terminated in accordance with its terms; and
- (c) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 21 November 2014 (or such later time and/or date as N+1 Singer may agree, being not later than 8.00 a.m. on 5 December 2014).

Further details of the Placing and Open Offer Agreement are set out in paragraph 4 of Part V of this Circular. Further terms of the Open Offer are set out in this Part IV and in the Application Form.

If the Placing and Open Offer Agreement does not become unconditional in all respects by 8.00 a.m. on 21 November 2014 (or such later time and/or date as N+1 Singer may agree, being not later than 8.00 a.m. on 5 December 2014) or if it is terminated in accordance with its terms, the Open Offer will be revoked and will not proceed. Revocation cannot occur after dealings in the New Ordinary Shares have begun.

#### **4. Procedure for application and payment**

Save as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, the action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your Open Offer Entitlements, including the Excess Application Facility, or you have Open Offer Entitlements and Excess Open Offer Entitlements credited to your CREST account in respect of such entitlements.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. Further information on deposit into CREST is set out in paragraph 4 of this Part IV.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST manual for further information on the CREST procedures referred to below.

##### **4.1 Action to be taken if you have an Application Form in respect of your entitlement under the Open Offer**

###### *(a) General*

Each Qualifying non-CREST Shareholder will have received an Application Form accompanying this Circular. The Application Form shows the number of Existing Ordinary Shares registered in the relevant Qualifying non-CREST Shareholder's name at the close of business on the Record Date. It also shows the number of Open Offer Shares for which such relevant Qualifying non-CREST Shareholder is entitled to apply under the Open Offer, calculated on the basis set out in paragraph 3 above. Qualifying non-CREST Shareholders may also apply for less than their maximum Open Offer Entitlements.

The Excess Application Facility enables Qualifying Shareholders who have taken up their full Open Offer Entitlement to apply for Open Offer Shares in excess of their Open Offer Entitlement. Applications in excess of the Open Offer Entitlement will only be satisfied to the extent that applications made by other Qualifying Shareholders are less than their full Open Offer Entitlements and may therefore be scaled down.

Fractions (if any) of Open Offer Shares will be made available under the Excess Application Facility. The instructions and other terms which are set out in the Application Form constitute part of the terms of the Open Offer.

###### *(b) Procedure for application*

Applications for Open Offer Shares (including under the Excess Application Facility) by Qualifying non-CREST Shareholders may only be made on the Application Form, which is personal to the Qualifying non-CREST Shareholder(s) named on it and is not capable of being split, assigned or transferred except in the circumstances described below.

Qualifying non-CREST Shareholders may also apply for Excess Shares in excess of their *pro rata* entitlement to Open Offer Shares by completing Boxes E and F of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their *pro rata* entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in paragraph 2 of this Part IV.

A Qualifying non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to the Receiving Agents. **However, he or she is strongly encouraged to still complete and return the Form of Proxy to the Registrars.**

The Application Form represents a right personal to the Qualifying non-CREST Shareholder to apply to subscribe for Open Offer Shares (including under the Excess Application Facility); it is not a document of title and it cannot be traded. It is assignable or transferable only to satisfy *bona fide* market claims in relation to purchases in the market pursuant to the rules and regulations of the London Stock Exchange. Application Forms may be split up to 3.00 p.m. on 14 November 2014 but only to satisfy such *bona fide* market claims. Qualifying non-CREST Shareholders who have before the 'ex' date sold or transferred all or part of their shareholdings are advised to consult their stockbroker, bank or agent through whom the sale or transfer was effected or another professional adviser authorised under the FSMA as soon as possible, since the invitation to apply for Open Offer Shares (including under the Excess Application Facility) may represent a benefit which can be claimed from them by the purchaser(s) or transferee(s) under the rules of the London Stock Exchange.

Qualifying non-CREST Shareholders who submit a valid application using the Application Form and accompanying payment will (subject to the terms and conditions set out in this Part IV, in the letter from the Chairman of the Company in Part I and in the Application Form) be allocated the Open Offer Shares applied for in full at the Issue Price (subject to the Company's discretion to accept, reject or scale back any application for any Open Offer Shares).

