

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or the action you should take, you should consult an independent person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities if you are taking advice in the United Kingdom or from another appropriately authorised financial adviser if you are taking advice in a territory outside the United Kingdom.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document.

The Company and the Directors whose names appear on page 5 of this Document accept responsibility both individually and collectively for the information contained in this Document including responsibility for compliance with the AIM Rules for Companies. 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 contains no omission likely to affect its import.

This Document, which is an admission document drawn up in accordance with the AIM Rules for Companies, does not constitute a prospectus within the meaning of section 85 of FSMA and has not been prepared in accordance with the Prospectus Rules. This Document has not been approved by the Financial Conduct Authority (formerly the Financial Services Authority) ("FCA"), the UK Listing Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 20 June 2013. The Ordinary Shares are not dealt in, or on, any other recognised investment exchange and no other such applications have been made. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority.

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# Falanx Group Limited

*(incorporated in the British Virgin Islands with registered number 1730012)*

## Placing of 4,958,333 new Ordinary Shares at 12p per share and Admission to trading on AIM

***Nominated Adviser and Joint Broker***

**ZAI Corporate Finance Ltd**

***Joint Broker***

**Peterhouse Corporate Finance Ltd**

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### Maximum number of Shares the Company is authorised to issue, and Shares in issue following Admission to trading on AIM

*Authorised  
Number*

200,000,000

*Issued and fully paid  
Number*

37,458,333

Ordinary Shares with no par value

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ZAI Corporate Finance Ltd ("ZAICF"), which is regulated by the FCA and is a member of the London Stock Exchange, is acting as nominated adviser and joint broker to the Company in connection with the Placing and Admission and is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of ZAICF in relation to the Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by ZAICF as to any of the contents of this Document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this Document is issued). ZAICF will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this Document in respect of the Placing or any acquisition of shares in the Company. ZAICF has not authorised the contents of, or any part of, this Document, and no liability whatsoever is accepted by ZAICF for the accuracy of any information or opinions contained in this Document or for the omission of any material information.

Peterhouse Corporate Finance Limited ("Peterhouse"), which is regulated by the FCA and is a member of the London Stock Exchange, is acting as financial adviser and joint broker exclusively for the Company in connection with the Placing and Admission and is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Peterhouse in relation to the Placing and Admission. No representation or warranty, express or implied, is made by Peterhouse as to any of the contents of this document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Peterhouse will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. Peterhouse has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Peterhouse for the accuracy of any information or opinions contained in this document or for the omission of any material information.

The whole of this Document should be read. Your attention is drawn to Part II of this Document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Document.

This Document does not constitute an offer to sell or to buy shares in any jurisdiction other than the United Kingdom and should not be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, the Republic of South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, the Republic of South Africa or Japan.

The Ordinary Shares have not been and will not be offered sold or otherwise transferred, directly or indirectly, to members of the public in the British Virgin Islands.

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## **FORWARD LOOKING STATEMENTS**

This Document contains forward-looking statements. These statements relate to the Group's future prospects, developments and business strategy.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "expect", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I, II and V of this Document.

The forward-looking statements in this Document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Company are specifically described in Part II of this Document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this Document. Neither the Directors, the Proposed Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules for Companies or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

## **ADMISSION AND PLACING STATISTICS**

Number of Existing Ordinary Shares	32,500,000
Number of Placing Shares	4,958,333
Number of Ordinary Shares in issue following Admission	37,458,333
Placing Shares as a percentage of the Enlarged Share Capital	13.24%
Placing Price	£0.12
Market capitalisation of the Company at the Placing Price on Admission	£4,495,000
Estimated net proceeds of the Placing receivable by the Company	£187,877
International Securities Identification Number (ISIN) of Ordinary Shares	VGG3338A1075

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

	<i>2013</i>
Admission and commencement of dealings on AIM	8.00 a.m. on 20 June
CREST stock accounts credited in respect of Depositary Interests representing Placing Shares	8.00 a.m. on 20 June
Definitive share certificates despatched by	27 June

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John Blamire Karl Barclay Desmond Carr Emma Shaw Iain Manley
<b>Registered Office</b>	PO Box 173 Kingston Chambers Road Town Tortola British Virgin Islands
<b>Registered Agents</b>	Maples Corporate Services (BVI) Limited PO Box 173 Kingston Chambers Road Town Tortola British Virgin Islands
<b>Nominated Adviser and Joint Broker</b>	ZAI Corporate Finance Limited 1 Hobhouse Court 2nd Floor 6-8 Suffolk Street London SW1Y 4HH
<b>Joint Broker</b>	Peterhouse Corporate Finance Limited 31 Lombard Street London EC3V 9BQ
<b>Solicitors to the Company as to English Law</b>	DWF LLP Capital House 85 King William Street London EC4N 7BL
<b>Legal Advisers to the Company as to BVI Law</b>	Maples & Calder 11th Floor 200 Aldersgate Street London EC1A 4HD
<b>Solicitors to the Nominated Adviser</b>	Adams & Remers LLP Dukes Court 32 Duke Street St James' London SW1Y 6DF
<b>Reporting Accountants and Auditors</b>	Bennett Brooks & Co Limited 1 Charterhouse Mews London EC1M 6BB

<b>Depository</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom
<b>Registrar</b>	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
<b>Receiving Agents</b>	Simply Stockbroking Ltd 49 Whitehall London SW1A 2BX
<b>Financial PR</b>	Lothbury Financial Services Suite 18, 5th Floor 36 Old Jewry London EC2R 8DD
<b>Company's website</b>	<a href="http://www.falanxgroup.com">www.falanxgroup.com</a>

## DEFINITIONS

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

“Admission”	the admission of all the issued and to be issued Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“Admission Document” or “Document”	this Document, drawn up in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
AIM Rules	the rules and guidance governing the operation of AIM comprising the AIM Rules for companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the rules for guidance which set out the obligations and responsibilities in relation to companies whose shares are admitted to trading on AIM entitled “AIM Rules for Companies” published by the London Stock Exchange amended from time to time
“AIM Rules for Nominated Advisers”	the rules and guidance which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers and entitled “AIM Rules for Nominated Advisers” published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company from time to time as further described in Part VII of this Document
“Brokers”	ZAICF and Peterhouse
“Board” or “Directors”	the current directors of the Company, whose names are set out on page 5 of this Document or any duly authorised committee thereof
“Bond/Share Purchase Agreement”	the agreement dated 28 March 2013 relating to the purchase by SAIG of shares in SAIG as more particularly detailed in paragraph 10 of Part VII of this Document
“Business Day”	any day on which the London Stock Exchange is open for the transaction of business
“Business Purchase Agreement”	the agreement dated 29 March 2013 and made between SAAL and SAIG relating to the purchase by SAAL of the entire business assets and undertaking of SAIG for the consideration and on the terms as more particularly detailed in paragraph 10 of Part VII of this Document
“BVI”	the British Virgin Islands
“Company”	Falanx Group Limited a company incorporated in British Virgin Island with registered number 1730012
“Companies Act”	the BVI Business Companies Act, 2004 (as amended)
“Corporate Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council
“CREST”	the relevant system (as defined in the CREST Regulations) for the separate settlement of share transfers and the holding of shares in uncertificated form

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modification or re-enactment thereof for the time being in force
“Deed Poll”	the agreement between the Depositary and the DI Holders
“DI Holders”	holders of Depositary Interests
“Depositary”	Computershare Investor Services plc
“Depositary Interests”	the dematerialised depositary interests issued by the Depositary in respect of and representing on a one for one basis Ordinary Shares held by the Depositary
“Disclosure Rules”	the Disclosure and Transparency rules as set out in the FSA Handbook (as amended from time to time)
“Enlarged Share Capital”	the number of Shares the Company is authorised to issue upon Admission, comprising the Existing Ordinary Shares and the Placing Shares
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the 32,500,000 Ordinary Shares in issue as at the date of this Document
“Fal anx Protection”	Falanx Protection Limited, a company incorporated in the British Virgin Islands with registered number 1730230
“FCA”	the United Kingdom Financial Conduct Authority (formerly the Financial Services Authority)
“FSMA”	the Financial Services and Markets Act 2000 of the UK, as amended from time to time
“FCA Handbook”	the rules and guidance published by the FCA from time to time under the powers given to it by the Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries from time to time, to include, where the context so requires, an investment that the Company or any of its subsidiaries makes in a corporate body
“IFRS”	International Financial Reporting Standards
“Lock-in Agreements”	the conditional agreements not to dispose of interests in Ordinary Shares save in certain circumstances dated 17 June 2013 and described in paragraph 9 of Part VII of this Document
“Locked-in Parties”	the Directors and certain other Shareholders
“London Stock Exchange”	London Stock Exchange PLC
“Memorandum” or “Memorandum of Association”	the Memorandum of association of the Company adopted on 23 August 2012 as amended from time to time
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of no par value in the Company
“Peterhouse”	Peterhouse Corporate Finance Limited
“Placees”	subscribers for Placing Shares procured by ZAICF on behalf of the Company pursuant to the Placing Agreement



“Placing”	the conditional placing by ZAICF on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 17 June 2013 between the Company (i) the Directors (ii) ZAICF (iii) and Peterhouse (iv) relating to the Placing, further details of which are set out in paragraph 10 of Part V of this document
“Placing Price”	£0.12 per Placing Share
“Placing Shares”	4,958,333 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing and subscriptions for new Ordinary Shares
“Registrar” and “Receiving Agent”	Computershare Investor Services (BVI) Limited
“Regulatory Information Service”	a regulatory information service that is on the approved list of service providers maintained by the FCA
“Shareholders”	holders of the Ordinary Shares from time to time and/or holders of Depositary Interests representing Ordinary Shares from time to time
“Stirling Group” or “SAIG”	Stirling Assynt International Group Limited, a company incorporated in the British Virgin Islands with registered number 1471087
“Substantial Shareholder”	any person who, on Admission, holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of the Enlarged Share Capital or voting rights of the Company, as defined in the AIM Rules for Companies
“Stirling Assynt (Acquisition) Limited or “SAAL”	Stirling Assynt (Acquisition) Limited, a company incorporated in the British Virgin Islands with registered number 1759889
“Stirling Risk (Asia) Limited” or “SRAL”	Stirling Risk (Asia) Limited, a company incorporated in Hong Kong with registered number 1220846
“Stirling Assynt Europe” or “SAEL”	Stirling Assynt (Europe) Limited, a company incorporated in England and Wales with registered number 96559468
“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers in the United Kingdom
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA” or “UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“US” or “United States”	the United States of America, its territories and possessions, any state of The United States of America and the District of Columbia
“ZAICF”	ZAI Corporate Finance Ltd, the Company’s nominated adviser and broker
“£” or “Sterling”	pounds sterling, the lawful currency from time to time of the United Kingdom
“\$” or “US\$” or “Dollars”	US Dollar, the official currency of the United States of America

## PART I

### INFORMATION ON THE GROUP

#### 1. Introduction

Falanx Group Limited (the “Company”) is the holding company of the Falanx Group (the “Falanx Group”). It is the sole owner of two companies (SAAL and Falanx Protection). It was founded by John Blamire, a former British Army officer, to respond to a heightened need for security consultancy and asset protection by large corporates and some governments operating in sensitive regions such as those affected by the Arab Spring and increased risk from violent extremism, terrorism and ethnic tensions. Following the acquisition of the entire business, assets and undertaking of SAIG its founder Karl Barclay, a former senior Foreign and Commonwealth Office official and former Head of Global Security and Fraud Risk for HSBC Holdings Plc, and who, like John Blamire, is a former British Army officer, has been appointed Executive Chairman of Falanx Group.

Members of staff include former members of the security and intelligence communities and British Army and the non-executive directors have senior management level experience in large companies in the natural resources and security sectors. Collectively they have Government and corporate contacts in the Middle East, Africa and Asia.

The Company also owns Falanx Protection, which has identified a pipeline of potential opportunities in the Middle East for physical security, including a bid to act as the key sub-contractor to the prime contractor to provide blast protection for a major government building.

Prior to Admission, SAAL acquired the business of SAIG, which was founded by Karl Barclay in 2008. SAIG ([www.stirlingassynt.com](http://www.stirlingassynt.com)) provides business intelligence including enhanced due diligence, crisis resolution and advice on new market entry from offices in London and Hong Kong, and also provides political and security risk consultancy to a blue chip client base of companies worldwide.

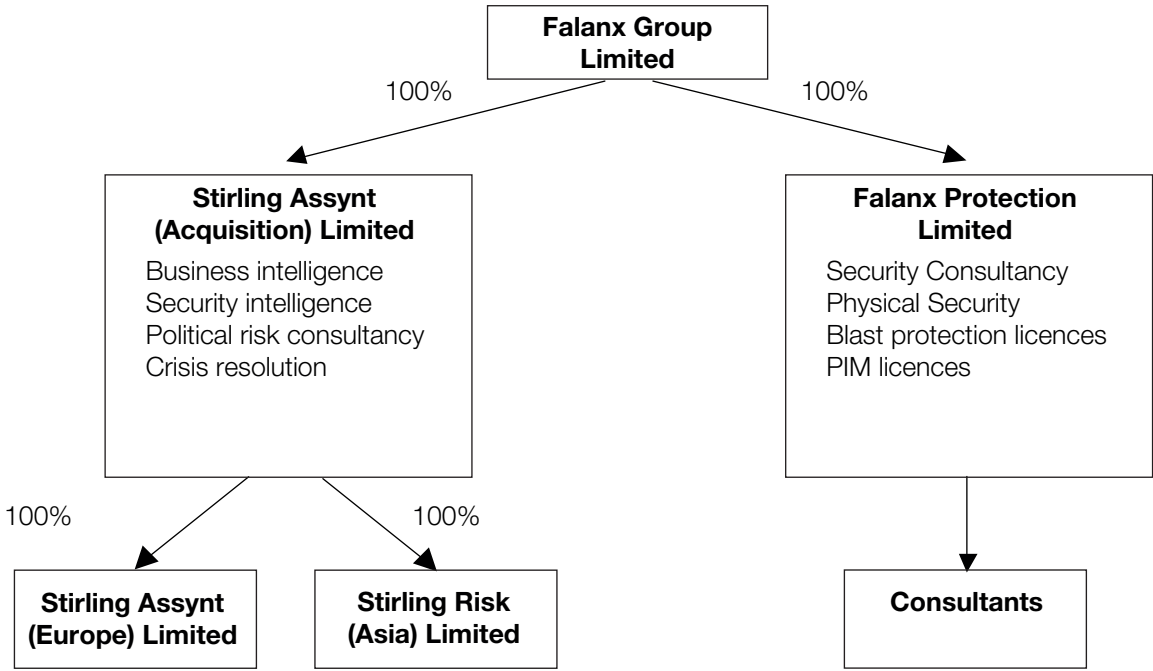
Falanx Protection has acquired exclusive rights for contracts originating in the Middle East, North Africa and Singapore and the non-exclusive rights for contracts originating in China and Hong Kong for an established range of blast protection products, which are patented or subject to patent application and has also been granted a licence from AIM quoted Environmental Recycling Technologies Plc for the use of its patented Powder Impression Moulding (PIM) technology in the manufacture of blast and ballistic protective blinds and other products.

Falanx Group will offer the following services:

- Security consultancy
- Physical security
- Business intelligence
- Political and security risk analysis
- Counter espionage
- Crisis management

The Directors have identified a number of complementary potential acquisitions in the above areas and intend to adopt a roll-up strategy. Any of these acquisitions will be the subject of due diligence enquiries and agreement of price/valuation and there can be no certainty that they will be completed.

**2. Corporate Structure**



The Company, Falanx Protection and SAAL are domiciled in the British Virgin Islands. Falanx Protection and SAAL are 100 per cent. owned by the Company. Stirling Assynt (Europe) Limited is a UK-registered company. Stirling Risk (Asia) Limited is registered in Hong Kong. Both are 100 per cent. owned by SAAL.

**3. Information on Falanx Protection**

The Company has both Governmental and commercial contacts in the Middle East and North Africa (“MENA”). The Directors believe that the events of the Arab Spring, and heightened perceived threat of terrorism, have resulted in a requirement to harden Government buildings in the region and embassies worldwide against blast and ballistic damage. A key opportunity is the on-going commitment of a major MENA state to invest in upgrading the security and protective measures of strategic ministerial buildings and assets.

Falanx Protection has the benefit of a bid for the installation of certain blast protective equipment including the benefit of blast protective window blinds, film and anchoring. Details of this are necessarily confidential both from a commercial and intelligence perspective but the headline value of the Falanx Protection sub-contract is expected to be very profitable and is expected to be completed in three phases over a period of two years. The working capital requirement for Falanx is expected to be minimal as the contract provides a substantial payment in advance and Falanx will itself sub-contract actual manufacture and installation while using its own staff and direct contractors to supervise and manage the project. Blast assessment and mitigation is led by Dr John Wyatt, an expert in blast and terrorist explosive devices. A Master Services Agreement is in place between Falanx and J Wyatt Associates and this is summarised in more detail in paragraph 10 of Part VII of this Document.

Falanx Protection has been granted an exclusive licence in the Middle East, North Africa and Singapore and a non-exclusive licence in China and Hong Kong of intellectual property which is currently patented or the subject of a patent application relating to security blind technology developed by Brian Wilkins and of his associated know-how (in each case on a non-exclusive basis) to manufacture, sell, lease, supply or otherwise use products within the scope of the claims of the patents and know-how. The ultimate patent owner is Mr Brian Wilkins. The product is primarily a blast protective window blind which can either be fitted at the time of building or retro-fitted, and closes to form a protective shield in less than 25 milliseconds when triggered by the blast wave from an explosion. Blinds of this type have been specified by the prime contractor for the bid opportunity referred to in paragraph 1 of this Part 1. The security blinds agreement is based on a combined licence fee and royalty basis and is for an initial period of three years from 9 November 2012 and perpetual thereafter until the intellectual property in the products is no longer protected or valid and the know-how has become public knowledge as result of Falanx Protection’s

actions. Falanx Protection does not intend to manufacture the blinds and intends to sub-contract this to Security Blinds International Limited (a company of which Brian Wilkins is the controlling shareholder) or another manufacturer.