Applications will be irrevocable and, once submitted, may not be withdrawn and their receipt will not be acknowledged. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 18 November 2014; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 18 November 2014 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying non-CREST Shareholder and such Qualifying non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall arrange (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Qualifying non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrar, the Company or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying non-CREST Shareholders.

If you are a Qualifying non-CREST Shareholder and wish to apply for all or part of the Open Offer Shares to which you are entitled (including any application for any Excess Shares under the Excess Application Facility) you should complete and sign the Application Form in accordance with the instructions printed on it and return it, either by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE, together with a pounds sterling cheque or banker's draft to the value of the Open Offer Shares applied for on the

Application Form, as soon as practicable and, in any event, so as to be received not later than 11.00 a.m. on 18 November 2014, after which time Application Forms will not be accepted. The cheque or banker's draft must be drawn on a United Kingdom branch of a qualifying bank or building society, as further described below. Your Application Form will not be valid unless you sign it. If you post your Application Form by first class post in the UK, or in the accompanying reply-paid envelope, you are advised to allow at least four Business Days for delivery.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 18 November 2014 from an authorised person (as defined in the FSMA) specifying the Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

(c) *Payments*

Cheques must be drawn on the personal account to which you have sole or joint title to the funds. Your cheque or banker's draft should be made payable to CIS PLC re Pinnacle Technology Group PLC Open Offer and crossed "A/C Payee only". Payments must be made by cheque or banker's draft in pounds sterling drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies and must bear the appropriate sorting code in the top right-hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed on the back of the building society cheque or banker's draft the name of the account holder (which must be the same name as printed on the Application Form) and their title to funds by stamping and endorsing the building society cheque/banker's draft to such effect. Any application or purported application may be rejected unless these requirements are fulfilled. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid applications in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be credited to a non-interest bearing account by the Receiving Agent. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the Applicant's sole risk), without payment of interest, to Applicants as soon as practicable following the lapse of the Open Offer.

The Company shall as soon as practicable following 18 November 2014 refund any payment received with respect to an application for a number of Open Offer Shares in respect of an Open Offer Entitlement which has been rejected in whole or in part by the Company.

(d) *The Excess Application Facility*

The Excess Application Facility enables Qualifying Shareholders who have taken up their Open Offer Entitlement to apply for Open Offer Shares.

Qualifying non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed the 1,777,824 Open Offer Shares being made available to Qualifying Shareholders as a result of applications made in respect of the Excess Application Facility, resulting in a scaling back of

applications, each Qualifying non-CREST Shareholder who has made a valid application for Open Offer Shares under the Excess Application Facility and from whom payment in full for such Open Offer Shares has been received in cleared funds will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for under the Excess Application Facility but not allocated to the relevant Qualifying non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

(e) *Effect of application*

By completing and delivering an Application Form you (as the Applicant(s)):

- (i) agree that your application, the acceptance of your application and the contract resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (ii) confirm that in making the application you are not relying on any information or representation other than those contained in this Circular and the Application Form and you, accordingly, agree that no person responsible solely or jointly for this Circular or any part of it shall have any liability for any information or representation not contained in this Circular and that having had the opportunity to read this Circular you will be deemed to have notice of all the information concerning the Group contained within this Circular;
- (iii) represent and warrant that you are not citizen(s) or resident(s) of an Excluded Territory or any other jurisdiction in which the application for Open Offer Shares is prevented by law and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of Open Offer Shares directly or indirectly in, into or within an Excluded Territory or to a resident of an Excluded Territory or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery;
- (iv) represent and warrant that you are not otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of such person(s) on a non-discretionary basis; and
- (v) will also be asked whether or not you can represent and warrant as follows: (i) you have not received the Application Form or any other document relating to the Open Offer in an Excluded Territory, nor have you mailed, transmitted or otherwise distributed or forwarded any such document in or into an Excluded Territory; (ii) you are not and were not located in an Excluded Territory at the time you accepted the Application Form or at the time you returned the Application Form; and (iii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (A) you have full investment discretion with respect to the Open Offer Shares covered by the Application Form or (B) the person on whose behalf you are acting was located outside an Excluded Territory at the time he or she instructed you to submit the Application Form.

If you are unable to provide such representations and warranties you will be deemed not to have validly submitted an application for Open Offer Shares, save in the discretion of the Company and subject to certain conditions.

You should note that applications will be irrevocable. The Company reserves the right (but shall not be obliged) to treat any application not strictly complying in all respects with the terms and conditions of application as nevertheless valid. If you do not wish to apply for Open Offer Shares under the Open Offer you should not complete or return the Application Form.

If you have any questions relating to the procedure for acceptance, please call the Shareholder Helpline on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The

Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

#### 4.2 **Action to be taken if you have Open Offer Entitlements and Excess Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

##### (a) *General*

Save as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the number of Open Offer Shares to which he is entitled under the Open Offer. Qualifying CREST Shareholders may also apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility. Further details of Excess Offer Entitlements can be found in paragraph 5.3 of this Part IV.

The CREST stock account to be credited will be an account under the Participant ID and Member ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 8.00 a.m. or such later time as the Company may decide, on 4 November 2014, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess Open Offer Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this Circular will be adjusted as appropriate and the provisions of this Circular applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

Qualifying CREST Shareholders who wish to apply for some or all of their entitlements to Open Offer Shares (including any applications for Excess CREST Open Offer Entitlements) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating to the procedure for acceptance, please call the Shareholder Helpline on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

##### (b) *Market Claims*

The Open Offer Entitlements and Excess Open Offer Entitlements will have a separate ISIN and constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and Excess Open Offer Entitlements in CREST must send (or if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (USE) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the Participant ID and Member Account ID specified below, with the number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for (subject to paragraph 4.2(j) of this Part IV); and
- (ii) the creation of a CREST payment in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares or Excess Shares referred to in sub-paragraph (i) above.

(d) *Content of USE instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlements, which is GB00BSD99808;
- (iii) the Participant ID of the accepting CREST member;
- (iv) the Member Account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the Participant ID of Computershare, in its capacity as a CREST receiving agent, which is 3RA29;
- (vi) the Member Account ID of Computershare in its capacity as a CREST receiving agent, which is PINNACLE in respect of the Open Offer Entitlement;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction, which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date, which must be on or before 11.00 a.m. on 18 November 2014; and
- (ix) the Corporate Action Number for the Open Offer, which will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 18 November 2014.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 18 November 2014 in order to be valid is 11.00 a.m. on that day.

(e) *Contents of USE instructions in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Excess CREST Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement, which is GB00BSD99915;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the Participant ID of Computershare in its capacity as a CREST receiving agent, which is 3RA29;
- (vi) the Member Account ID of Computershare in its capacity as a CREST receiving agent, which is PINNACLE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date, which must be before 11.00 a.m. on 18 November 2014; and
- (ix) the Corporate Action Number for the Open Offer, which will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 18 November 2014.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) should add the following non-mandatory fields to their USE instruction:

- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 18 November 2014 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 21 November 2014 or such later time and date as the Company and N+1 Singer shall agree (being no later than 8.00 a.m. on 5 December 2014), the Open Offer will lapse, the Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days. The Open Offer cannot be revoked once all conditions have been satisfied.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal as are set out in the Application Form.

The holder of an Application Form who is proposing so to deposit the Open Offer Entitlements set out in such form is recommended to ensure that the deposit procedures are implemented in

sufficient time to enable the person holding or acquiring the Open Offer Entitlements and Excess Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up such entitlements prior to 11.00 a.m. on 18 November 2014.

In particular, having regard to normal processing times in CREST and on the part of the Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 13 November 2014, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST is 4.30 p.m. on 12 November 2014, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and Excess Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and Excess Open Offer Entitlements prior to 11.00 a.m. on 18 November 2014.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 2 of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of an Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 18 November 2014 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

**CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on (a) 18 November 2014. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.**

(i) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question (without interest).

(j) *The Excess Application Facility*

Provided that a Qualifying CREST Shareholder chooses to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements. Each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of Excess CREST Open Offer Entitlements equal to 10 times the total number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. If Qualifying CREST Shareholders wish to apply for more than 10 times the total number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date, the Qualifying CREST Shareholder should contact Computershare on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 who will arrange for the additional Excess Shares to be credited to the relevant CREST account of the Qualifying CREST Shareholder. Any such applications will be granted at the absolute discretion of the Company.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess CREST Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess CREST Open Offer Entitlement as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this Circular.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed the number of Open Offer Shares being made available, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest, and at the Applicant's sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number, aggregated and made available under the Excess Application Facility.