Falanx Protection has also been granted an exclusive licence by Environmental Recycling Technologies Plc (“ENRT”) to use the intellectual property and know-how in its Powder Impression Moulding (“PIM”) plastics technology in the manufacture of anti-blast and anti-ballistic protective blinds and similar applications within this field of use in certain territories within MENA. An initial licence fee is payable to ENRT in 4 instalments of \$25,000 (each payable during 2013) but this licence is otherwise on a royalty basis with a minimum royalty being payable from 2014 onwards. Subject to earlier termination, this licence is for a period of twenty years or, if after, until the expiration of the relevant patents on a country by country basis. ENRT has reported that licensees have conducted research into anti-ballistic and military applications. ENRT has also granted licences to One Delta Plc (“ONE”) for the use of its PIM technology in the manufacture of blast and ballistic protective fencing and similar products. The Directors believe there will therefore be applications for the use of PIM in the manufacture of ballistic protective blind panels.

Details of these two licences are summarised in paragraph 10 of Part VII of this Document.

The Directors believe that doing business in the Middle East and North Africa, and in particular in the Kingdom of Saudi Arabia, is highly dependent on relationships which have to be built up over long periods. Falanx Protection’s Directors have relationships, which they believe will deliver a significant commercial advantage over other potential suppliers.

Falanx Protection has a Master Services Agreement in place with Weslan Security Consultants Limited, a Company that provides former British Army staff as armed guards for companies in the mining, oil and gas and maritime security industries, which is summarised in more detail in paragraph 10 of Part VII of this Document.

Falanx Protection also has a Master Services Agreement in place with J Wyatt Associates, headed by Dr John Wyatt, which provides consultancy and advisory services on counter-terrorism and blast mitigation. J Wyatt Associates also provides former British Army staff as training and monitoring staff in the field of neutralising and removing terrorist explosive devices. This contract is summarised in more detail in paragraph 10 of Part VII of this Document.

#### **4. Information on SAAL**

Stirling Assynt (Acquisition) Limited was incorporated in the BVI on 7 February 2013 for the purpose of making the acquisition of the entire business, assets and undertaking of SAIG.

SAIG was incorporated in the BVI in early 2008 and began operations in London on 7 April 2008. The concept for the company had been formulated by Karl Barclay while he was Head of Global Security and Fraud Risk for HSBC Holdings Plc. Amongst other issues in that job, he dealt with country risk reporting (political and security risk) and reputational risk (particularly due diligence for the bank). SAIG acquired Assynt Associates a partnership founded and run by Hugh McLeod, former Head of Security Intelligence in HSBC, providing high-quality country risk and terrorism reporting that Karl had used when in HSBC. The partnership brought with it seven staff, mainly researchers and analysts. The business now has 17 full time members of staff with a number of consultants retained for specific roles. Several Stirling Assynt analysts operate on secondment to client companies. Karl and Hugh are the Directors of SAIG.

The company has two principal business lines: the Assynt Political and Security Risk Briefing Service (the “Assynt Service”) and the Business Intelligence Service. The SAIG team comprises a number of highly qualified researchers and analysts with a range of relevant languages and regional experience. This is drawn upon as necessary for business intelligence tasks.

The Assynt Service provides clients with an analytical political and security risk reporting service with updates on a range of countries issued every two weeks, and bespoke reporting as required on a broad range of issues and countries. The service offers fortnightly coverage of 33 countries and any others on an as required basis as well as bespoke analysis of regional or sector specific issues. It also offers a monthly assessment of global terrorist activities.

As a provider of political and security risk intelligence, SAIG executives give interviews to the media (both newspaper and television). Stirling's assessments are sought by such organizations as the UN, IMF and certain governments. The Directors consider that this enhances the Company's credibility and assists the process of marketing its services.

The Assynt Service is based in London. Researchers review a large amount of background information from a range of sources on a daily basis and pass that to the team of analysts. They write reports based on this information and their own knowledge, contacts and experience. The reports then go through a rigorous editing process.

The Assynt Service provides a stable annual revenue stream covering all Assynt costs and a proportion of the company's overall overheads. As the Assynt Service's reports are generic, every subscription sold beyond that required to cover costs has a 100 per cent profit margin.

Business Intelligence covers a broad range of tasks: non-financial due diligence; new market entry consultancy; fraud and corruption investigations and problem solving, as well as other requirements for intelligence gathering. Work comes through existing and new relationships, attendance at conferences, speaking engagements and referrals, as well as through follow up to the regular BI Newsletter that goes out to over 1,000 readers.

The Business Intelligence service seeks to differentiate itself from the competition through having strong quality control and providing clients with opinion and recommendations. A senior executive oversees all work and provides close scrutiny of reports before they are issued to ensure their accuracy and relevance. In addition, SAIG offers a broad service including where appropriate, strategic consultancy, and identifying partners, stakeholders and government links.

The Hong Kong office was opened to focus on the Asia market. The Directors believe that Falanx Group will be able to respond to the growing security requirements Chinese corporations will have particularly in the Middle East, Africa and South Asia.

The revenue base for the Assynt Service comes from over 60 annual corporate and government subscribers for its Political and Security Risk products, and from one-off Business Intelligence contracts and projects. SAIG has a number of retained relationships with large corporates and the company's strategy is to expand the number of these, and to cross-sell a broad range of security products to those operating in sensitive and high risk areas.

Stirling Assynt reported sales of £1,650,210 in the financial year to 31 March 2012. With the exception of three major clients (the largest of which is the Hong Kong office of a major international investment bank who have provided approximately 10 per cent. of revenues in the last year) the average is approximately £13,700 per client per year with around 107 clients.

Some examples of recent work include:

- Investigations into the sale of counterfeit goods in Europe;
- Provision of regular intelligence on the threat from terrorists to the 2012 London Olympic Games through a joint web portal with a partner company to international clients.

On 1 May 2013, SAEL signed a 12 month contract with QinetiQ appointing SAEL to act as its principal sub-contractor for a second phase of a project to support the restructuring and training of a government agency in a Middle Eastern country. The project involves implementation of the Company's recommendations from a scoping phase.

Before commencing work, and subject to QinetiQ having received a corresponding payment from the customer, QinetiQ shall make an advanced payment of £216,500 to SAEL in relation to anticipated consultancy fees to be incurred by SAEL during the first month of the engagement.

## **5. Market Opportunity and Strategy**

The events of the Arab Spring, the continued threat of international terrorism, the resurgence of piracy, and increased ethnic tensions in many areas of the world where companies most notably in the natural

resources industry operate have resulted in increased demand from both corporate and government clients for comprehensive services to address their security concerns.

Through the acquisition of the entire business, assets and undertakings of SAIG by SAAL, Falanx Group has an existing network of blue-chip clients worldwide which take its Political & Security Risk and Business Intelligence services.

Falanx Group will offer its clients a comprehensive service which will range from political & security risk and business intelligence to physical asset protection and crisis management.

The Company will adopt a roll-up strategy as it has identified a number of small specialist security contractors that would welcome access to development capital and whose owners the Directors consider likely to sell, taking shares in Falanx Group as part of the consideration.

The Company intends to establish a representative office in Dubai to support the Company's activities in the Middle East and to extend SAIG's operations in the region and expansion in China.

## **6. Competition**

Although there is competition globally against each of Falanx Group's products and services, the Directors believe that truly integrated security and intelligence capabilities will enable the Company to capture early market share and grow quickly with the industry. The Company's management plans to focus initially on overseas markets, in particular the Middle East and Asia, where they see the best opportunities.

It is expected that the large security and intelligence providers have significant government and corporate access in many of the regions in which the Company intends to focus its sales strategy. However, it is the opinion of the Directors that the large scale of these companies' activities may prevent them from providing the degree of tailored support and expertise that Falanx Group will offer. In addition it is the Directors' opinion that the security industry depends upon establishing key relationships with companies and governments, which the Directors believe they and the principal staff of Falanx Group already possess in areas in which they intend to specialise.

Several of the smaller businesses, which have attractive specialist skills but in many cases may not have the access or funding to enable them to develop their businesses beyond their geographical base, and which the Directors believe would benefit from Falanx support and international reach, have been identified as potential acquisition targets by the Company.

## **7. Current Trading**

Stirling Assynt continues to trade in line with Directors' expectations.

Falanx Group is a newly incorporated company and so has no recent trading history. However, it hopes to generate a very strong pipeline of new business in its Falanx Protection subsidiary. There can be no certainty that these discussions will result in firm orders but the Directors are confident that significant business will be generated in the current financial year.

## **8. Directors and Senior Management**

### **8.1 Directors**

*Karl Phillip Allardyce Barclay FSyl (Executive Chairman, Falanx Group) aged 65*

Karl spent six years as Head of Global Security and Fraud Risk for HSBC Holdings Plc, where he headed a team of 3,000 staff responsible for combating international organised crime and terrorism. He is the founder and Chairman of SAIG, a Fellow of the Security Institute, and a visiting lecturer at Cranfield University in Security and Risk Management. Previously, Karl spent 16 years in the Foreign and Commonwealth Office and before that spent 20 years in the army serving in a variety of management roles in Berlin, West Germany, Northern Ireland (where he was twice Mentioned in Dispatches), Gibraltar and Hong Kong.



*John Robert Blamire (Chief Executive, Falanx Group) aged 38*

John is a former officer in the British Army, having served in Northern Ireland, Iraq, Cyprus, Canada, USA and the Falkland Islands, gaining a wealth of operational experience. In 2001 he created a strategic-level intelligence unit within a high-risk area of Iraq, leading over 60 highly-qualified intelligence personnel. After leaving the Army he co-founded Praetorian Protection Ltd, a company providing specialist security services to clients in Africa. He holds a degree in Law and Business.

*Desmond Patrick Carr BSc. MSc. DIC (Non-Executive Director, Falanx Group) aged 65*

Desmond Carr recently retired as Chairman and CEO of ExxonMobil Saudi Arabia Inc after eleven years in the Kingdom. Mr. Carr has forty years of international commercial experience overseeing large capital projects requiring alignment of the interests of investors, governments, international finance agencies and NGOs. In 1981 he joined the heritage Exxon organization in London and subsequently held positions of increasing responsibility in the UK, United States, and the Netherlands which included Department Head, Upstream and Development Planning for Esso Exploration & Production UK in London, and then Managing Director, Esso Exploration & Production Nigeria in Lagos. Prior to joining Exxon, Mr. Carr worked for the World Bank as a Ministerial Advisor in Cairo, Egypt and was also a partner in a Rome-based specialist water resources engineering firm with Middle East project responsibilities as well as in Africa, South America and the Far East. Mr. Carr holds a First Class Bachelor of Science degree in Civil Engineering from the University of Surrey, UK, and a Master of Science degree from Imperial College, London, in Hydrology and Water Resources Engineering.

*Emma Jane Shaw (née Faulding) (also known as Emma Jane Harrison) MBA CSyP FSyI FCMI (Non-Executive Director, Falanx Group) aged 45*

Emma is the Managing Director of Esoteric Ltd, an Electronic Sweeping, Counter-Espionage and Intelligence gathering company based in Woking, Surrey. The company is accredited by the National Security Inspectorate and provides a solution based approach to countering espionage activity and electronic countermeasures to both commercial and non commercial organisations internationally. An MBA graduate, and a Chartered Security Professional (CSyP) Emma's early career was spent with the Royal Military Police, followed by a career in the Ministry of Defence. Emma founded Esoteric Ltd in 1998. Emma is also the Chairman and Fellow of the Security Institute; a Board member of the Defence Industry Security Association (DISA); a Fellow of the Chartered Management Institute and a member of the Advisory Council for CSARN. Emma is also the 2012 recipient of the "Security Consultant of the Year Award" awarded by the Security Excellence Awards in October 2012.

*Iain Manley BSc ACA (Non-Executive Director, Falanx Group) aged 44*

Iain is an experienced corporate financier and chartered accountant, with a successful 15 year career in capital raising in public and private markets. Iain has previously worked at Coopers & Lybrand, Arthur Andersen Corporate Finance (specialising in public company M&A), Cobalt Corporate Finance, a TMT advisory firm, as well as acting as CFO for a number of private and public companies. Iain is currently a consultant for Chrystal Capital an FSA regulated corporate finance firm which specialises in providing alternative sources of funding for private and public companies.

## **8.2 Senior management**

*Andrew Brear (Director, Special Projects) aged 53*

Andrew left Crown Service in 2010 after 30 years to pursue a business career. 11 years as an infantry officer saw him serving in Germany, Gibraltar, Central America, UK and Northern Ireland. In 1990 he joined the Foreign and Commonwealth Office working in the Middle East, Latin America, Northern and Southern Europe and South Asia, latterly specialising in security and political matters. His last posting was to Afghanistan where he held a senior position in the British Embassy in Kabul. During his Government Service career, Andrew was chiefly involved in operations and implementation including advising government departments in UK with technical security issues and assisting foreign governments build capacity in the use of technology to aid security. He is a visiting lecturer at the Durham Global Security Institute on his experience of counter-insurgency and counter-terrorism.

*Hudson Hugh McLeod MBE (Director, Stirling Assynt (Europe) Limited) aged 63*

Hugh McLeod established and ran Assynt Associates, a company providing briefing and analysis on Political Risk issues to large companies and government entities with interests in the Middle East, Asia and beyond. From 2006-7 Hugh was Head of Security Intelligence in HSBC. Earlier, he spent 18 years in HM Diplomatic Service, with postings to Islamabad, Accra, Nicosia and Kosovo, and 14 years in the Army. He is International Intelligence Adviser to the Homeland Security Division of the US National Defense Industries Association, and Vice-Chairman of the Advisory Board of UK's Cities Security and Resilience Network.

*Joseph Holland FCA (Financial Controller, Falanx Group) aged 62*

Having qualified as a Chartered Accountant in 1973 Joseph spent three years as an auditor with Coopers and Lybrand (now PWC). He then held a number of roles in a variety of industries including Company Secretary and Chief Financial Officer of W. Bailey Limited, a large fresh produce company supplying the major supermarkets, Finance Director of the Lighting Division of Courtney Pope Plc, Interim Chief Accountant for Marconi Communications and Financial Controller of a major subsidiary of BOC Limited. Joseph was appointed Fellow of the Institute of Chartered Accountants in 1980. Since 2007 he has worked for a number of small companies managing their finances and providing financial advice. He joined Stirling Assynt as Financial Controller in 2008.

*Dr. John Wyatt (Counter-terrorism Consultant) aged 66*

John Wyatt lectures regularly to professional institutions on international terrorism and security. He is the UN's blast consultant for Europe and North Africa, the British Council's Consultant Worldwide and a Member of the London Olympic Group. With more than 25 years experience in the British Army, mostly as a bomb disposal officer, Colonel (Ret) John Wyatt has been involved in the follow-up investigations of many bomb incidents around the world in which people have been killed or seriously injured. John is currently overseeing security-related projects in a wide range of countries including the Lebanon, UAE, Algeria, Tunisia, Kenya, Turkey, Kazakhstan, Georgia, Colombia, Luxembourg, Switzerland, Austria, Hungary, South Korea and China.

## **9. Reasons for Admission and Use of Proceeds**

The Directors believe that the Admission will raise the corporate profile of the Company and enhance its ability to secure new business, and will enable it to accelerate its acquisition strategy by the use of quoted shares.

The proceeds of the Placing will be used for:

- initial working capital for its blast protection projects in the Middle East and North Africa;
- the expansion of Falanx Group including the opening of a representative office in the Middle East and Asia;
- due diligence enquiries into, and the acquisition costs of, complementary businesses in the business intelligence, security and protection industry; and
- The costs of Admission.

Cash pending investment or distribution will be placed in bank accounts, bonds or government-issued treasury securities in order to protect the capital value of the Company's cash assets.

## **10. Placing**

The Company is proposing to raise £595,000 (before expenses) through a placing by ZAICF and Peterhouse and a subscription of shares by the Company of 4,958,333 Ordinary Shares at a Placing Price of £0.12 per Ordinary Share.

Under the Placing Agreement, ZAICF and Peterhouse have agreed to use their respective reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. It is anticipated that the Placing Shares will be placed by the Brokers with institutional and other investors. The obligations of ZAICF and Peterhouse under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.00 a.m. on 20 June 2013 (or such later date, being not later than 8.00 a.m. on 19 July 2013, as the



Company and Peterhouse ZAICF agree) and the Placing Agreement not being terminated. The Placing Shares will represent approximately 13.24 per cent. of the Enlarged Share Capital. The Placing has not been underwritten.

Further details of the Placing Agreement are set out in paragraph 10 of Part VII of this Document.

Admission and dealings in the Ordinary Shares are expected to commence on 20 June 2013.

The Placing Shares were created under the Companies Act and can be issued in certificated or uncertificated form. The ISIN number for the Ordinary Shares is VGG3338A1075. The Depositary Interests will have the same ISIN number.

The Placing Shares have no par value. The Placing Shares will be issued credited as fully paid and will, when issued, rank in full for all dividends and other distributions declared paid or made on the Ordinary Shares after Admission.

The Company has entered into depositary arrangements to enable investors to settle and pay for their interests in Ordinary Shares through the CREST system. Further details of the depositary arrangements are set out in paragraph 15 of Part 1 of this Document.

### **11. Dividend Policy**

It is the intention of the Directors to pay dividends when appropriate taking into account the profitability and cash flow of the Company. However, it is likely that initially the cash resources of the Company will be retained to fund its expansion in the medium term.

### **12. Share Option Scheme**

At the date of Admission there are no options outstanding over any of the shares of the Company. It is the intention of the Directors to consider the adoption of a share option scheme in order to incentivise key employees in the second half of 2013. This scheme will adopt the ABI guidelines and will grant options over shares representing no more than 10 per cent. of the issued shares of the Company.

### **13. Taxation**

Information regarding taxation is set out in Part VI in this Document.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

The attention of investors is drawn to the information regarding taxation which is set out in Part VI of this Document. These details are, however, intended only as a general guide to the current taxation law position in the United Kingdom for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the United Kingdom are strongly advised to consult their professional advisers.

### **14. CREST and Trading in Ordinary Shares**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form they will have their CREST accounts credited on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within seven days of the date of Admission. Application will be made for the Ordinary Shares to be admitted to AIM. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 20 June 2013.

## **15. Admission, CREST and Depositary Interests**

Application has been made to the London Stock Exchange for all the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 20 June 2013.

The Ordinary Shares are in registered form. CREST is a computerised paperless share transfer and settlement facility enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. Securities issued by non-UK registered companies such as the Company cannot be held or transferred in the CREST system. To enable investors to settle such securities through the CREST system, a depositary or custodian can hold the relevant securities and issue dematerialised depositary interests representing the underlying securities which are held on trust for the holders of the depositary interests.

The Company has therefore established an arrangement whereby Depositary Interests, representing Ordinary Shares, can be issued to investors who wish to hold their Ordinary Shares in electronic form and an application has been made for such Depositary Interests to be admitted to CREST with effect from Admission. Depositary Interests will have the same ISIN as the underlying Ordinary Shares and will not require a separate application for admission to AIM. The Depositary Interests will exist only in uncertificated form and cannot be traded other than through CREST. Accordingly, with effect from Admission, settlement of transactions in Ordinary Shares represented by Depositary Interests may take place within the CREST system if an investor so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

The Depositary Interests are independent securities constituted under English law and will be issued and created pursuant to the terms of the Deed Poll with the Depositary. The Deed Poll governs the relationship between the Depositary and the DI Holders. The Depositary (or its nominated custodian) will hold the underlying Ordinary Shares and all or any rights, other securities, property and cash attributable to such Ordinary Shares and pertaining to the Depositary Interests for the benefit of the relevant DI Holders.

Pursuant to the Deed Poll, the Depositary must pass on to the DI Holders and, so far as it is reasonably able, exercise and cause to be exercised by any custodian on behalf of the DI Holders, all rights and entitlements received or to which it is entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Subject to the terms of the Deed Poll, rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings of the Company shall be passed on to DI Holders. The Depositary is entitled to exercise all voting rights attaching to the Ordinary Shares to which the Depositary Interests relate on behalf of the DI Holders but DI Holders may give voting instructions to the Depositary on how to exercise the votes relating to the Ordinary Shares to which their underlying Depositary Interests relate.

Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus shares and voting entitlements.

Further information regarding the depositary arrangements and the holding of Depositary Interests representing Ordinary Shares is available from the Depositary. The Depositary may be contacted at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or by telephone on 0870 702 0003.

## **16. Lock-In Arrangements**

The Locked-In Parties have given undertakings in the Locked-In Agreements not to sell, charge or grant any interests over any Ordinary Shares held by them (subject to certain exemptions) during the 12 month period commencing on Admission. In addition, the Locked-In Parties have undertaken to consult ZAICF prior to any disposal and to make any disposal through the Company's brokers for a 12 month period thereafter so as to maintain an orderly market in the shares.

## **17. Corporate Governance and Board Practices**

Save for the Companies Act, there is no mandatory corporate governance regime in the British Virgin Islands with which the Company must comply. However, the Directors recognise the importance of sound corporate governance and intend to comply with appropriate recognised corporate governance standards, as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information. In practice this means that the Company will be complying with the QCA Guidelines.

### ***Board***

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company intends to hold Board meetings at least eight times each financial year and at other times as and when required.

### ***Committees***

The Directors have established an audit committee, a nominations committee and a remuneration committee with formally delegated rules and responsibilities.

#### *Audit Committee*

The audit committee ("Audit Committee") of the Company, comprising Desmond Carr, Iain Manley and Emma Shaw will be chaired by Desmond Carr and will meet at least two times a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit, the work of the internal audit function and compliance by the Group with statutory and regulatory requirements.

The Audit Committee will also advise the Board on the appointment of the external auditors, review their fees and the audit plan. It will approve the external auditors' terms of engagement, their remuneration and any non-audit work.

The Audit Committee will also meet the Company's auditors and review reports from the auditors relating to accounts and internal control systems. The Audit Committee will meet with the auditors as and when the Audit Committee requires.

#### *Remuneration Committee*

The remuneration committee ("Remuneration Committee") of the Company, comprising Desmond Carr, Iain Manley and Emma Shaw will be chaired by Desmond Carr and will meet at least once a year. It will set and review the scale and structure of the executive Directors' remuneration packages, including share options and the terms of the service contracts. The remuneration and the terms and conditions of the non-executive Directors will be determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees.

## **18. Share Dealing Code**

The Company has adopted a share dealing code for Directors' dealings. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

## **19. Pre-emption rights**

The Company is a British Virgin Islands company and is subject to British Virgin Islands law, which differs from the UK Companies Act 2006 in relation to statutory pre-emption rights.

There are no provisions in British Virgin Islands law equivalent to section 551 of the UK Companies Act 2006 relating to the ability of directors to allot and issue shares and there are no provisions in British Virgin Islands law equivalent to section 561 of the UK Companies Act 2006 which, (subject to certain exceptions) confers pre-emption rights on existing Shareholders in connection with the allotment of shares for cash. However, the Articles provide that Ordinary Shares to be issued wholly for cash by the Company must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares (i.e. the

provisions relating to statutory pre-emption rights under English companies law have been broadly replicated in the Articles) except that such pre-emption rights shall not apply where they are: disapplied by way of a resolution passed by a majority of 50 per cent. of the holders of the shares of the class who (being entitled to do so) vote in person or by proxy at a separate general meeting of shareholders or by means of a written resolution, or where the shares are bonus shares or are issued in connection with an employee share scheme.

In addition, the Articles provide that the directors may issue up to 130,000,000 shares free of the pre-emption rights set out in the Articles.

## **20. The Takeover Code**

As a company incorporated in the British Virgin Islands, the Company will not be subject to the Takeover Code. As a result certain protections that are afforded to shareholders under the Takeover Code, for example in relation to a takeover of a company or certain stake-holding activities by shareholders, do not apply to the Company.

However, certain protections have been incorporated into the Articles which, to an extent, mirror the provisions of Rule 9 of the Takeover Code (the "Relevant Code Provisions") to the extent that it is possible to do so. The Articles provide that if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Shares carrying 30 per cent. or more of the voting rights of the Company, the acquirer and, depending on the circumstances, the concert parties, will be required (except with the agreement of the Company in general meeting by ordinary resolution of independent shareholders) to make a cash offer for the outstanding Shares in the Company at a price not less than the highest price paid by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Shares by a person holding (together with its concert parties) Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the person's percentage of voting rights. The main difference between these provisions and the Relevant Code Provisions is that the Takeover Panel does not have any jurisdiction to enforce these provisions. Details of the key provisions of the Articles may be found in paragraph 4 of Part VII of this Document.

## **21. Disclosure and Transparency Rules**

The provisions of DTR 5 shall be deemed to apply to the Company, so that Shareholders are required under the Articles to notify the Company of the percentage of their voting rights if the percentage of voting rights which they hold as a shareholder or through their direct or indirect holding of financial instruments falling within paragraph 5.1.3R of DTR 5 (or a combination of such holdings) reaches, exceeds or falls below three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent., ten per cent., and each one per cent. threshold thereafter up to 100 per cent., or reaches or exceeds or falls below any of these thresholds as a result of events changing the breakdown of voting rights.

If any Shareholder fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to voting, dividends and transfer. Such suspension shall have effect from the date on which the default notice is delivered to the Shareholder until a date that is not more than seven days after the Board has determined that the holder of the shares has resolved the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Company without any obligation to pay interest thereon.

The Directors have the power, by giving notice, to require any Shareholder to disclose to the Company the identity of any person other than the Shareholder who is interested in the shares held by the Shareholder or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest.

If any Shareholder has been duly served with such a notice and is in default of the prescribed period in supplying the information required then certain restrictions shall apply. A disclosure notice may direct that the Shareholder shall not be entitled to vote at a general meeting or meeting of the holders of any class of

shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares.

Where the default shares represent at least 0.25 per cent. of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company and transfers of default shares will be restricted until the restrictions cease to apply.

## **22. Further Information**

Potential investors should read the whole of this Document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Investors' attention is drawn, in particular, to the Risk Factors set out in Part II of this Document the financial information in Parts III, IV and V and the additional information set out in Part VII of this Document.

## PART II

### RISK FACTORS

The risk factors which should be taken into account in assessing the Company's activities and investment in the Company include, but are not limited to, those set out below. Such factors are not intended to be presented in any assumed order of priority. Prospective investors should carefully consider the following risk factors (among others) affecting the proposed activities of the Company prior to making an investment in the Company, as well as other matters set forth elsewhere in this Document. An investment may not be suitable for all recipients of this Document.

#### **1. Risk Factors associated with the Company's business and industry**

*The Company is a new company with no operating history*

The Company was incorporated on 23 August 2012 and has no track record or operating history beyond that of its subsidiary SAAL. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise including the risk that the Company will not achieve its objectives and that the value of an investment in the Company could decline and may result in the total loss of all capital invested. The expected performance of the Company is not necessarily a guide to the future performance of the Company.

*Reliance on Key Contracts and Business Relationships*

Several of the Company's major customer contracts are in the form of single purchase order arrangements and the majority of the engagements that are more formally documented are terminable on one month's notice. In addition, the Company has or anticipates having several large contracts that represent a significant proportion of its total revenue. There can be no guarantee that the Company's major customers will continue to engage its services.

*Pipeline opportunities*

The company has a major contract in contemplation in the form of a pipeline of opportunity. However there is no certainty that this opportunity will be entered into or converted into a concluded contract or that the expected level of work will in fact if converted to a contract be awarded to the Company. In addition there can be no certainty that any contracts resulting from conversion of the opportunity will be profitable or even not loss-making.

*The Company may need additional access to capital in the future*

The Company's capital requirements depend on numerous factors, including its ability to expand its business and its strategy of making complementary acquisitions. If its capital requirements vary materially from its current plans, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities and adversely affect the Company's dividend policy. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable or acceptable to the Company. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of the Company's operations or anticipated expansion or to cease trading.

*Management of future growth*

The Company's plans for growth will challenge the Company's new management team, customer support, marketing, administrative and technological resources. If the Company is unable to manage its growth effectively its business, operations or financial condition may deteriorate. The Company will consider future acquisition opportunities. If the Company is unable successfully to integrate an acquired company or business, the acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Company's expectations, the Company may have to decrease the value afforded to the acquired business or realign the Company's structure.

### *Competition*

Many of the Company's competitors are significantly larger and more established and have considerably greater access to financial and management resources. The Company may not be able to compete effectively with them at all, or may suffer an erosion of margins.

### *The Company may be unable to make dividend payments*

All dividends or other distributions will be made at the discretion of the Directors. The payment of any initial dividend and the achievement of any future dividend increases in accordance with the Company's dividend policy will depend upon a number of factors, including the Company's ability to meet the statutory solvency test under the Companies Act.

### *Specific risks in respect of the Arabian Gulf & Middle East*

A significant proportion of the Company's business is expected to be conducted in the Middle East. In addition to the political risks associated with this region, the conduct of business in this region requires high level relationships with key government figures. Although the Directors have these relationships there can be no certainty that these will be maintained. While the Company will seek to have contractual arrangements with parties in the region, attempting to resolve disputes via the courts would prove difficult. It is possible that even where recourse to legal processes is available the Company may find itself unable to utilise legal processes in jurisdictions where involvement in litigation with clients would material adversely affect relationships with clients generally.

### *Risk of slowdown in security industry*

The Company is exposed to the security industry in general and any downturn in demand from government or corporate clients for security products would have an impact on the ability of the Company to generate business and the likely margins obtained.

### *Exchange rate risk*

The Company's reporting currency is Pounds Sterling but many contracts may be priced in US Dollars or other currencies. This will give rise to an exchange rate risk which may affect the Company's expected and actual returns.

### *Insurance Risk*

In some cases the Company may decline to put in place insurance even where it is available because the cost of procuring insurance may be uneconomic and the Company may therefore self-insure certain business risks. There is a risk that insurance coverage may prove inadequate to satisfy potential claims and losses. Also, the Company may become subject to liabilities that cannot be insured against.

### *Litigation Risk*

Legal proceedings may arise from time to time in the course of the Company's business. The Company cannot preclude the possibility that litigation may be brought against it. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the business, financial condition or results of operations. The Company has been made aware of assertions made by Eruma plc surrounding the past conduct of Brian Wilkins, seeking to cast doubt on his ability to grant the intellectual property licence, granting a licence to the Group for the manufacture and sale of blast protective window blind and the provision of ancillary services in the Middle East, North Africa and Singapore (summarised in paragraph 10.13 of Part VII of this document). No threat of litigation has been made against the Group and the Company has taken legal advice, which confirms that the assertions made by Eruma plc do not substantiate a legal claim. It is however possible, that Eruma plc may seek to initiate some sort of claim against Brian Wilkins and/or a member of the Group. Were any such claim to be made against a member of the Group, the Company would defend it vigorously and has been advised by its legal advisers that the prospects of a successful defence are high, though the outcome of litigation can never be wholly certain.

### *Legal Risk*

There is a possibility that new legislation or regulations in any relevant jurisdiction may be adopted in the future that may materially adversely affect the Company's operations or its cost structure. New legislation



or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Company or its suppliers or customers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Company.

#### *Key Personnel and Management Risk*

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel financial and administrative, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and senior management. Whilst the Company has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services cannot be guaranteed. Accordingly, the loss of one or more could have a material adverse effect on the Company.

## **2. General risks**

#### *Trading and Liquidity in the Ordinary Shares and AIM*

An investment in the Ordinary Shares is speculative and subject to a high degree of risk. The price of publicly quoted securities can be volatile and is dependent upon a number of factors, some of which are general market or sector specific and others that are specific to the Company. Only those who can bear the risk of the loss of their entire investment should invest.

Application will be made for the Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The Ordinary Shares will not be quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UKLA have examined this Document for the purposes of Admission.

Prior to Admission there was no public market for the Ordinary Shares, nor have they ever been traded, quoted or dealt on any securities market. Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares particularly as, on Admission, the Company will have a limited number of Shareholders. An investment in the Ordinary Shares may therefore be difficult to realise. In addition, the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and the Company's operations and some which may affect quoted companies generally.

The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Company is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment and a prospective investor should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time. The share price may be subject to greater fluctuation on small volumes of shares and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. Investors may therefore realise less than their original investment or sustain a total loss of their investment.

#### *Forward-looking statements*

This Document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and certain plans and objectives of the Company with respect thereto. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this Document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.



**PART III**  
**SECTION A**

**ACCOUNTANT'S REPORT ON STIRLING ASSYNT INTERNATIONAL GROUP LIMITED**

The Directors  
Stirling Assynt (Acquisitions) Limited  
2nd Floor  
Abbot Buildings  
Road Town  
Tortola  
BVI

and

ZAI Corporate Finance Limited  
1 Hobhouse Court  
2nd Floor  
6 – 8 Suffolk Street  
London, SW1Y 4HH

17 June 2013

Dear Sirs

**Stirling Assynt International Group Limited (“the Company”) and its subsidiaries (“the Stirling Group”)**

We report on the consolidated financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the Admission Document dated 17 June 2013 of Falanx Group Limited (the Admission Document) on the basis of the accounting policies set out in Section B of Part III.

Falanx Group Limited intends to gain admission to the AIM market and at that time having established Stirling Assynt (Acquisition) Limited as the vehicle through it has acquired SAIG's operating companies.

The financial information on Stirling Assynt International Group Limited has been prepared solely for the purposes of the Admission Document of Falanx Group Limited. The financial information has been extracted from the audited financial statements of Stirling Assynt Group Limited. The auditor's reports on these financial statements were unqualified. This financial information required by the prospectus rules but does not constitute audited statutory accounts within the meaning of section 434 of the Companies Act 2006.

**Business Purchase Agreement**

The report has been prepared on the Stirling Group as at the 31 March 2012 and based on the information contained in the financial statements of the Stirling Group prepared for that period.

On the 29 March 2013, Stirling Assynt (Acquisition) Limited (“SAAL”) and Stirling Assynt International Group Limited (“SAIG”) entered into an agreement whereby SAIG agreed to sell the entire business, assets and undertaking (including liabilities) of SAIG (“Business”) to SAAL.

To satisfy the consideration for the Business, SAAL agreed to:

- (a) Set off repayment of a loan made by SAAL to SAIG in February 2013 (“Loan”);
- (b) Undertake, pay, satisfy and discharge the liabilities of the Business including the creditors (other than fixed and floating charges and sums owing to SAAL by SAIG);
- (c) Adopt, perform and fulfil the outstanding contracts of the Business;
- (d) From completion, indemnify and keep indemnified SAIG from the liabilities and creditors of the Business; and

- (e) Pay, satisfy or discharge all debts, liabilities and obligations incurred by SAAL in connection with the Business after completion.

Part of the consideration shall be discharged by means of set-off against the Loan.

The agreement contains warranties from SAIG in favour of SAAL.

The above transaction has not been adjusted for in the report on the financial statements.

### **Definitions**

Stirling Assynt International Group Limited (SAIG) is a British Virgin Island incorporated holding company.

SAIG owned 100 per cent. of Stirling Risk Asia Limited (incorporated in Hong Kong) and Stirling Assynt (Europe) Limited (incorporated in England and Wales).

Stirling Assynt (Acquisition) Limited ("SAAL") is a wholly owned subsidiary of Falanx Group Limited ("Falanx") SAAL is a British Virgin Island incorporated company which acquired the business of SAIG before admission. Falanx is also the 100 per cent. owner of Falanx Protection Limited a company incorporated in the British Virgin Islands.

### **Responsibilities**

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person, as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Stirling Group as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with IFRS as adopted by the European Union.

### **Declaration**

For the purposes of paragraph (a) Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts

and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully,

**Bennett Brooks & Co. Limited**  
**Chartered Accountants**

**PART III**  
**SECTION B**

**FINANCIAL INFORMATION ON STIRLING ASSYNT INTERNATIONAL GROUP LIMITED**

The Directors have prepared the following financial information on Stirling Assynt International Group Limited for the three years ended 31 March 2012. This is the first time the Company has reported under International Financial Reporting Standards ("IFRS").

The financial information on Stirling Assynt International Group Limited has been prepared solely for the purposes of the Admission Document of Falanx Group Limited. The financial information has been extracted from the audited financial statements of Stirling Assynt Group Limited. The auditor's reports on these financial statements were unqualified. This financial information required by the prospectus rules but does not constitute audited statutory accounts within the meaning of section 434 of the Companies Act 2006.