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the

obligation of the CREST member to pay to the Company the amount payable on application);

- (ii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this Circular and subject to the Articles;
  - (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
  - (iv) represent and warrant that he is not applying on behalf of any Shareholder, who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
  - (v) represent and warrant that he is not, nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
  - (vi) confirm that in making such application he is not relying on any information or representation other than those contained in this Circular and agrees that no person responsible solely or jointly for this Circular or any part thereof or involved in the preparation thereof, shall have any liability for any information or representation not contained in this Circular and further agree that having had the opportunity to read this Circular he will be deemed to have had notice of all the information concerning the Group contained therein; and
  - (vii) represent and warrant that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim.
- (l) *Company's discretion as to rejection and validity of applications*
- The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not strictly comply in all respects with the requirements as to validity set out or referred to in this paragraph 4 of this Part IV;
  - (ii) accept an alternative properly authenticated, dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
  - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the first instruction) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
  - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption,

failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

If you have any doubt as to the procedure for acceptance and payment you should contact Computershare on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice.

(m) *Issue of Open Offer Shares in CREST*

Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after the close of business on 18 November 2014. If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' Open Offer Entitlements with effect from the next business day. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

## **5. Money Laundering Regulations**

### **5.1 Holders of Application Forms**

It is a term of the Open Offer that, in order to ensure compliance with the Money Laundering Regulations (the **Regulations**), the Registrar may require verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity").

The verification of identity requirements pursuant to the Regulations will apply to applications with a value of €15,000 (or its Pound Sterling equivalent) or greater, or to one of a series of linked applications whose aggregate value exceeds that amount, and in the case of such applications verification of the identity of Applicant(s) for Open Offer Shares may be required.

If within a reasonable period of time following a request, for verification of identity, but in any event by 11.00 a.m. on 18 November 2014, the Receiving Agent has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant application, in which event the money payable or paid in respect of the application will be returned (without interest and at the Applicant's risk) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

In order to avoid this, payment should be made by means of a cheque drawn by and in the name of the Applicant named on the accompanying Application Form or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers of Existing Ordinary Shares through the market prior to 3.00 p.m. on 14 November 2014), by the person named in Box K on the Application Form. If this is not practicable and the Applicant uses a cheque drawn on a building society or a banker's draft, the Applicant should:

- (a) ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited which must be the same name as that printed on the Application Form, such endorsement being validated by a stamp

and authorised signature by the building society or bank on the reverse of the cheque or banker's draft;

- (b) if the Applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or European Union regulated person or institution (e.g. a bank or broker), and specify its status. If you have any questions relating to the procedure for acceptance, please telephone Computershare on 0870 707 1017, if calling from within the UK, or on +44 870 707 1017, if calling from outside the UK. Calls to the 0870 707 1017 number from within the UK cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the +44 870 707 1017 number from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. The Shareholder Helpline is open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal, business, tax or investment advice;
- (c) if the Applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driving licence; and
- (d) third party cheques may not be accepted unless covered by (a) above.

In any event, if it appears to the Receiving Agent that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting will be required.

Neither the Receiving Agent, nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification. By lodging an Application Form, each Qualifying Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company and N+1 Singer, at such specified time thereafter as may be required to ensure compliance with the Regulations.

## 5.2 **Open Offer Entitlements and Excess Open Offer Entitlements in CREST**

If you hold your Open Offer Entitlements or Excess Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements (and Excess Open Offer Entitlements) as agent for one or more persons and you are not a United Kingdom or European Union regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of any failure to provide satisfactory evidence.

## 6. **Overseas Shareholders**

### 6.1 *General*

**The distribution of this Circular and the Application Form and the making or acceptance of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory**

**requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.**

No action has been or will be taken by the Company or any other person, to permit a public offering or distribution of this Circular (or any other offering or publicity materials or Application Form(s) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Application Forms will not be sent to and Open Offer Entitlements and Excess Open Offer Entitlements will not be credited to a stock account in CREST of persons with registered addresses in an Excluded Territory or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory. Neither the Company, nor any of its respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this Circular and/or an Application Form and/or transfers Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV and specifically the contents of this paragraph 6.