**1. Consolidated Statement of Comprehensive Income**

	<i>Notes</i>	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
<b>CONTINUING OPERATIONS</b>				
Revenue	5.2	1,650,210	1,967,039	1,416,936
Cost of sales		<u>(1,070,893)</u>	<u>(1,032,727)</u>	<u>(1,062,257)</u>
<b>GROSS PROFIT</b>		579,317	934,312	354,679
Other operating income		1,849	–	340
Distribution expenses		–	(771)	(4,158)
Administrative expenses	5.3	<u>(529,265)</u>	<u>(963,609)</u>	<u>(1,147,436)</u>
<b>OPERATING PROFIT</b>		51,901	(30,068)	(796,575)
Finance costs	5.4	(57,138)	(57,411)	(57,326)
Finance income		<u>136</u>	<u>21</u>	<u>101</u>
<b>LOSS BEFORE INCOME TAX</b>	5.5	(5,101)	(87,458)	(853,800)
Income tax	5.6	<u>37,806</u>	<u>(2,042)</u>	<u>–</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u>32,705</u>	<u>(89,500)</u>	<u>(853,800)</u>
Profit/(Loss) attributable to:				
Owners of the parent		<u>32,705</u>	<u>(89,500)</u>	<u>(853,800)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		32,705	(89,500)	(853,800)
<b>OTHER COMPREHENSIVE INCOME</b>		–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>32,705</u>	<u>(89,500)</u>	<u>(853,800)</u>
Total comprehensive income attributable to:				
Owners of the parent		<u>32,705</u>	<u>(89,500)</u>	<u>(853,800)</u>

## 2. Consolidated Statement of Financial Position

	Notes	Year Ended 31 March 2012 £	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	5.8	313,106	313,106	313,106
Property, plant and equipment	5.9	6,059	–	80,796
Deferred tax	5.16	270,267	232,434	–
		<u>589,432</u>	<u>545,540</u>	<u>393,902</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	5.11	539,056	365,166	359,092
Cash and cash equivalents		60,126	165,497	125,679
		<u>599,182</u>	<u>530,663</u>	<u>484,771</u>
<b>TOTAL ASSETS</b>		<u>1,188,614</u>	<u>1,076,203</u>	<u>878,673</u>
<b>EQUITY</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Called up share capital	5.12	13,784	16,133	16,133
Share premium		682,334	682,334	682,334
Retained earnings	5.13	(2,022,506)	(2,055,211)	(2,200,183)
<b>TOTAL EQUITY</b>		<u>(1,326,388)</u>	<u>(1,356,744)</u>	<u>(1,501,716)</u>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities – borrowings	5.15			
Interest bearing loans and borrowings		1,503,685	1,500,730	1,509,371
<b>CURRENT LIABILITIES</b>				
Trade and other payables	5.14	1,011,286	932,213	871,018
Tax payable		31	4	–
		<u>1,011,317</u>	<u>932,217</u>	<u>871,018</u>
<b>TOTAL LIABILITIES</b>		<u>2,515,002</u>	<u>2,432,947</u>	<u>2,380,389</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,188,614</u>	<u>1,076,203</u>	<u>878,673</u>

### 3. Consolidated Statement of Cash Flows

	Notes	Year Ended 31 March 2012 £	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
<b>Cash flows form operating activities</b>				
Cash generated from operations	1	(39,346)	95,017	(75,714)
Interest paid		(57,138)	(57,411)	(57,326)
Net cash from operating activities		(96,484)	37,606	(133,040)
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets		(6,674)	(856)	(70,137)
Sale of tangible fixed assets		–	4,047	–
Interest received		136	21	101
Net cash from investing activities		(6,538)	3,212	(70,036)
<b>Cash flows from financing activities</b>				
Loan repayments in year		–	(1,000)	1,000
Share issue		(2,349)	–	2,301
Net cash from financing activities		(2,349)	(1,000)	3,301
<b>Increase in cash and cash equivalents</b>		(105,371)	39,818	(199,775)
<b>Cash and cash equivalents at beginning of year</b>	2	165,497	125,679	325,454
<b>Cash and cash equivalents at end of year</b>	2	60,126	165,497	125,679

#### 1. Reconciliation of Loss before Income Tax to Cash Generated from Operations

	2012 £	2011 £
Loss before income tax	(5,101)	(87,458)
Depreciation charges	615	39,772
Loss on disposal of fixed assets	–	39,664
Finance costs	57,138	57,411
Finance income	(136)	(21)
	52,516	49,368
Increase in trade and other receivables	(173,890)	(6,074)
Increase in trade and other payables	82,028	51,723
<b>Cash generated from operations</b>	<b>(39,346)</b>	<b>95,017</b>

#### 2. Cash and Cash Equivalents

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

##### Year ended 31 March 2012

	31.3.12 £	1.4.11 £
Cash and cash equivalents	60,126	165,497

##### Year ended 31 March 2011

	31.3.11 £	1.4.10 £
Cash and cash equivalents	165,497	125,679

#### 4. Consolidated Statement of Changes in Equity

	<i>Called up share capital £</i>	<i>Retained earnings £</i>	<i>Share premium £</i>	<i>Total equity £</i>
<b>Balance at 1 April 2009</b>	13,832	(1,346,383)	–	(1,332,551)
<b>Changes in equity</b>				
Issue of share capital	2,301	–	682,334	684,635
Total comprehensive income	–	(853,800)	–	(853,800)
<b>Balance at 31 March 2010</b>	<u>16,133</u>	<u>(2,200,183)</u>	<u>682,334</u>	<u>(1,501,716)</u>
<b>Changes in equity</b>				
Total comprehensive income	–	144,972	–	144,972
<b>Balance at 31 March 2011</b>	<u>16,133</u>	<u>(2,055,211)</u>	<u>682,334</u>	<u>(1,356,744)</u>
<b>Changes in equity</b>				
Issue of share capital	(2,349)	–	–	(2,349)
Total comprehensive income	–	32,705	–	32,705
<b>Balance at 31 March 2012</b>	<u>13,784</u>	<u>(2,022,506)</u>	<u>682,334</u>	<u>(1,326,388)</u>

## 5.1 Accounting Policies

### Statement of compliance

The financial information for the years ended 31 March 2010, 2011 and 2012 have been extracted from the consolidated financial statements of Stirling Assynt International Group Limited which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations which are applicable to companies reporting under IFRS.

### Application of new and revised International Financial Reporting Standards (IFRS)

#### (a) New and revised standards, amendments and interpretations applied with no material effect on the financial information:

The following new and revised IFRS has been adopted in the financial information. The application of these new and revised IFRS has not had any material impact on the Stirling Group's consolidated results or financial position for the current and prior years.

- Revised IAS 24 'Related Party Disclosures' (2009)
- Improvements to IFRSs issued in 2010

#### (b) Standards, amendments and interpretations effective in 1 April 2011 but not relevant:

The following new standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2011 but they are not relevant to the Stirling Group's consolidated operations:

- Amendment to IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- Amendment to IFRS 7 'Disclosures for first-time adopters'
- IFRIC 19 'Extinguishing Liabilities with Equity Instruments' (2009)

#### (c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Stirling Group and are not relevant to Stirling Group's operations:

The following new standards, amendments and interpretation to existing standards were in issue at the date of authorisation of these financial statements, but are not yet effective for the financial period ended 31 March 2012, and in some cases have not been adopted by the European Union:

- Amendments to IAS 19 'Employee Benefits' (2011)
- Amendments to IAS 1 'Presentation of Items and Other Comprehensive Income' (2011)
- Amendment to IAS 27 'Consolidated and Separate Financial Statements' (2011)
- IAS 28 'Investment in Associates and Joint Ventures' (2011)
- Amendments to IAS 32 'Classification of Right Issues' (2011)
- IFRS 9 'Financial Instruments' (Issued in 2009 and subsequent amendments in 2010)
- IFRS 10 'Consolidated financial statements' (2011)
- IFRS 11 'Joint Arrangement' (2011)
- IFRS 12 'Disclosure of Interests in Other Entities' (2011)
- IFRS 13 'Fair Value Measurement' (2011)
- Deferred Tax – Recovery of Underlying Assets: Amendments to IAS 12 'Income Taxes' (2010)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters: Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' (2010)
- Disclosures – Offsetting Financial Assets and Financial Liabilities: Amendments to IFRS 7 'Financial Instruments' (2011)



- Offsetting Financial Assets and Financial Liabilities: Amendments to IAS 32 ‘Financial Instruments: Presentation’ (2011)
- Government Loans: Amendments to IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ (2012)
- Annual Improvements to IFRSs 2009-2011 Cycle (2012)
- Transition Guidance (Amendments to IFRS10, IFRS11 and IFRS 12) (2012)
- IFRIC 20 ‘Stripping Costs in the Production Phase of a Surface Mine’ (2011)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below. They have all been applied consistently through the period under review.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Stirling Assynt International Group Ltd and its subsidiaries made up to 31 March 2012. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Stirling Assynt International Group Limited obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100 per cent., and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Stirling Assynt International Group Limited loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recognised in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### **Going concern**

As at 31 March 2012 Stirling Assynt International Group Limited had a deficit of net assets of £1,326,388.

Falanx Group Limited is a company seeking to raise finance via an AIM listing within one month from the date of approval of the Admission Document. The Directors of Falanx Group Limited acknowledge that they have no reason to believe that the company will have any difficulty in raising such capital through an AIM listing.

As with any Company seeking an AIM listing for a fresh injection of capital, the Directors acknowledge that there can be no certainty that this flotation will be successful although. At the date of approval of this report, they have no reason to believe that it will not be so. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

## **Revenue recognition**

Revenue is recognised, when it is probable that the economic benefits will flow to the Stirling Group and when the revenue can be measured reliably, on the following bases:

- (i) Consulting fees income and subscription fees, on rendering of services to customers; and
- (ii) Interest income, in proportion to time, taking into account the principal outstanding and the effective interest rates applicable.

## **Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Stirling Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Stirling Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

## **Property, plant and equipment**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life;

- Fixtures and fittings – 33.33%
- Computer equipment – 33.33%

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any identified impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates of 33.33 per cent.

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

## **Financial instruments**

Financial assets and financial liabilities are recognised when Stirling Assynt International Group becomes a party to the contractual provisions of the instrument.

Stirling Assynt International Group classifies its financial instruments into loans and receivables and other financial liabilities.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle basis, or to realise the assets and settle the liabilities simultaneously.

## **Financial assets – Initial recognition and subsequent measurement**

Financial assets within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Stirling Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that Stirling Group commits to purchase or sell the asset.

### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include "trade and other receivables" and "cash and cash equivalents".

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account

any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs.

### **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, trade and receivables are measured at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

### **Cash and cash equivalents**

Cash and cash equivalents comprises cash at bank and in hand, demanded deposits with banks and other financial institutions that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### **Financial assets – Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Stirling Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Stirling Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Financial liabilities – Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Stirling Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Stirling Group classifies its financial liabilities as other financial liabilities:

#### **(i) Other financial liabilities**

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Stirling Group's other financial liabilities comprises "borrowings and trade and other payables".

## **Trade and other payables**

Trade and other payables are initially recognised at fair value and thereafter stated in amortised cost, except where the payables are interest-free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

## **Borrowings**

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## **Financial liabilities – Derecognition**

The Stirling Group derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **(i) Current tax**

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

Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

### **(ii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carrying forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

## **Foreign currencies**

### **(i) Functional and presentation currency**

Items included in the financial statements of the Stirling Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in £ sterling, which is the Stirling Group's functional and presentation currency.

### **(ii) Translation of foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Transactions in foreign currencies during the year are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities items in foreign currencies at the year end are translated at rates of exchange ruling on the statement of financial position date. All exchange differences are dealt with in the income statement in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Stirling Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in equity.

## **Employee benefit costs**

### **(i) Employee leave entitlements**

Employee entitlements to annual leave, sick leave and maternity or paternity leave are not recognised until the time of leave.

### **(ii) Retirement benefit scheme**

The subsidiary Stirling Risk (Asia) Limited contributes to a Mandatory Provident Fund scheme which is available to all employees in Hong Kong. Contributions to the scheme represent amounts payable at rates specified in the rules of the scheme. The contributions to this scheme are expensed as they fall due. The assets of this scheme are held separately from those of the company or any of its subsidiaries and are managed by independent professional fund managers.

## 5.2 Segmental Reporting

### Segment information

The Stirling Group operates a single business segment that includes the Assynt political and security risk briefing service and the business intelligence service.

### Segment revenues and results

The following tables summarise Stirling Group's revenues, profits/(loss) and assets in different countries:

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
<b>Revenues</b>			
United Kingdom	1,332,478	1,304,502	1,218,322
Hong Kong	317,732	662,537	198,614
British Virgin Islands	–	–	–
Total	<u>1,650,210</u>	<u>1,967,039</u>	<u>1,416,936</u>

Segmental revenue reported above represents revenue generated from external customers.

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
<b>Profit/(Loss)</b>			
United Kingdom	63,094,	24,304	(374,880)
Hong Kong	55,992	18,475	(196,578)
British Virgin Islands	(86,381)	(132,279)	(282,342)
Total	<u>32,705</u>	<u>(89,500)</u>	<u>(853,800)</u>
<b>Assets</b>			
United Kingdom	6,059	–	39,029
Hong Kong	–	–	41,767
British Virgin Islands	–	–	–
Total	<u>6,059</u>	<u>–</u>	<u>80,796</u>

## 5.3 Employees and Directors

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Directors' remuneration	<u>195,540</u>	<u>282,637</u>	<u>390,588</u>

#### 5.4 Net Finance Costs

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Finance income:			
Deposit account interest	<u>136</u>	<u>21</u>	<u>101</u>
Finance costs:			
Bank interest	47	175	207
Other interest payable	<u>57,091</u>	<u>57,236</u>	<u>57,119</u>
Net finance costs	<u><u>57,002</u></u>	<u><u>57,390</u></u>	<u><u>57,225</u></u>

#### 5.5 Loss Before Income Tax

The loss before income tax is stated after charging/(crediting):

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Cost of inventories recognised as expense	1,070,893	1,032,727	1,062,257
Depreciation – owned assets	615	37,941	37,049
Loss on disposal of fixed assets	–	39,664	–
Auditors' remuneration	–	1,545	1,322
For the audit of the overseas subsidiaries' financial statements	9,542	–	–
For the audit of the SAIG's consolidated financial statements	12,000	–	–
Foreign exchange differences	(1,549)	49,569	14,607

#### 5.6 Income Tax

Recognised in the Consolidated Income Statement:

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Current tax			
United Kingdom	27	4	–
Deferred tax			
United Kingdom	<u>(37,833)</u>	<u>2,038</u>	<u>–</u>
	<u><u>(37,806)</u></u>	<u><u>2,042</u></u>	<u><u>–</u></u>



## Reconciliation of tax charge

The income tax expense for the year can be reconciled to the accounting profit as follows:

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Loss before income tax	<u>(5,101)</u>	<u>(87,458)</u>	<u>(853,800)</u>
<b>Current tax calculated:</b>			
UK corporation tax at the applicable rate of 20% (2011: 21%)	5,101	5,533	(78,725)
Hong Kong corporation tax at the applicable rate of 16.5% (2011: 16.5%)	(9,239)	(3,048)	(32,435)
<b>Tax losses carried forward</b>			
United Kingdom	–	–	82,046
Hong Kong	9,239	3,048	32,435
<b>Factors affecting the computations of UK corporation tax:</b>			
Expenses not deductible for tax purposes	263	732	968
Loss on sale of tangible fixed assets	–	4,722	–
Depreciation	123	3,654	3,191
Capital allowance	(1,335)	(180)	(7,480)
Rate adjustment	4,658	–	–
<b>Effect of deferred tax: UK</b>			
Effect of deferred tax balances due to the change in income tax rate	(43,436)	–	–
Deferred tax expense recognised in the year	1,212	2,038	–
Tax losses utilised	<u>(4,392)</u>	<u>(14,457)</u>	<u>–</u>
	<u>(37,806)</u>	<u>2,042</u>	<u>–</u>

## 5.7 Loss of Parent Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was:

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
Loss before income tax	<u>(71,612)</u>	<u>(134,690)</u>	<u>(282,762)</u>

## 5.8 Goodwill

<b>Group</b>	£
<b>COST</b>	
At 1 April 2011 and 31 March 2012	<u>313,106</u>
<b>NET BOOK VALUE</b>	
At 31 March 2012	<u><u>313,106</u></u>
At 31 March 2011	<u><u>313,106</u></u>

Goodwill represents the amount recognised from the acquisition of the business from Stirling Assynt International Group Limited's director, Mr H McLeod, on 11 April 2008.

As detailed in the accounting policies the Directors are required to undertake a review for impairment at least annually and for other assets where events or changes in circumstances indicate that carrying value of asset may not be recoverable. Accordingly, the Directors do not consider that any impairment of the carrying value is required as at 31 March 2012.

## 5.9 Property, Plant and Equipment

	<i>Year Ended</i> <i>31 March</i> <i>2012</i> £	<i>Year Ended</i> <i>31 March</i> <i>2011</i> £	<i>Year Ended</i> <i>31 March</i> <i>2010</i> £
<b>Group</b>			
Property, Plant & Equipment			
<b>COST</b>			
<b>At start of period</b>	–	129,090	58,953
Additions	6,674	856	70,137
Disposals	–	(129,946)	–
<b>At end of period</b>	<u>6,674</u>	<u>–</u>	<u>129,090</u>
<b>DEPRECIATION</b>			
<b>At start of period</b>	–	48,294	11,245
Additions	615	37,941	37,049
Disposals	–	(86,235)	–
<b>At end of period</b>	<u>615</u>	<u>–</u>	<u>48,294</u>
<b>NET BOOK VALUE</b>			
<b>At end of period</b>	<u><u>6,059</u></u>	<u><u>–</u></u>	<u><u>80,796</u></u>
<b>At end of previous period</b>	<u><u>–</u></u>	<u><u>80,796</u></u>	<u><u>47,708</u></u>

## 5.10 Investments in Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period as follows:

<i>Name of subsidiary</i>	<i>Principal Activity</i>	<i>Place of incorporation</i>	<i>Proportion of ownership interest and voting power held by Group</i>
Stirling Assynt (Europe) Limited	Provision of risk assessments and investigation services	United Kingdom	100%
Stirling Risk (Asia) Limited	Provision of risk assessments and investigation services	Hong Kong	100%
Stirling Intellectual Property Services Limited	Non-trading	British Virgin Islands	100%
Stirling Assynt (Middle East) Limited	Non-trading	British Virgin Islands	100%

Both Stirling Intellectual Property Services Limited and Stirling Assynt (Middle East) Ltd were dissolved on 1 November 2012. The Directors do not expect this to have significant impact on the Consolidated Financial Statements as at 31 March 2012.

## 5.11 Trade and Other Receivables

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
<b>TRADE AND OTHER RECEIVABLES</b>			
<b>Group</b>			
Trade receivables	436,313	264,798	179,751
Other debtors	24,796	75,223	65,442
Prepayments & accrued income	77,947	25,145	113,899
	<u>539,056</u>	<u>365,166</u>	<u>359,092</u>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>Group</b>			
Bank accounts	<u>60,126</u>	<u>165,497</u>	<u>125,679</u>

## 5.12 Called Up Share Capital

	<i>Year Ended</i> 31 March 2012 £	<i>Year Ended</i> 31 March 2011 £	<i>Year Ended</i> 31 March 2010 £
Share capital – Ordinary A	12,017	16,133	16,133
Share capital – Ordinary B	1,767	–	–
	<u>13,784</u>	<u>16,133</u>	<u>16,133</u>
Issued share capital comprises:			
22,993 partly paid Ordinary A shares (2011: 27,169)	12,017	16,133	16,133
2,817 fully paid Ordinary B shares (2011: Nil)	1,767	–	–
	<u>13,784</u>	<u>16,133</u>	<u>16,133</u>
	<u>13,784</u>	<u>16,133</u>	<u>16,133</u>
	<i>Number of</i> <i>shares</i> £	<i>Share</i> <i>capital</i> £	<i>Share</i> <i>premium</i> £
Balance as at 1 April 2010	23,500	13,832	–
Issue of Ordinary A shares	2,426	1,882	336,191
Issue of Ordinary B shares	2,817	1,767	346,143
Shares buy-back: Ordinary A shares	(2,000)	(1,348)	–
Balance as at 31 March 2011	26,743	16,133	682,334
Share buy-back: Ordinary A shares	(3,750)	(2,349)	–
Balance as at 31 March 2012	<u>22,993</u>	<u>13,784</u>	<u>682,334</u>

Ordinary A shares, which have a par value of US \$1, carry one vote per share and carry a right to dividends. Ordinary B shares, which have a par value of US \$1 have no voting rights and no right to dividends.

## 5.13 Reserves

<b>Group</b>	<i>Retained</i> <i>earnings</i> £	<i>Share</i> <i>premium</i> £	<i>Totals</i> £
At April 2009	(1,346,383)	–	(1,346,383)
Profit/(Loss) for year	(853,800)	–	(853,800)
Share issue	–	682,334	682,334
At 31 March 2010	<u>(2,200,183)</u>	<u>682,334</u>	<u>(1,517,849)</u>
Profit for year	(89,500)	–	(89,500)
Prior Year Adjustment	234,472	–	234,472
At 31 March 2011	<u>(2,055,211)</u>	<u>682,334</u>	<u>(1,372,877)</u>
Profit for year	32,705	–	32,705
At 31 March 2012	<u>(2,022,506)</u>	<u>682,334</u>	<u>(1,340,172)</u>

The Prior year adjustment represents the recognition of a deferred tax balance of £234,472 which was previously not recognised.

## 5.14 Trade and Other Payables

	<i>Year Ended</i> <i>31 March</i> <i>2012</i> £	<i>Year Ended</i> <i>31 March</i> <i>2011</i> £	<i>Year Ended</i> <i>31 March</i> <i>2010</i> £
<b>TRADE AND OTHER PAYABLES</b>			
<b>Group</b>			
Current:			
Trade payables	65,047	73,899	99,296
Social security & other taxes	26,041	17,383	28,891
Other payables	465,014	430,428	313,323
Accruals & deferred income	429,989	389,325	416,429
Directors' current account	25,195	–	1,000
VAT	–	21,178	12,079
	<u>1,011,286</u>	<u>932,213</u>	<u>871,018</u>

## 5.15 Financial Liabilities – Borrowings

	<i>Year Ended</i> <i>31 March</i> <i>2012</i> £	<i>Year Ended</i> <i>31 March</i> <i>2011</i> £	<i>Year Ended</i> <i>31 March</i> <i>2010</i> £
Non Current:			
Other loans – 1-2 years	<u>1,503,685</u>	<u>1,500,370</u>	<u>1,509,371</u>

The convertible bond was issued by Stirling Assynt International Group Limited to the Bondholders on 1 August 2008 in the sum of £1,500,000 bearing interest at 2.5 per cent. p.a. for a period of 5 years. The bond is redeemable at the end of its term or earlier if following default under the terms of the bond issue. The bond may be converted at any time in full or part to share capital of Stirling Assynt International Group Limited.

## 5.16 Deferred Tax

	<i>31 March</i> <i>2012</i> £	<i>31 March</i> <i>2012</i> <i>(restated)</i> £
<b>UK Subsidiary</b>		
Balance at 1 April	232,434	–
Utilised during the year	(4,391)	234,472
Deferred tax expense	(1,212)	(2,038)
Effect on deferred tax balances due to the change in the expected income tax rate	<u>43,436</u>	<u>–</u>
Balance at 31 March	<u>270,267</u>	<u>232,434</u>

### 5.17 Reconciliation of Movements in Shareholders' Funds

	<i>Year Ended 31 March 2012 £</i>	<i>Year Ended 31 March 2011 £</i>	<i>Year Ended 31 March 2010 £</i>
<b>Group</b>			
Profit/(Loss) for the financial year	32,705	(89,500)	(853,800)
Share issue/(buy back)	(2,349)	–	2,301
Prior year adjustment – deferred tax	–	234,472	–
Share premium	–	–	682,334
	<hr/>	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	30,356	144,972	(169,165)
Opening shareholders' funds	<u>(1,356,744)</u>	<u>(1,501,716)</u>	<u>(1,332,551)</u>
<b>Closing shareholders' funds</b>	<u><u>(1,326,388)</u></u>	<u><u>(1,356,744)</u></u>	<u><u>(1,501,716)</u></u>

### 5.18 Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are the related party of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between Stirling Assynt International Group Limited and other related parties are disclosed below:

#### (i) Loan payable to Mr H. H McLeod

Included in other creditors is a loan of £262,500 from H. H. McLeod, a director of Stirling Assynt International Group Limited.

The amounts outstanding are unsecured.

#### (ii) Other related party transactions – Mrs A Barclay

Included in the consultancy fee is an amount totalling £6,475 paid to Mrs A Barclay, who is the spouse of the Director, K Barclay, for editing the reports. No amount is outstanding as at 31 March 2012 and 31 March 2011.

### 5.19 Ultimate Parent Company and Ultimate Controlling Party

On the date of Admission, the Group's ultimate parent company and ultimate controlling party will be Falanx Group Limited, a company incorporated in British Virgin Islands.

## 5.20 Financial Risk Management Objectives and Policies

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks.

### Categories of financial instruments

The totals for each category of financial instruments and the carrying amounts, measured in accordance with IAS 39 as detailed in the policies, are as follows:

<b>Financial Assets</b>	<i>Loans and receivables at amortised costs</i> £	<i>Non-financial assets</i> £	<i>Total</i> £
<b>As at 31 March 2012</b>			
Trade and other receivables	461,109	77,947	539,056
Cash and cash equivalents	60,126	–	60,126
Total	<u>521,235</u>	<u>77,947</u>	<u>599,182</u>
<b>As at 31 March 2011</b>			
Trade and other receivables	340,021	25,145	365,166
Cash and cash equivalents	165,497	–	165,497
Total	<u>505,518</u>	<u>25,145</u>	<u>530,663</u>
<b>As at 31 March 2010</b>			
Trade and other receivables	245,193	113,899	359,092
Cash and cash equivalents	125,679	–	125,679
Total	<u>370,872</u>	<u>113,899</u>	<u>484,771</u>
<b>Financial Liabilities</b>			
<i>Loans and receivables at amortised costs</i> £			
<i>Non-financial liabilities</i> £			
<i>Total</i> £			
<b>As at 31 March 2012</b>			
Trade and other payables	1,818,065	696,937	2,515,002
Total	<u>1,818,065</u>	<u>696,937</u>	<u>2,515,002</u>
<b>As at 31 March 2011</b>			
Trade and other payables	1,803,724	629,223	2,432,947
Total	<u>1,803,724</u>	<u>629,223</u>	<u>2,432,947</u>
<b>As at 31 March 2010</b>			
Trade and other payables	1,921,990	458,399	2,380,389
Total	<u>1,921,990</u>	<u>458,399</u>	<u>2,380,389</u>

The Stirling Group aims to manage its overall capital so as to ensure that it continues to operate as a going concern, whilst providing an adequate return to its shareholder.

## **Risk management objectives**

The Stirling Group manages financial risks through a Treasury function which monitors the risks and acts accordingly. The principal risks to which they are exposed are credit risk, liquidity risk, interest risk and foreign exchange risk.

### **Credit risk**

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the Group.

The Stirling Group manages its exposure to this risk by applying Board approved limits to the amount of credit exposure to any one counter-party and employs strict minimum credit worthiness criteria as to the choice of counter-party thereby ensuring that there are no significant concentrations of credit risk.

The carrying amount of financial assets represents the maximum credit exposure; therefore, the maximum exposure to credit risk at the statement of financial position date was £599,182 (2011: £530,663). The amount represents the total of the carrying amount of current assets.

The maximum amount of exposure to credit risk for trade receivables at the statement of financial position date was £436,313 (2011: £264,798). As at the date of signing these financial statements, the trade receivable balance has been reduced to £5,334 and therefore credit exposure is considered minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Stirling Group will encounter difficulty in meeting the obligations associated with financial liabilities.

The responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short term and long-term funding and liquidity risk management requirements.

The Stirling Group manages liquidity risks by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

The main financial liability in the Stirling Group is the convertible bond issued to the Bondholders of £1,503,685 (2011: £1,500,730).

On 28 March 2013, (1) Falanx Group and (2) SAIG entered into an agreement with the holders ("Seller" or "Bondholder") of 2,817 B ordinary shares of US\$1 each in SAIG ("Sale Shares") and a convertible bond instrument dated 1 August 2008 ("Convertible Bond") whereby the Seller/Bondholder sold the Sale Shares and surrendered the Convertible Bond to SAIG. The Bondholder also surrendered all rights pursuant to the receipts, coupons and other documents issued by SAIG in favour of the Bondholder and representing the rights of the Bondholder to convert the bonds into principal payment and/or ("Bond Receipts").

The consideration for the Sale Shares and Convertible Bond was £250,000. Completion of the agreement was conditional upon Falanx Group or Stirling Assynt (Acquisition) Limited having entered into an agreement for the purchase of the entire business, assets and undertaking (including liabilities of SAIG).

The agreement contains certain warranties from the Seller in favour of Falanx Group and SAIG in favour of the Seller and Falanx Group. Under the terms of the agreement, the Seller waived any claims it or any person connected with it had or has against SAIG and released any obligation owed to it or any connected person by SAIG.



### **Interest rate sensitivity analysis**

The interest bearing financial instrument was in respect of the £262,500 consideration payable for the purchase of the business on 11 April 2008 and the issue of a convertible loan on 1 August 2008 to the Bondholder. The considerations outstanding attract a fixed interest of 7 per cent. and 2.5 per cent. respectively per annum.

As at the statement of financial position date, Stirling Group has no material exposure to floating interest rate; therefore, a change in interest rate at the reporting date would not affect the reported results.

To manage future interest rate risk, Stirling Group will manage its deposits with bands approved at Board level and by utilising interest rate swaps if necessary on borrowings.

### **Foreign exchange risk**

Some of the Stirling Group's transactions are carried out in US dollars, HK dollars and Euros. Exposures to currency exchange rates arise from the Group's overseas sales and purchases which are primarily denominated in US dollars, HK dollars and Euros.

To mitigate Stirling Group's exposure to foreign currency risk, non-Sterling cash flows are monitored. If the amounts and timing of payments due and receivable are determinable with sufficient certainty and the net amounts are significant (i.e. the amounts to be paid and received did not largely offset one another), the Group would consider taking appropriate hedging activity to protect cash-flows that are not expected to be offset by other currency transactions. No such hedging arrangements have so far been entered into.

### **Foreign exchange sensitivity analysis**

A 10 per cent. weakening of the foreign currencies against sterling would have increased/(decreased) equity and profit/loss by £22,816 next year.

The Stirling Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

## **PART III**

### **SECTION C**

#### **FINANCIAL INFORMATION ON STIRLING ASSYNT INTERNATIONAL GROUP**

##### **Unaudited half year results to 30 September 2012**

#### **CHAIRMAN'S STATEMENT**

To accompany the accounts for the six months ended 30 September 2012.

#### **OVERVIEW**

Stirling Assynt has aimed to become one of the top names amongst the political and security risk and business intelligence providers internationally. We have achieved a strong profile in the market internationally, with a name for integrity, quality and professionalism, and have reached a point where we can compete successfully against the major international players. Stirling Assynt's guiding principle has been to remain firmly client-focused to ensure that clients get a good deal, and one that is relevant to their businesses.

We continue to achieve sales of the Assynt report in a difficult market but need to look at new ways to increase our turnover: we are looking at expansion of our penetration of the US market through possible partnerships with major US suppliers, and increasing our coverage of certain African countries given the strong commercial interest in Africa particularly in the extractive sector. We are also looking to increase our sales in Asia through strengthening of our office in Hong Kong with a focus on the China market where we have made some inroads already.

We continue to exploit the Assynt Partnership model, in which we second an analyst to a client company. We plan to increase the number of partnerships from the current four to six over the next year: new opportunities in the Middle East are under consideration.

Business Intelligence tasks continue to involve a broad range of topics and geographical areas, mainly focussed on reputational due diligence. We have increased the work we are doing on Africa, particularly in West Africa, and plan to intensify our marketing to US and European businesses that have interests in that region, especially the extractive industry.

An area of growth in the last year has been bespoke political and security risk assessments for clients, particularly where they operate in the Middle East. This is an excellent spin-off from both the Assynt and BI services often using business intelligence methodology and assets. We expect to expand this part of the business in the coming year. An area to focus on will be Dubai with a view to seeking Chinese clients with operations in areas that have been affected by the Arab Spring.

#### **OUTLOOK**

We have committed and talented staff, excellent products and a good reputation. Despite a weakened market we are receiving an increasing number of enquiries from existing and new clients and expect to see an increase in our turnover in the next financial year from both the London and Hong Kong offices. This should be boosted by the additional sales and marketing capability the acquisition of the business by Falanx Group will bring. Falanx support will also enable Stirling Assynt to increase its presence on the ground in the Middle East.

Karl Barclay  
Chairman

The following results have been converted from UK GAAP to IFRS for illustrative purposes only.

The Directors have reviewed the results and position of the Group and have concluded that there are no adjustments required to the Statement of Comprehensive Income or Statement of Changes in Equity of the Company and Group. Items within the Statement of Financial Position have been reclassified under the correct IFRS headings however no adjustments have been made that affect the net assets. As such, no reconciliations between UK GAAP and IFRS have been presented.

## 1. Statement of Comprehensive Income

	<i>Unaudited 6 Months ended 30 September 2012 £</i>	<i>Unaudited 6 Months ended 30 September 2011 £</i>
<b>CONTINUING OPERATIONS</b>		
Revenue	909,977	948,031
Cost of sales	(677,513)	(749,711)
<b>GROSS PROFIT</b>	232,464	198,320
Other operating income	–	–
Administrative expenses	(92,950)	(156,894)
<b>OPERATING PROFIT</b>	139,514	41,426
Finance costs	(28,050)	(28,833)
Finance income	20	10
<b>PROFIT BEFORE INCOME TAX</b>	111,484	12,603
Income tax	–	–
<b>PROFIT FOR THE PERIOD</b>	111,484	12,603
Profit attributable to:		
Owners of the parent	111,484	12,603
<b>PROFIT FOR THE PERIOD</b>	111,484	12,603
<b>OTHER COMPREHENSIVE INCOME</b>	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	111,484	12,603
Total comprehensive income attributable to:		
Owners of the parent	111,484	12,603

## 2. Statement of Financial Position

	<i>Unaudited as at 30 September 2012 £</i>	<i>Unaudited as at 30 September 2011 £</i>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	313,106	313,106
Property, plant and equipment	8,191	741
Deferred tax	270,267	232,434
	<u>591,564</u>	<u>546,281</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	415,502	381,537
Cash and cash equivalents	119,289	106,307
	<u>534,791</u>	<u>487,844</u>
<b>TOTAL ASSETS</b>	<u>1,126,355</u>	<u>1,034,125</u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital		
Share premium	13,784	16,133
Retained earnings	682,334	682,334
	<u>(1,911,022)</u>	<u>(2,042,608)</u>
<b>TOTAL EQUITY</b>	<u>(1,214,904)</u>	<u>(1,344,141)</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities – borrowings		
Interest bearing loans and borrowings	1,499,675	1,500,000
<b>CURRENT LIABILITIES</b>		
Trade and other payables	841,584	878,266
Tax payable	–	–
	<u>841,584</u>	<u>878,266</u>
<b>TOTAL LIABILITIES</b>	<u>2,341,259</u>	<u>2,378,266</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,126,355</u>	<u>1,034,125</u>

### 3. Statement of Cash Flows

		<i>Unaudited Period 1.4.12 to 30.9.12 £</i>	<i>Unaudited Period 1.4.11 to 30.9.11 £</i>
	<i>Notes</i>		
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	94,339	(28,896)
Interest paid		(28,050)	(28,833)
Tax paid		(31)	–
Net cash from operating activities		<u>66,258</u>	<u>(57,729)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(3,105)	(741)
Interest received		20	10
Net cash from investing activities		<u>(3,085)</u>	<u>(731)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(4,010)	(730)
Share issue		–	–
Net cash from financing activities		<u>(4,010)</u>	<u>(730)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		59,163	(59,190)
<b>Cash and cash equivalents at beginning of period</b>	2	<u>60,126</u>	<u>165,497</u>
<b>Cash and cash equivalents at end of period</b>	2	<u><u>119,289</u></u>	<u><u>106,307</u></u>

#### 1. Reconciliation of Profit/(Loss) before Income Tax to Cash Generated from Operations

		<i>Unaudited Period 1.4.12 to 30.9.12 £</i>	<i>Unaudited Period 1.4.11 to 30.9.11 £</i>
	<i>Notes</i>		
Profit/(loss) before income tax		111,484	12,603
Depreciation charges		973	–
Finance costs		28,050	28,833
Finance income		(20)	(10)
		<u>140,487</u>	<u>41,426.</u>
Decrease/(increase) in trade and other receivables		123,554	(16,371)
(Decrease)/increase in trade and other payables		(169,702)	(53,951)
Cash generated from operations		<u><u>94,339</u></u>	<u><u>(28,896)</u></u>

## 2. Cash and Cash Equivalents

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

### Period ended 30 September 2012

30.9.12  
£

Cash and cash equivalents 119,289

### Year ended 31 March 2012

31.3.12  
£

Cash and cash equivalents 60,126

### Period ended 30 September 2011

30.9.11  
£

Cash and cash equivalents 106,307

### Year ended 31 March 2011

31.3.11  
£

Cash and cash equivalents 165,497

## 4. Statement of Changes in Equity

	<i>Called up share capital</i> £	<i>Retained earnings</i> £	<i>Share premium</i> £	<i>Total equity</i> £
<b>Profit at 1 April 2009</b>	13,832	(1,346,383)	–	(1,332,551)
<b>Changes in equity</b>				
Issue of share capital	2,301	–	682,334	684,635.
Total comprehensive income	–	(853,800)	–	(853,800)
<b>Balance at 31 March 2010</b>	<u>16,133</u>	<u>(2,200,183)</u>	<u>682,334</u>	<u>(1,501,716)</u>
<b>Changes in equity</b>				
Total comprehensive income	–	144,972	–	144,972.
<b>Balance at 31 March 2011</b>	<u>16,133</u>	<u>(2,055,211)</u>	<u>682,334</u>	<u>(1,356,744)</u>
<b>Changes in equity</b>				
Total comprehensive income	–	12,603,	–	12,603,
<b>Balance at 30 September 2011</b>	<u>16,133</u>	<u>(2,042,608)</u>	<u>682,334</u>	<u>(1,344,141)</u>
<b>Changes in equity</b>				
Issue of share capital	(2,349)	–	–	(2,349)
Total comprehensive income	–	20,102,	–	20,102.
<b>Balance at 31 March 2012</b>	<u>13,784</u>	<u>(2,022,506)</u>	<u>682,334</u>	<u>(1,326,388)</u>
<b>Changes in equity</b>				
Total comprehensive income	–	111,484	–	111,484.
<b>Balance at 30 September 2012</b>	<u>13,784</u>	<u>(1,911,022)</u>	<u>682,334</u>	<u>(1,214,904)</u>

## **5. Accounting Policies**

The interim report was prepared using accounting policies consistent with those set out in the Company's Annual Report and Accounts for the year ended 31 March 2012. They have been converted from UK GAAP to IFRS for illustrative purposes only.