The Company reserves the right, but shall not be obliged, to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from an Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share

certificates of Open Offer Shares or, in the case of a credit of an Open Offer Entitlement (and/or a credit of Excess Open Offer Entitlements) to a stock account in CREST, to a member whose registered address would be in an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.3 to 6.5 below.

Notwithstanding any other provision of this Circular or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts. The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Excluded Territory except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this Circular or the Application Forms into any Excluded Territory. Receipt of this Circular and/or an Application Form and/ or a credit of an Open Offer Entitlement and/or a credit of Excess Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this Circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## 6.2 **United States**

None of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements have been or will be registered under the US Securities Act or the laws of any state or other jurisdiction of the United States and, therefore, the New Ordinary Shares and the Open Offer Entitlements and the Excess Open Offer Entitlements may not be directly, or indirectly, offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States and, subject to certain exceptions, none of this Circular, the Application Forms or the crediting of Open Offer Entitlements (or Excess Open Offer Entitlements) to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for an offer or an invitation to subscribe for any New Ordinary Shares in the United States. Neither this Circular nor an Application Form will (unless an address within the United Kingdom for services of notices has been notified to the Company) be sent to, and no Open Offer Entitlements (or Excess Open Offer Entitlements) will be credited to, a stock account in CREST of any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from, or post-marked in, the United States will be deemed to be invalid and all persons subscribing for New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares outside the United States.

## 6.3 **Other Excluded Territories**

Due to restrictions under the securities laws of the Excluded Territories and subject to certain exemptions, Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, re-sold, delivered or distributed, directly or indirectly, in or into any Excluded Territory or to, or for the account or benefit of,

any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Excluded Territory except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this Circular or the Application Forms into any Excluded Territory.

#### 6.4 **Other overseas territories**

Application Forms will be sent to Qualifying non-CREST Shareholders and an Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders in other overseas territories. Qualifying Shareholders in jurisdictions other than any Excluded Territory may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this Circular and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

#### 6.5 **Representations and warranties relating to Overseas Shareholders**

##### (a) *Qualifying non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and/or the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within an Excluded Territory; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a nondiscretionary basis on behalf of, a person located within an Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not subscribing for Open Offer Shares with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into an Excluded Territory or any territory referred to in (ii) above. The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or despatched from an Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; (ii) provides an address in any Excluded Territory for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this paragraph (a).

##### (b) *Qualifying CREST Shareholders*

A CREST member who makes a valid application either on its own behalf or on behalf of one of its clients in accordance with the procedures set out in this Part IV represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within an Excluded Territory; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares; (iii) it is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within an Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is subscribing for any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into an Excluded Territory, or any territory referred to in (ii) above. The Company reserves the right to reject any USE instruction from an Excluded Territory or any territory referred to in (ii) above or by a CREST participant who is acting on a non-discretionary basis on behalf of a person located within an Excluded Territory or any territory referred to in (ii) above.

## **7. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this Circular shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this Circular, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **8. Further information**

The attention of Shareholders is drawn to the further information set out in this Circular including the additional information set out in Part V, and the Risk Factors set out in Part II of this Circular and to the terms and conditions set out on the Application Form.

**PART V**  
**ADDITIONAL INFORMATION**

**1. Incorporation**

- (A) The Company was incorporated and registered in England and Wales as a public company limited by shares with the registered number 05259846.
- (B) The liability of the members of the Company is limited.

**2. Share Capital**

The ordinary issued share capital of the Company (i) as at the date of this Circular and (ii) as it is expected to be after Admission is set out below:

	<i>Existing Issued and fully paid</i>		<i>Immediately following Admission Issued and fully paid*</i>	
	<i>Nominal Amount (£)</i>	<i>Number</i>	<i>Amount (£)</i>	<i>Number</i>
Ordinary Shares of £0.01 each	373,342.88	37,334,288	465,736.47	46,573,647

\*Assuming full take-up of entitlements under the Open Offer.