**PART IV**  
**SECTION A**

**STATEMENT OF NET ASSETS OF FALANX GROUP LIMITED**

*Falanx Group  
Limited  
30 September  
2012  
£*

**ASSETS**

**Non-current**

Intangible assets and goodwill  
Property, plant and equipment  
Deferred taxation

—  
—  
—  

---

—  

---

**Current**

Trade and other receivables  
Cash and cash equivalents

—  
—  

---

—  

---

**LIABILITIES**

**Non-current**

Loans and borrowings

—  

---

**Current**

Trade, other payables

—  

---

**NET ASSETS**

—  

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*Notes:*

1. The Statement of Financial Position of Falanx Group Limited (consolidated with its 100 per cent. subsidiary Falanx Protection Limited) had total equity and liabilities of £Nil as at 30 September 2012. This was due to the fact that it had not yet started trading and had unpaid share capital.



## **PART V**

### **SECTION A**

#### **PRO FORMA STATEMENT OF NET ASSETS**

The unaudited pro forma statement of net assets in this section has been prepared to illustrate the effect of the acquisition by Falanx of the entire business and assets of SAIG, the application and effect of the purchase of the 2,817 B Ordinary shares of US \$1 each in SAIG ("Bondholder Shares"), as disclosed in Part VII, Paragraph 10.8, and the placing as if these had taken place on 30 September 2012.

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Group's actual financial position.

The pro forma statement of net assets is based on:

1. The unaudited interim results of Stirling Assynt International Group Limited set out in Section B of Part III;
2. Details of the purchase of B shares; and
3. Placing of shares.

This pro forma statement of net assets has been prepared in a manner consistent with the accounting policies to be adopted by Falanx in preparing such information. The pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex 1 of the Prospectus Rules attached to the AIM Rules for Companies. No adjustment has been made to reflect any transactions, save the above, of the Group since 30 September 2012.

	<i>Falanx</i> 30 September 2012 £ (Note 1)	<i>SAIG</i> 30 September 2012 £ (Note 2)	<i>Adjustments</i>		<i>Placing</i> £ (Note 5)	<i>Enlarged Group Pro forma net assets</i> £
			£ (Note 3)	£ (Note 4)		
<b>ASSETS</b>						
<b>Non-current</b>						
Intangible assets and goodwill	–	313,106				313,106
Property, plant and equipment	–	8,191				8,191
Deferred taxation	–	270,267				270,267
<b>Current</b>						
Trade and other receivables	–	415,502				415,502
Cash and cash equivalents	–	119,289	(250,000)		187,877	57,166
<b>LIABILITIES</b>						
<b>Non-current</b>						
Loans and borrowings	–	(1,499,675)	1,499,675			–
<b>Current</b>						
Trade, other payables,	–	(841,584)		173,510		(668,074)
<b>NET ASSETS</b>	<u>–</u>	<u>(1,214,904)</u>	<u>1,249,675</u>	<u>173,510</u>	<u>187,877</u>	<u>396,158</u>

*Notes:*

- The net assets of Falanx Group Limited as at 30 September 2012 has been extracted, without material adjustment, from the unadjusted interim financial statements of Falanx Group Limited as at 30 September 2012, Part IV Section A of this document.
- The net assets of Stirling Assynt International Group Limited as at 30 September 2012 has been extracted, without material adjustment, from the financial information set out in Section C of Part III.
- On 28 March 2013 March 2013, (1) Falanx Group and (2) SAIG entered into an agreement with the holders (“Seller” or “Bondholder”) of 2,817 B ordinary shares of US\$1 each in SAIG (“Sale Shares”) and a convertible bond instrument dated 1 August 2008 (“Convertible Bond”) whereby the Seller/Bondholder sold the Sale Shares and surrendered the Convertible Bond to SAIG. The Bondholder also surrendered all rights pursuant to the receipts, coupons and other documents issued by SAIG in favour of the Bondholder and representing the rights of the Bondholder to convert the bonds into principal payment and/or (“Bond Receipts”).  
  
The consideration for the Sale Shares and Convertible Bond was £250,000. Completion of the agreement is conditional upon Falanx Group or Stirling Assynt (Acquisition) Limited having entered into an agreement for the purchase of the entire business, assets and undertaking (including liabilities of SAIG).  
  
The agreement contains certain warranties from the Seller in favour of Falanx Group and SAIG in favour of the Seller and Falanx Group. Under the terms of the agreement, the Seller waived any claims it or any person connected with it had or has against SAIG and released any obligation owed to it or any connected person by SAIG.
- The Company recognises the write back of interest on the Bondholder loan and also received an interest waiver relating to a financial instrument in 28 March 2013 totalling £173,510.
- The estimated net proceeds of £187,877 are based on the Placing of 4,958,333 Ordinary Shares at No Par Value pence per share amounting to £595,000, after deduction of £407,123 in respect of the total costs, charges and expenses payable by Falanx Group Limited in connection with the Admission and Placing.

## **PART VI**

### **TAXATION**

The information below, which is of a general nature only and which relates only to UK and British Virgin Islands taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes thereto. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers immediately.

#### **1. British Virgin Islands Tax**

The Company is not liable to pay any form of taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by the Company to persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of the Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

Subject to the payment of stamp duty on the acquisition of property in the BVI by the Company, all instruments relating to transfers of property to or by the Company and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Company and all instruments relating to other transactions relating to the business of the Company are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company or its shareholders.

#### **2. United Kingdom**

Any person who is in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own professional adviser.

##### **2.1 General**

The following paragraphs are intended as a general guide only and summarise comments received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade.

The paragraphs below are based on current UK legislation and published HM Revenue & Customs (“HMRC”) practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on the AIM market are generally treated as unquoted for these purposes.

2.1.1 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

2.1.2 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

##### **2.2 The Company**

2.2.1 The following information is based on the law and published HMRC practice currently in force in the UK.

2.2.2 Provided that the Company is not resident in the UK for taxation purposes and carries on a trade in the UK (whether or not through a permanent establishment situated there), the Company will be liable for UK taxation on its income and gains, generated by or through its permanent establishment in the UK.

2.2.3 It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The permanent establishment in the UK will be subject to UK taxation as the central management and control will be exercised in the UK. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

### 2.3 **Tax treatment of UK investors**

2.3.1 The following information, which relates only to UK taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and published HMRC practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

2.3.1.1 who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent. of any of the classes of shares in the Company; or

2.3.1.2 who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or

2.3.1.3 who acquire any shares or rights over shares in connection with an employment contract; or

2.3.1.4 who are in any doubt as to their taxation position.

2.3.2 Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

2.3.3 Shareholders who are neither resident nor ordinarily resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

### 2.4 **Taxation of dividends**

2.4.1 There is no withholding tax on dividends paid by the Company. A UK tax resident individual Shareholder will be subject to UK income tax on the gross amount of the dividend received which will be treated as the top slice of the individual's income.

2.4.2 UK resident and ordinarily resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on dividends paid by the Company, but only if they are remitted to the UK. Such investors should consult their own tax advisers regarding their UK tax liability.

2.4.3 Shareholders who are subject to corporation tax should generally and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received.

2.4.4 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax on the gross amount of dividend received.

2.4.5 UK pension funds and charities are generally exempt from tax on dividends that they receive.

## 2.5 **Anti-avoidance**

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Share capital of the Company should note the provisions of the Controlled Foreign Companies legislation contained in Sections 747-756 of the Income and Corporation Taxes Act 1984 also changes to the Controlled Foreign Companies legislation currently proposed in Finance Bill 2012.

## 2.6 **Taxation of chargeable gains**

2.6.1 Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

2.6.2 For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

2.6.3 Individual shareholders who are UK resident, ordinarily resident or only temporarily non-UK resident may be subject to capital gains tax on any gain made on disposal of shares, without any indexation allowance, subject to the availability of any annual exemption or allowable losses. The rate of tax is currently 18 per cent. for taxpayers taxable at the basic rate and 28 per cent. for taxpayers subject to taxation at the upper or additional rate.

2.6.4 A shareholder who is an individual resident in the UK and who is not domiciled in the UK who makes gains on the disposal of Ordinary Shares where the proceeds are not remitted to the UK may benefit from the remittance basis of UK taxation. Such individuals should consult their own tax advisers concerning their UK tax liability.

### *Further information for Shareholders subject to UK income tax and capital gains tax*

2.6.5 The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 (Transfer of Assets Abroad) of Part 13 of the Income Tax Act 2007, which seek to prevent the avoidance of income tax in circumstances where an individual who is resident in the UK makes a transfer of assets abroad but retains the ability to enjoy the income arising from those assets. This could include the acquisition of shares in a non-UK incorporated company and any undistributed income of the company such that the income could be attributed to, and be taxed in the hands of, the Shareholder. This legislation should not apply where it can be demonstrated that there are bona fide commercial reasons for the arrangement.

2.6.6 There are also other anti-avoidance provisions in the UK tax legislation which may potentially affect shareholders in non-UK resident companies, and Shareholders should consult their professional advisers regarding the effect of UK tax anti-avoidance legislation in general.

## 2.7 **Inheritance Tax**

Individuals and trustees subject to inheritance tax in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holding period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

## 2.8 **Stamp Duty and Stamp Duty Reserve Tax**

2.8.1 The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT") position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules apply.

### *Ordinary Shares held in certificated form*

2.8.2 No stamp duty or stamp duty reserve tax ("SDRT") should be payable on the allotment and issue of Ordinary Shares.

- 2.8.3 In respect of a subsequent transfer of shares, stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares, A special rate of 1.5 per cent. is payable on an instrument transferring Ordinary Shares into a clearance or depositary system (rounded up to the next multiple of £5).
- 2.8.4 An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1 000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.
- 2.8.5 In practice, no charge to stamp duty will arise in relation to a subsequent transfer of Ordinary Shares held in certificated form provided that all instruments relating to the transfer are executed and retained outside the UK and no do not relate to matters or actions performed in the UK. However any instrument effecting or evidencing a transfer of Ordinary Shares held in certificated form whether executed in the UK or offshore will not be admissible as evidence in UK civil proceedings unless duly stamped.
- 2.8.6 Interest on unpaid stamp duty will accrue from 30 days after the date the instrument was executed.
- 2.8.7 No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

*Ordinary Shares held in uncertificated form*

- 2.8.8 Due to the restrictions of the CREST system, shares of companies incorporated outside the UK, such as the Company, may not be settled directly on the CREST system. Accordingly, should Ordinary Shares be held within the CREST system in uncertificated form, they will be held in the form of Depositary Interests issued by the Depositary. Agreements to transfer depositary interests in shares of companies listed on AIM are liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer. The charge is generally borne by the purchaser unless other arrangements have been put in place.

## PART VII

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1. The Company and the Directors (whose names appear on page 5) accept responsibility individually and collectively for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2. The business address of each Director and their respective functions are set out on pages 5 and 14-15.

#### 2. The Group

- 2.1. The Company was incorporated on 23 August 2012 in the British Virgin Islands with registered number 1730012 as BVI Business Company with limited liability under the name Falanx Group Limited.
- 2.2. The registered office of the Company is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands and the telephone number of the Company's Registered Agent is +1284 852 3000.
- 2.3. The Company's accounting reference date is 31 March.
- 2.4. The Company's auditors are Bennett Brooks and Co. Limited and were appointed on 31 October 2012. Bennett Brooks and Co. Limited are chartered accountants registered with the Institute of Chartered Accountants in England and Wales.
- 2.5. The principal legislation under which the Company was formed and now operates (and under which the Ordinary Shares have been created) is the BVI Business Companies Act, 2004 (the "Companies Act").
- 2.6. The principal place of business of Falanx Group Limited is in the UK, Europoint Centre, 5-11 Lavington Street, London SE1 0NZ (telephone number 0207 856 9450), where elements of the Company's business will be managed and controlled.
- 2.7. The Company's web site address is [www.falanxgroup.com](http://www.falanxgroup.com)
- 2.8. The ISIN (International Security Identification Number) is VGG3338A1075. The SEDOL number is BBM50J8
- 2.9. The Company is the holding company of the following subsidiaries:

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Percentage of issued share capital</i>	<i>Principal Activity or interest held</i>
Falanx Protection Limited	BVI	100%	Trading Company
Stirling Assynt (Acquisition) Limited	BVI	100%	Holding Company
Stirling Assynt (Europe) Limited	UK	100%*	Trading Company
Stirling Risk (Asia) Limited	Hong Kong	100%*	Trading Company

(\* 100% owned by SAAL)

### 3. Share Structure of the Company

- 3.1. The Company is authorised to issue a maximum of 200,000,000 shares. The authorised and issued shares of the Company at the date of this Document and as it is expected to be immediately following Admission are as follows:

	<i>Prior to Placing and Admission Number of Shares</i>	<i>Immediately following Placing and Admission Number of Shares</i>
Number of shares the Company is authorised to issue	200,000,000	200,000,000
Number of shares issued and fully paid up	32,500,000	37,458,333

- 3.2. Changes in the Shares of the Company preceding the date of this Document are as follows:
- 3.2.1. On incorporation, the Company was authorised to issue 1,000,000 Ordinary Shares with no par value.
- 3.2.2. On incorporation, the Company issued 1,000,000 Ordinary Shares to John Robert Blamire.
- 3.2.3. On 11 January 2013 the Articles were adopted by written resolution of the sole director.
- 3.2.4. Pursuant to a resolution of the Company passed on 11 January 2013:
- 3.2.4.1. the maximum number of Shares the Company is authorised to issue was increased from 1,000,000 to 200,000,000;
- 3.2.4.2. the directors are authorised to allot up to 130,000,000 ordinary shares free of any pre-emption rights;
- 3.2.5. On 15 March 2013 the Company issued 31,500,000 Ordinary Shares of no par value for a subscription price of £0.0001 per share.

### 4. Memorandum and Articles

The Memorandum was adopted on 23 August 2012 and amended pursuant to a written resolution of the sole Director of the Company on 11 January 2013. The Articles were adopted on 11 January 2013 pursuant to a written resolution of the sole Director of the Company.

The Memorandum and Articles of the Company include provisions to the following effect:

#### 4.1. **Objects**

The Company's objects are included in clause 5 of the memorandum of association and are unrestricted. The Company shall have full power to carry out any object not prohibited by applicable law.

#### 4.2. **Voting Rights**

4.2.1. Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person and every person representing a member by proxy shall have one vote and on a poll every member who is present in person and every person representing a member by proxy shall have one vote for each share of which he or the person represented by proxy is the holder.

4.2.2. Votes may be given either personally or by proxy

#### 4.3. **Variation of Rights**

4.3.1. Whenever the Shares of the Company are divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied only with the consent in writing of the holders of not less than



75 per cent. of the issued shares of that class, and the holders of not less than 75 per cent. of the issued shares of any other class of Shares which may be affected by such variation.

- 4.3.2 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### 4.4 **Redemption and purchase of own shares**

- 4.4.1 Subject to, and in accordance with, the Companies Act, the Memorandum and Articles, and the AIM Rules for Companies and to any rights for the time being conferred on the Shareholders holding a particular class of shares, the Company may by its Directors:

- 4.4.1.1 issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholder holding those redeemable Shares, on the terms and in the manner its Directors determine before the issue of those Shares;
- 4.4.1.2 with the consent of the Shareholders holding Shares of a particular class pursuant to the Company's Memorandum and Articles, vary the rights attaching to that class of shares so as to provide that those shares are to be redeemed or are liable to be redeemed at the option of the company on the terms and in the manner which the Directors determine at the time of such variation; and
- 4.4.1.3 with the consent of the shareholder(s) whose Shares are to be purchased, purchase all or any of its own shares of any class (including any redeemable shares) on such terms and in the manner as the Directors may determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own shares in any manner authorised by the Articles.

- 4.4.2. Upon the date of redemption or purchase of a share, the Shareholder holding that share shall cease to be entitled to any rights in respect of the share other than the right to receive the price for the share; and any dividend declared in respect of the share prior to the date of redemption or purchase. The share shall be cancelled or held as a treasury share, as the Directors may determine and subject to a limit of 50 per cent. of the Shares issued in any class that may be held as treasury Shares

#### 4.5 **Allotment of securities and pre-emption rights**

- 4.5.1 Subject to the provisions of the Articles governing the redemption and purchase of the Company's own Shares, the Directors have general and unconditional authority to issue grant options over or otherwise deal with any unissued Shares of the Company to such persons, at such times and on such terms and conditions as they may decide.

- 4.5.2 The Directors are unconditionally authorised to allot an aggregate of 130,000,000 ordinary shares free of the rights of pre-emption contained in the Articles.

- 4.5.3 Subject to the Articles and unless the Company shall by resolution of Shareholders otherwise direct, unissued shares in the Company shall only be allotted for cash and unless is issued as bonus shares or in connection with an employee share scheme:

- 4.5.2.1 must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares;
- 4.5.2.2 the offer to relevant Shareholders set out in paragraph 4.5.2.1 above shall be made in proportion to the existing holdings of Shares of relevant Shareholders (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any country or jurisdiction);

- 4.5.2.3 the offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each relevant Shareholder to state in writing within a period, not being less than fourteen (14) clear days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- 4.5.2.4 at the expiration of the time specified for acceptance in the offer notice the Directors shall issue the offer shares to or amongst the relevant Shareholders who shall have notified to the Directors their willingness to take any of the offer shares but so that no relevant Shareholder shall be obliged to take more than the maximum number of shares notified by him under paragraph 4.5.2.3 above; and
- 4.5.2.5 if any offer shares remain unallocated after the offer, the Directors shall be entitled to issue grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant Shareholder, except that this Article shall not apply to Shares which are issued as bonus shares or in connection with an employee share scheme.

#### 4.6 **Share certificates**

- 4.6.1 Subject to the Companies Act, the requirements of (to the extent applicable) the AIM Rules for Companies and/or the London Stock Exchange, and the Articles, every person whose name is entered as member of the Company in the Company’s register of members shall, without payment, be entitled to a certificate for all the Shares of each class held by that person and such certificate may be under the seal of the Company or executed in such other manner as the Directors determine. All certificates shall specify the class, distinguishing numbers (if any), number of share or shares held by that person and the amount paid up thereon.
- 4.6.2 If a share certificate is defaced, worn-out, lost or destroyed it may be renewed on such terms as the Directors think fit.

#### 4.7 **Uncertificated Shares**

- 4.7.1 The Board may resolve that a class of Shares is to become, or is to cease to be, a participating security for the purposes of an uncertificated system (“Participating Security”). Where any class of Shares is for the time being admitted to settlement by means of the CREST system, such securities may be issued in uncertificated form.
- 4.7.2 Shares of a class shall not be treated as forming a separate class from other Shares of the same class as a consequence of such Shares being held in certificated or uncertificated form or of any provision in the Articles or the CREST Regulations applying only to certificated Shares or to uncertificated Shares.
- 4.7.3 Any Share of a class which is a Participating Security may be changed from an uncertificated Share to a certificated Share and from a certificated Share to an uncertificated Share in accordance with the Articles and CREST Regulations.
- 4.7.4 The Articles apply to uncertificated Shares of a class which is a Participating Security only to the extent that the Articles are consistent with the holding of such Shares in uncertificated form, with the transfer of title to such Shares by means of CREST and with the CREST Regulations.
- 4.7.5 The Company will, for every Shareholder who makes a request to receive their Shares in uncertificated form, arrange for Euroclear (or such other clearing system as the Directors may from time to time determine) to credit the appropriate stock amounts in CREST of the Shareholders concerned with their respective entitlements for Shares. The Shares will be delivered through the CREST system and no Share certificate will be issued to the relevant Shareholder.
- 4.7.6 The Board may lay down regulations not included in the Articles which (in addition to or in substitution for any provisions in the Articles):

- 4.7.7 apply to the issue, holding or transfer of uncertificated Shares;
- 4.7.8 set out (where appropriate) the procedures for conversion and/or redemption of uncertificated Shares; and/or
- 4.7.9 the Board considers necessary or appropriate to ensure that the Articles are consistent with the CREST Regulations and/or Euroclear's rules and practices.
- 4.7.10 Any instruction given by means of CREST as referred to in the Articles shall be a dematerialised instruction given in accordance with the CREST Regulations, the facilities and requirements of CREST and Euroclear's rules and practices.
- 4.7.11 Unless the Board otherwise determine, securities held by the same Shareholder or joint Shareholders in both certificated form and uncertificated form shall be treated as separate holdings.
- 4.7.12 Where the Company is entitled under Euroclear's rules and practices, the Articles or otherwise to dispose of, forfeit, enforce a lien over or sell or otherwise procure the sale of any Shares of a class which is a Participating Security which are held in uncertificated form, the Board may take such steps (subject to the CREST Regulations and to such rules and practices) as may be required or appropriate, by instruction by means of CREST or otherwise, to effect such disposal, forfeiture, enforcement or sale in various ways as set out in the Articles.

#### 4.8 ***Calls and lien***

- 4.8.1 Subject to the terms of allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares and each Shareholder shall (subject to being given at least 14 clear days' notice specifying where and when payment is to be made) pay to the Company the specified amount called on his shares. If any sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid. Interest shall be paid at a rate fixed by the terms of issue of the share or in the notice of the call; or if no rate is fixed, at ten per cent. per annum from the day appointed for the payment thereof to the time of the actual payment. The Directors may at their discretion waive payment of any such interest in whole or in part.
- 4.8.2 The Company shall have a first and paramount lien on all shares (whether fully paid or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all moneys payable to the Company by the Shareholder or the Shareholder's estate:
  - 4.8.2.1 either alone or jointly with any other person, whether or not that other person is a Shareholder; and
  - 4.8.2.2 whether or not those moneys are presently payable.
- 4.8.3 The Directors may declare any share to be wholly or partly exempt from the provisions in the Articles in respect of liens.
- 4.8.4 The Company may sell, in such manner as the Directors determine, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after a notice demanding payment of such part of the amount in respect of which the lien exists and stating that if the notice is not complied with the shares may be sold has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

#### 4.9 ***Untraceable Member***

Subject to the Companies Act the Company may sell, subject to certain conditions, any share of a Shareholder who cannot be traced if, during a period of 12 years, at least three cash dividends in respect of the share have become payable and no such dividend during that period has been claimed.

#### 4.10 ***Forfeiture of shares***

- 4.10.1 If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment of such call or instalment, the Directors may if the call remains unpaid after it has become due

and payable serve a notice on him requiring payment of so much of is the amount unpaid together with any interest which may have accrued and any expenses which have been incurred by the Company due to the default. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made and shall include a warning that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited and cancelled.

- 4.10.2 If the notice is not complied with, the Directors may before the payment required has been received, resolve that any Share the subject of that notice be forfeited. The Board may, with the consent of or at the request of the relevant Shareholder, determine that any Share the subject of that notice be accepted by the Company as surrendered in lieu of forfeiture.
- 4.10.3 A forfeited or surrendered Share may be cancelled, held as a treasury share and held, re-allotted or otherwise disposed of on such terms and in such manner as the Board determines.
- 4.10.4 A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeit, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when the Company receives payment in full of the unpaid amount.
- 4.10.5 A statutory declaration in writing that the declarant is a Director or the secretary of the Company, and that the particular share of the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the forfeited share.

#### 4.11 **Transfer of shares**

- 4.11.1 All transfers of certificated shares shall be effected by an instrument of transfer, in a common form or in a form approved by the Directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferor and the transferee. Transfers of uncertificated shares shall be effected without a written instrument in accordance with the CREST Regulations.
- 4.11.2 The Directors may refuse to register the transfer of a share to any person. They may do so in their absolute discretion, without giving any reason for their refusal, and irrespective of whether the share is fully paid or the Company has no lien over it, provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares listed on AIM on the ground that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.
- 4.11.3 The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements of (to the extent applicable) the AIM Rules for Companies and/or the London Stock Exchange) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.
- 4.11.4 The Company shall register the transfer of any shares represented by Depositary Interests in accordance with the CREST Regulations and any other applicable laws and regulations. Where permitted by the CREST Regulations and any other applicable laws and regulations, the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of any share represented by a Depositary Interest.

#### 4.12 **Disclosure of interests in shares**

- 4.12.1 The provisions of Rule 5 of the Disclosure Rules ("DTR 5") shall be deemed to apply to the Company, so that shareholders are required under Article 5 of the Articles to notify the Company in accordance with the provisions of DTR 5. If any member fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their

rights as to attendance and voting at general meetings or to be reckoned in a quorum, dividends and transfer. Such suspension shall have effect from the date on which the default notice is given to the Shareholder until a date that is not more than seven days after the Board has determined that the holder of the shares has cured the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Company without any obligation to pay interest thereon.

4.12.2 The Directors have the power, by giving notice, to require any member to disclose to the Company the identity of any person other than the member who is interested in the shares held by the member or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest. If any member has been duly served with such a notice and is in default of the prescribed period in supplying the information required then certain restrictions shall apply. The notice may direct that the member shall not be entitled to be present or vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares or to be reckoned in a quorum. Where the default shares represent at least 0.25 per cent, of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company (bearing no interest) and transfers of default shares may also be restricted until the restrictions cease to apply.

#### 4.13 **Dividends**

4.13.1 Subject to the provisions of the Companies Act and any rights for the time being attaching to any class or classes of shares, the Directors may declare dividends or distributions out of funds of the Company which are lawfully available for that purpose.

4.13.2 Unless provided by the rights attached to a Share, no dividend shall bear interest against the Company.

#### 4.14 **General meetings**

4.14.1 The Directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of one or more of the Shareholders entitled to attend and vote at general meetings of the Company who together hold not less than 30 per cent. of the paid up voting Shares of the Company deposited in accordance with the notice provisions in the Articles, specifying the objects of the meeting and signed by each of the Shareholders making the requisition.

4.14.2 At least 7 days' notice specifying the place, the day and the hour of the meeting and, subject to the AIM Rules for Companies, the general nature of that business must be given to the Shareholders. In addition notice of every general meeting shall be given to all Shareholders other than those who are not entitled to receive such notice under the provisions of the Articles or any restrictions imposed on any shares, and also to the Directors and auditors.

4.14.3 Subject to the Companies Act, a meeting may be convened on shorter notice or in contravention of the notice requirements with the consent of the Shareholders who, individually or collectively, hold at least 90 per cent. of the voting rights of all those who have a right to vote at that meeting.

4.14.4 No business shall be transacted at any meeting of Shareholders unless a quorum of Shareholders is present at the time when the meeting proceeds to business. A quorum shall consist of the holder or holders present in person or by proxy entitled to exercise at least fifty (50) percent of the voting rights of the Shares of each class or series of Shares entitled to vote as a class or series thereon and the same proportion of the votes of the remaining Shares entitled to vote thereon.

4.14.5 If within 30 minutes from the time appointed for the general meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved.

4.14.6 The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting and no business shall be conducted at that reconvened meeting save for business left unfinished at the adjourned meeting.

- 4.14.7 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the holders of a majority of in excess of 50 per cent. of the votes of the Shareholders (or their proxies) entitled to vote and voting on that resolution, unless a poll is (before the declaration of the result of the show of hands) demanded by the chairman of the meeting or by at least two Shareholders having the right to vote on the resolutions or one or more Shareholders present who together hold not less than 10 per cent. of the voting rights of all those who are entitled to vote on the resolution, and unless a poll is so demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting of the Company, shall be conclusive evidence of the outcome of a show of hands, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
- 4.14.8 If a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 4.14.9 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.
- 4.14.10 Subject to the Memorandum or the Articles, any action which may be taken by the Shareholders at a meeting may also be taken by Written Resolution.

#### 4.15 **Proxies**

- 4.15.1 A Shareholder may attend a meeting of Shareholders personally or be represented by a proxy who may speak and vote on behalf of the Shareholder.
- 4.15.2 The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. An instrument appointing a proxy shall be in such form as the Chairman of the meeting shall accept as properly evidencing the wishes of the Shareholder appointing the proxy.
- 4.15.3 Subject to the Companies Act, in relation to any Shares which are held in uncertificated form, the Directors may from time to time permit appointments of a proxy to be made by means of an electronic communication in the form of an Uncertificated Proxy Instruction (as defined below). The Directors may in a similar manner permit supplements to, or amendments or revocations of, any such Uncertificated Proxy Instruction to be made by like means. The Directors may in addition prescribe the method of determining the time at which any such properly authenticated dematerialised instruction (and/or other instruction or notification) is to be treated as received by the Company or such participant. Notwithstanding any other provision in these Articles, the Directors may treat any such Uncertificated Proxy Instruction which purports to be or is expressed to be sent on behalf of a Shareholder as sufficient evidence of the authority of the person sending that instruction to send it on behalf of the Shareholder.
- 4.15.4 Subject to the Articles, the form of appointment of a proxy and any authority under which it is signed (or a copy of the authority certified notarially or in any other way approved by the Directors) must be delivered so that it is received by the Company forty eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote. They must be delivered in either of the following ways:
- 4.15.4.1 In the case of an instrument in writing, it must be left at or sent by post:
- 4.15.4.2 to the registered office of the Company; or
- 4.15.4.3 to such other place within or outside the British Virgin Islands specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting.
- 4.15.5 If the form of appointment of proxy is not delivered on time, it is invalid.
- 4.15.6 When two or more valid but differing appointments of proxy are delivered or received in respect of the same Share for use at the same meeting and in respect of the same matter, the one which is last validly delivered or received (regardless of its date or of the date of its



execution) shall be treated as replacing and revoking the other or others as regards that Share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that Share.

#### 4.16 **Directors**

4.16.1 The Company may by Shareholder or Board resolution, from time to time, fix the maximum and minimum number of Directors to be appointed. Under the Articles, the minimum number of Directors shall be one and there shall be no maximum number of directors.

4.16.2 A Director may be appointed by resolution of shareholders or by the Directors. Any appointment may be to fill a vacancy or as an additional director.

4.16.3 The remuneration of the Directors shall be determined by the Company by resolution of shareholders or by resolution of Directors.

4.16.4 Any Director may in writing appoint another person, including another Director, to act in his place as an alternate Director. No appointment shall take effect until the Director has given notice of the appointment to the Board. All notices of meetings of Directors shall continue to be given to the appointing Director as well as to the alternate. An alternate director shall be entitled to attend and vote at any Board meeting or meeting of a committee of the Directors at which the appointing Director is not personally present, and generally to perform all the functions of the appointing Director in his absence. An alternate director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate director. A Director may at any time revoke the appointment of an alternate director appointed by him.

#### 4.17 **Share qualification**

There shall be no shareholding qualification for Directors unless otherwise determined by resolution of the shareholders or resolution of the Directors. Any Director shall be entitled to attend and to speak at any meeting of the Shareholders and any separate meeting of the holders of any class of any Shares in the Company.

#### 4.18 **Retirement and removal of Directors**

4.18.1 The first Directors of the Company and all subsequent Directors shall submit themselves for re-election by the Shareholders at the first annual general meeting after their appointment. No Director shall remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. At each annual general meeting, the Directors subject to retirement shall retire from office. A Director retiring at such meeting shall retain office until the dissolution of such meeting and accordingly on retiring, a Director who is re-elected or deemed to have been re-elected will continue in office without a break.

4.18.2 The Directors to retire by rotation shall be:

4.18.2.1 any Director who wishes to retire and not to offer himself for re-election;

4.18.2.2 any Director who has been, or who by the time of the next annual general meeting will have been, in office for three (3) years or more; and

4.18.2.3 such number of additional Directors (if any) as, when added to those Directors referred to in paragraphs 4.18.2.1 and 4.18.2.2 above, equal one-third of the Directors (or, if the number of Directors is not three or a multiple of three, the number nearest to but not exceeding one-third of the Directors), provided that such additional Directors shall be those who have been longest in office. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of his last election or appointment when he has previously vacated office.

4.18.3 A retiring Director shall be eligible for re-election.

4.18.4 The Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by appointing a person thereto by resolution of shareholders and in default the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at such meeting it is expressly resolved not to fill the vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and lost. The Company at such meeting may also, subject to the Articles, fill any other vacancies.

4.18.5 A Director may be removed by resolution of shareholders.

4.18.6 A Director may at any time resign or retire from office by giving to the Company notice in writing. Unless the notice specifies a different date, the Director shall be deemed to have resigned on the date that the notice is delivered to the Company.

4.18.7 Subject to the provisions of the Articles, the office of a Director may be terminated forthwith if:

4.18.7.1 he is prohibited by the law of the British Virgin Islands from acting as a Director; or

4.18.7.2 he is made bankrupt or makes an arrangement or composition with his creditors generally; or

4.18.7.3 he resigns his office by notice to the Company; or

4.18.7.4 he only held office as a Director for a fixed term and such term expires; or

4.18.7.5 in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a Director; or

4.18.7.6 he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or

4.18.7.7 he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or

4.18.7.8 without the consent of the other Directors, he is absent from meetings of Directors for a continuous period of six months.

#### 4.19 ***Compensation for loss of office***

The provisions contained in sections 215 to 221 of the UK Companies Act 2006 in relation to payments made to Directors (or a person connected to such Directors) for loss of office and the circumstances in which such payments would require the approval of Shareholders broadly apply to the Company, and the Company shall comply with such provisions as if it were a company incorporated in the United Kingdom.

#### 4.20 ***Powers and duties of Directors***

4.20.1 Subject to the provisions of the Companies Law, the Memorandum and the Articles, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company. No prior act of the Directors shall be invalidated by any subsequent alteration of the memorandum of association or the Articles.

4.20.2 The Directors may delegate any of their powers to any committee consisting of one or more persons who need not be Shareholders and may include non-directors so long as the majority of those persons are Directors; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

4.20.3 The Board may establish any local or divisional board or agency and delegate to it its powers and authorities (with power to sub-delegate) for managing any of the affairs of the Company whether in the British Virgin Islands or elsewhere and may appoint any persons to be members of a local or divisional board, or to be managers or agents, and may fix their remuneration.

4.20.4 Subject to the Companies Act the Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, either generally or in



respect of any specific matter, to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers.

4.20.5 Subject to the Companies Act the Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, whether nominated directly or indirectly by the Directors, to be the attorney or the authorised signatory of the Company and for such period and subject to such conditions as they may think fit, The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the Directors under the Articles. The Board may remove any person so appointed and may revoke or vary the delegation.

#### 4.21 ***Proceedings of Directors***

4.21.1 The Directors may meet together to discuss any business of the Company (either within or outside the British Virgin Islands) and, subject to the provisions of Articles, may regulate their meetings and proceedings as they think fit.

4.21.2 Any Director may at any time, summon a meeting of the Directors.

4.21.3 All matters discussed at meetings of the Directors shall be decided by a majority of votes. In the case of an equality of votes the chairman may if he wishes, exercise a casting vote.

4.21.4 The quorum for the transaction of the business of the Board shall, where there is more than one director in office, be two Directors (present in person or by their alternates) unless the Directors fix some other number.

4.21.5 A resolution in writing agreed by and signed by a majority in number of the Directors entitled to receive notice of and vote at a meeting of the Board and taking the form of a written resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held.

4.21.6 A person entitled to be present at a meeting of the Board shall be deemed to be present for all purposes if he takes part in the meeting by way of a conference telephone, video or any other form of communications equipment which allows everybody participating in the meeting to speak to and be heard by all those present or deemed to be present simultaneously. A Director so deemed to be present shall be entitled to vote and be counted in a quorum accordingly.