**3. Directors' interests**

3.1 The Directors and their respective functions are set out below:

Dr James Dodd (*Chairman and Non-Executive Director*)

Nicholas Scallan (*Chief Executive Officer*)

Dr Thomas Black (*Non-Executive Director*)

3.2 The interests (all of which are beneficial unless stated otherwise) of each of the Directors and their family (within the meaning of the AIM Rules) in the issued ordinary share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director (i) as at the date of this Circular and (ii) as they are expected to be on Admission are as follows:

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Placing Shares conditionally subscribed for</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>% of Ordinary Shares of Enlarged Issued Share Capital*</i>
James Dodd	1,512,308	4.05%	769,230	2,281,538	4.90%
Thomas Black	2,147,737	5.75%	1,538,461	3,686,198	7.91%
Nicholas Scallan	270,019	0.72%	230,769	500,788	1.08%

\* Assuming full take-up of entitlements under the Open Offer.

3.3 On 31 October 2014, being the last practicable date prior to the publication of this Circular, the Directors and (so far as is known to the Directors, having made appropriate enquiries) their family (within the meaning of the AIM Rules) will have the following options over Ordinary Shares:

	<i>Number of Options</i>	<i>Percentage of existing share capital</i>	<i>Percentage of Enlarged Share Capital (following Admission)*</i>
Nicholas Scallan	1,000,000	3.7%	2.1%

\* assuming full take up under the Open Offer

#### **4. Material Contracts**

A placing and open offer agreement dated 3 November 2014 between the Company (1) and N+1 Singer (2) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 21 November 2014 or such later time and or date as the Company and N+1 Singer may agree (being not later than 5 December 2014), N+1 Singer has agreed all reasonable endeavours to procure the Placees to subscribe for the Placing Shares at the Placing Price.

The placing and open offer agreement contains warranties from the Company in favour of N+1 Singer together with provisions which enable N+1 Singer to terminate the placing and open offer agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. Under the placing and open offer agreement and subject to it becoming unconditional the Company has agreed to pay to N+1 Singer a corporate finance fee together with commission of 4 per cent. based on the aggregate value of such Placing Shares at the Placing price for which N+1 Singer has procured subscribers.

#### **5. Consent**

N+1 Singer has given and not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which it is included.

#### **6. Availability of Circular**

This Circular will be available for a period of twelve months from the date of this Circular on the Company's website [www.pinn.uk.com](http://www.pinn.uk.com) or from the registered office of the Company free of charge in accordance with the requirements of Rule 26 of the AIM Rules.

Dated: 3 November 2014

# PINNACLE TECHNOLOGY GROUP PLC

(the "Company")

(Incorporated in England and Wales with registered number 5259846)

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX on 20 November 2014 at 12.00 noon. for the purpose of considering and, if thought fit, passing the following resolutions, resolution number 1 as an Ordinary Resolution and resolution number 2 as a Special Resolution:

### ORDINARY RESOLUTION

1. THAT the directors of the Company be generally and unconditionally authorised under section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares in the Company in connection with the Placing and Open Offer (as defined in the circular dated 3 November 2014) up to an aggregate nominal amount of £92,393.59 (9,239,359 Ordinary Shares) and such authority shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2015, or the date falling 15 months from the date of the passing of this resolution (unless previously revoked by the Company) and the Company may, before such expiry, make an offer or agreement which would or might require ordinary shares to be allotted after the authority has expired and the directors may allot ordinary shares in pursuance of any such offer or agreement notwithstanding that this authority has expired.

### SPECIAL RESOLUTION

2. THAT subject to the passing of resolution 1, in accordance with section 571 (1) of the Companies Act 2006, the directors of the Company shall have the power to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash under the authority conferred by resolution 1 as if section (561 of the Companies Act 2006 did not apply to the allotment and this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £92,393.59 (9,239,359 Ordinary Shares) and such power shall expire when the authority given by resolution 1 is revoked or expires but the Company may before expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the power has expired.

*Registered Office:*

5 Fleet Place  
London  
EC4M 7RD

By Order of the Board  
WJM Secretaries Limited  
Company Secretary

Dated: 3 November 2014

*Notes:*

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC on +44 (0870) 707 1017.
2. To be valid any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH no later than 12.00 p.m., on 18 November 2014.
3. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in Note 6 below) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.

4. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register at 12.00 p.m. on 18 November 2014 (or, in the event of any adjournment, 48 hours before the adjourned meeting (excluding any part of a day that is not a Business Day)). Changes to the Register after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 12.00 p.m. on 18 November 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