4.21.7 The Directors may fill any casual vacancy in the office of Auditors to the Company.

4.21.8 Where there is only one Director he shall have full power to represent the Company in all matters and in lieu of meetings he shall record in writing and sign a note of memorandum of all matters requiring a resolution of Directors which shall constitute sufficient evidence of such resolutions.

#### 4.22 ***Borrowing powers of Directors***

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled Shares or any part thereof, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

#### 4.23 ***Interests of Directors***

4.23.1 A Director may, as a Director, vote and be counted in the quorum in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company)

4.23.2 A Director may hold any other office or position of profit under the Company (except that of auditor) in conjunction with his office of Director, and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors shall approve.

4.23.3 A Director may be or become a Director or officer of, or otherwise be interested in any company promoted by the Company, or in which the Company may be interested, as a Shareholder or otherwise and no such Director shall be accountable for any remuneration or other benefits received by him as Director or officer or from his interest in such other company. The Directors may also exercise the voting powers conferred by the Shares in any other company held or owned by the Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolutions appointing them, or of their number, Directors or officers of such other company, or voting or providing for the payment of remuneration to the Directors or officers of such other company. A Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or be about to become, a Director or officer of such other company, and as such in any other manner is, or may be, interested in the exercise of such voting rights in the manner aforesaid.

4.23.4 No Director shall be disqualified by his office from contracting with the Company either as a buyer, seller or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be voided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement, by reason of such Director holding that office or by reason of the fiduciary relationship thereby established, provided such Director shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose such interest to the board. For the purposes of this Article:

4.23.4.1 a Director is not required to make such a disclosure if:

4.23.4.2 the transaction or proposed transaction is between the Director and the Company; and

4.23.4.3 the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions;

4.23.4.4 a disclosure to the board to the effect that a Director is a Member, Director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. Such a disclosure is not made to the board unless it is made or brought to the attention of every Director on the board; and

4.23.4.5 subject to section 125(1) of the Act, the failure by a Director to comply with this Article does not affect the validity of a transaction entered into by the Director or the Company.

4.23.5 A Director who is interested in a transaction entered into or to be entered into by the Company may:

4.23.5.1 vote on a matter relating to the transaction;

4.23.5.2 attend a meeting of Directors at which a matter relating to the transaction arises and be included among the Directors present at the meeting for the purposes of a quorum; and

4.23.5.3 sign a document on behalf of the Company, or do any other thing in his capacity as a Director, that relates to the transaction.

#### 4.24 **Indemnity**

4.24.1 To the extent permitted by law, the Company shall indemnify each existing or former secretary, Director (including alternate director), and other officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

4.24.1.1 all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former secretary or officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the

existing or former secretary's or officer's duties, powers, authorities or discretions;  
and

4.24.1.2 without limitation to paragraph 4.24.1.1, all costs, expenses, losses or liabilities incurred by the existing or former secretary or officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the British Virgin Islands or elsewhere.

4.24.2 No such existing or former secretary or officer, however, shall be indemnified in respect of any matter arising out of his own actual fraud or wilful deceit.

4.24.3 To the extent permitted by law, the Company shall make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former secretary or officer of the Company in respect of any matter identified in paragraph 4.24.1.1 or 4.24.1.2 above on condition that the secretary or officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the secretary or that officer for those legal costs.

4.24.4 The Directors, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

#### 4.25 **Distribution of assets in a liquidation**

4.25.1 If the Company is wound up, the liquidator may do either or both of the following:

4.25.1.1 to divide *in specie* among the Shareholders the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Shareholders or different classes of Shareholders;

4.25.1.2 to vest the whole or any part of the assets in trustees for the benefit of Shareholders and those liable to contribute to the winding up.

4.25.2 The Directors have the authority to present a petition for the winding up of the Company on behalf of the Company without the sanction of a resolution passed at a general meeting.

#### 4.26 **Takeover provisions**

4.26.1 The Company is not currently subject to the Takeover Code.

4.26.1.1 The Company's Articles contain certain protections which are similar to those provisions of the Takeover Code. The Articles provide among other things that: (a) if any Shareholder (or person acting in concert with such Shareholder) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in Shares which (taken together with Shares in which such Shareholder or persons acting in concert with such Shareholders are interested) carry 30 per cent. or more of the voting rights of the Company; or (b) any Shareholder, together with persons acting in concert with such Shareholder, is interested in Shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights and such Shareholder, or any person acting in concert with such Shareholder, acquires an interest in any other Shares which increases the percentage of shares carrying voting rights in which he is interested, such Shareholder (the "Offeror") shall extend an offer, to the holders of all the issued (and to be issued) Shares in the Company. An offer will not be required where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of shares.

- 4.26.2 An offer must be conditional only upon the Offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding Shares carrying more than 50 per cent. of the voting rights of the Company.
- 4.26.3 An offer will not be required under the Articles, as a result of the acquisition by a person of Shares upon Admission, or as a result of the exercise by a person (or, in respect of a corporate entity, a member of that corporate entity's group) of warrants or options which were granted to such person upon Admission.
- 4.26.4 An offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to the Articles arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in Shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in Shares so acquired.
- 4.26.5 When an offer is made and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for shares, to the holders of such convertible securities to ensure that their interests are safeguarded.
- 4.26.6 Any offer shall be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. In relation to any offer required to be made under the Articles, any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination.
- 4.26.7 Except with the consent of an ordinary resolution of independent Shareholders on a poll, Shareholders shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any Shares and in relation to their dealings with the Company in relation to all matters.
- 4.26.8 At all times when the Company is in an offer period each Shareholder shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.
- 4.26.9 If at any time any Shareholder has incurred an obligation to extend an offer to the holders of all the issued Shares (and any convertible securities of the Company) and shall have failed so to do, or that any Shareholder is in default of any other obligation imposed upon Shareholders pursuant to this Article 9, then the Board shall as soon as practicable by notice to such Shareholder and any other Member acting in concert with such Shareholder (together the "Defaulters") direct that:
- 4.26.9.1 in respect of the Shares held by the Defaulters (the "Default Shares") the Defaulters shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by a holding of Shares in relation to meetings of the Company;
- 4.26.9.2 except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the Default Shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the Shareholder; and
- 4.26.9.3 no other distribution shall be made on the Default Shares.
- 4.26.10 Where Shares or other securities of the Company are charged as security for a loan and, as a result of enforcement of such security, the lender incurs an obligation to make an offer under Article 9.2, no such offer will be required if sufficient interests in Shares are disposed of within a period of fourteen (14) days to persons unconnected with the lender, so that the percentage of Shares carrying voting rights in which the lender, together with persons acting in concert with it, is interested is reduced to below 30 per cent. in a manner satisfactory to the Board (in its absolute discretion). In any case where arrangements are to be made involving a transfer of voting rights to the lender, but which do not amount to enforcement of

security, no offer under Article 9.2 will be required if the lender satisfies the Board (in the Board's absolute discretion) that such arrangements are necessary to preserve the lender's security and that the security was not given at a time when the lender had reason to believe that enforcement was likely.

4.26.11 If, due to a bona fide inadvertent mistake, a person incurs an obligation to make an offer under Article 9.2, the Board may waive the requirement to make such an offer if sufficient interests in Shares are disposed of within a limited period (being a maximum of fourteen (14) days) to persons unconnected with such person, so that the percentage of Shares carrying voting rights in which the person, together with persons acting in concert with him, is interested is reduced to below 30 per cent. in a manner satisfactory to the Board.

#### 4.27 **Power to amend the Memorandum of Association and Articles**

Subject to the Companies Act, the Company may by a resolution of the Directors or by resolution of the members, amend the provisions of the memorandum of association and Articles in whole or in part.

### 5. **Special rights under British Virgin Islands law**

#### 5.1 **Redemption of shares**

The Company may, in the manner determined by the directors by Resolution of Directors (and subject to the written consent of all the shareholders whose shares are to be purchased, redeemed or otherwise acquired), purchase, redeem or otherwise acquire any of the Company's own shares for such consideration as the directors consider fit, and either cancel or hold such shares as treasury shares. Shares may be purchased or otherwise acquired in exchange for newly issued shares in the Company.

The directors shall not, unless permitted pursuant to the Companies Act, purchase, redeem or otherwise acquire any of the Company's own shares unless immediately after such purchase, redemption or other acquisition:

- (a) the value of the Company's assets exceeds its liabilities; and
- (b) the Company is able to pay its debts as they fall due.

Sections 60 and 61 of the Companies Act shall not apply to the Company.

#### 5.2 **Mergers and Consolidations**

5.2.1 The Companies Act provides that any two or more British Virgin Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Companies Act. The Companies Act also allows one or more British Virgin Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation).

5.2.2 To effect a merger or consolidation of one or more British Virgin Islands companies the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Companies Act. The plan must then be authorized by each constituent company by a resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.

5.2.3 Where a British Virgin Islands parent is merging with one or more of its British Virgin Islands subsidiaries, shareholder consent is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged.

5.2.4 To effect a merger or consolidation of one or more British Virgin Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger of consolidation of British Virgin Islands companies (in relation to British Virgin Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to the foreign company(ies).

## 6. Disclosure of Interests

### 6.1 Directors' and other interests

6.1.1 As at the date of this Document and following the Placing and Admission, the interests of the Directors (all of which are beneficial) (including persons connected with the Directors within the meaning of section 252 of the UK Companies Act 2006) in the issued share capital of the Company are as follows:

<i>Director</i>	<i>At the date of this Document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Karl Barclay	5,765,500 <sup>1</sup>	17.74	5,765,500 <sup>2</sup>	15.39
John Blamire	7,900,000	24.31	7,900,000	21.09
Desmond Carr	200,000	0.62	200,000	0.53
Emma Shaw	0	0	0	Nil
Iain Manley	200,000	0.62	200,000	0.53

<sup>1</sup> Of which 2,182,500 (6.72%) are held by Dounreay Management and a further 666,666 (2.05%) by Andrea Barclay.

<sup>2</sup> Of which 2,182,500 (5.83%) are held by Dounreay Management and a further 666,666 (1.78%) by Andrea Barclay.

6.1.2 Save as disclosed in this paragraph 6, none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act 2006, has any interest in the issued shares of the Company or its subsidiaries.

6.1.3 Save as disclosed in this paragraph 6 as at the date of this Document, no Director has any option over or warrant to subscribe for any shares in the Company

6.1.4 Save for the Placing Agreement referred to in paragraph 10.11 of Part VII of this Document or the service agreements and letters of appointment referred to in paragraph 7 of Part VII of this Document or the Lock-in Agreements referred to in paragraph 9 of Part VII of this Document or the warrant instruments referred to in paragraph 10.4 of Part VII of this Document there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission or the Placing.

6.1.5 None of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act, has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.



## 6.2 Major Shareholders

6.2.1 Including those disclosed at paragraph 6.1.1 above, the Company is aware of the following persons who, at 17 June 2013 (being the latest practicable date before publication of this Document) and following completion of Admission and the Placing, have interests in voting rights over 3 per cent. or more of the issued shares capital of the Company:

Shareholder	At the date of this Document		Immediately following Admission	
	Number of Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Number of Shares the Company is authorised to issue
Karl Barclay	5,765,500 <sup>1</sup>	17.74	5,765,500 <sup>2</sup>	15.39
John Blamire	7,900,000	24.31	7,900,000	21.09
Kay Renyard	3,500,000	10.77	3,500,000	9.34
Lloyds TSB Share Dealing HSBC Client Holdings Nominee (UK) Ltd	1,250,000 <sup>3</sup>	3.85	2,083,333 <sup>4</sup>	5.56
Rensburg Client Nominees Ltd	1,288,000 <sup>5</sup>	3.96	1,871,333 <sup>6</sup>	5.00
TD Direct Investing Nominees (Europe) Ltd	1,750,000 <sup>7</sup>	5.38	1,750,000 <sup>8</sup>	4.67
Walker Cripps	1,420,000 <sup>9</sup>	4.36	1,420,000 <sup>10</sup>	3.8
Keith Catchpole	0	0	1,125,000	3.00
	0	0	625,000	1.67

<sup>1</sup> Of which 2,182,500 (6.72%) are held by Dounreay Management and a further 666,666 (2.05%) by Andrea Barclay.

<sup>2</sup> Of which 2,182,500 (5.83%) are held by Dounreay Management and a further 666,666 (1.78%) by Andrea Barclay.

<sup>3</sup> All of which are held on behalf of Jonathan Campbell-James.

<sup>4</sup> All of which are held on behalf of Jonathan Campbell-James.

<sup>5</sup> Of which 788,000 (2.42%) are held by K C Investments Ltd and 500,000 (1.54%) are held by Patricia Catchpole and her children).

<sup>6</sup> Of which 808,833 (2.16%) are held by K C Investments Ltd, 375,000 (1%) are held by Patricia Catchpole and 687,500 (1.83%) are held by her children).

<sup>7</sup> All of which are held on behalf of George Long.

<sup>8</sup> All of which are held on behalf of George Long.

<sup>9</sup> Of which 710,000 (2.18%) are held by Hugh McLeod and a further 710,000 (2.18%) are held by Jane McLeod.

<sup>10</sup> Of which 710,000 (1.9%) are held by Hugh McLeod and a further 710,000 (1.9%) are held by Jane McLeod.

6.2.1.1 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued Shares or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.2.1.2 The Company and the Directors are not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company.

6.2.2 Neither the Directors nor any Substantial Shareholders have different voting rights to other holders of the Shares of the Company.

## 7. Directors' Service Agreements and Terms of Appointment

7.1 The Company has entered into the following service agreements and letters of appointment:

### 7.1.1 Karl Barclay

On 22 May 2013 Karl Barclay entered into a service agreement with the Company, the terms of which are conditional upon Admission. Mr Barclay has agreed to act as an Executive Director and Chairman of the Company for a salary of £100,000 per annum. The appointment is terminable by 12 months' notice given by either party.

Mr Barclay is not entitled to receive any additional benefits. He is entitled to the reimbursement of business expenses and it is anticipated that the terms of Mr Barclay's employment will be reviewed in due course by the Remuneration Committee.

#### 7.1.2 **John Blamire**

On 22 February 2013 John Blamire entered into a service agreement with the Company, the terms of which are conditional upon Admission. Mr Blamire has agreed to act as an Executive Director and Chief Executive of the Company for a salary of £60,000 per annum. The appointment is terminable by 12 months' notice given by either party.

Mr Blamire is not entitled to receive any additional benefits. He is entitled to the reimbursement of business expenses and it is anticipated that the terms of Mr Blamire's employment will be reviewed in due course by the Remuneration Committee.

#### 7.1.3 **Desmond Carr**

On 28 February 2013 Desmond Carr entered into a letter of appointment with the Company on a non-fixed term basis but with the intention that the appointment shall be for an initial term of 3 years to be confirmed at the Company's next annual general meeting, the terms of which are conditional upon Admission. Mr Carr has agreed to act as a non-executive Director of the Company for a fee of £12,000 per annum. The appointment is terminable by one months' notice given by either party.

Mr Carr is also entitled to be issued with Shares in the Company having a value of £20,000 (based on the proposed Placing Price) for taking on chairmanship of the remuneration and audit committee and for acting as senior non-executive director. He is also entitled to the reimbursement of business expenses.

#### 7.1.4 **Emma Shaw**

On 10 March 2013 Emma Shaw entered into a letter of appointment with the Company on a non-fixed term basis but with the intention that the appointment shall be for an initial term of 3 years to be confirmed at the Company's next annual general meeting the terms of which are conditional upon Admission. Mrs Shaw has agreed to act as a non-executive Director of the Company for a fee of £12,000 per annum. The appointment is terminable by one months' notice given by either party. She is also entitled to the reimbursement of business expenses.

#### 7.1.5 **Iain Manley**

On 15 March 2013, Iain Manley entered into a letter of appointment with the Company on a non-fixed term basis but with the intention that the appointment shall be for an initial term of 3 years to be confirmed at the Company's next annual general meeting, the terms of which are conditional on Admission. Mr Manley has agreed to act as a non-executive Director of the Company for a fee of £12,000 per annum. He is also entitled to be paid £1,000 for each additional day or £500 per additional half day spent on Company business over and above one day per month to a maximum in any one month of £4,000. The appointment is terminable by one month's notice given by either party.

Mr Manley is also entitled to be issued with Shares in the Company having a value of £20,000 (based on the proposed Placing Price). He is also entitled to reimbursement of business expenses.

- 7.2 Save as set out above there are no contracts providing for benefits upon termination of employment of any Director or Senior Manager.



## 8. Additional Information on the Directors

8.1 The Directors currently hold (other than Directorship of the Company and its subsidiaries) the following Directorships and are partners in the following partnerships and have held the following Directorships and have been partners in the following partnerships within the five years prior to the publication of this Document:

<i>Director</i>	<i>Current Directorships or Partnerships</i>	<i>Former Directorships or Interests in Partnerships held in last five years</i>
Karl Phillip Allardyce Barclay	Stirling Assynt International Group Limited (BVI) Stirling Risk (Asia) Limited (HK) Stirling Assynt (Europe) Limited Falanx Group Limited (BVI)	None
John Blamire	Falanx Group Limited (BVI) Falanx Protection Limited (BVI) Falanx Security Limited	Rok Asset Management Limited Praetorian Protection Limited Typhon Limited
Desmond Patrick Carr	Sahara Financial LLC (USA) Falanx Group Limited (BVI)	ExxonMobil Saudi Arabia (KSA) ExxonMobil Saudi Arabia Inc. (USA) ExxonMobil Saudi Arabia (Red Sea) Ltd (Bahamas) ExxonMobil Saudi Arabia (Red Sea) Ltd (KSA) ExxonMobil Saudi Arabia (Southern Ghawar) Ltd (Bahamas) ExxonMobil Saudi Arabia (Southern Ghawar) Ltd (KSA) Saudi Aramco Mobil Refinery Company Ltd (KSA) Saudi Yanbu Petrochemical Company (KSA) Al-Jubail Petrochemical Company (KSA)
Emma Jane Shaw	Esoteric Limited The Security Institute Falanx Group Limited (BVI)	None
Iain Manley	Falanx Group Limited (BVI)	Ram ActiveMedia plc Ram Vision Limited Maybury Investments Ltd

8.2 Save as set out in this Document, no Director has:

8.2.1 any unspent convictions in relation to indictable offences;

8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements;

8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company at that time or within the 12 months preceding such events;

8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership at that time or within the 12 months preceding such events.

8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner at that time or within 12 months preceding such events;

- 8.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## **9. Lock-in Agreements**

On 17 June 2013, the Company, ZAICF and each of the Locked-in Parties entered into Lock-in Agreements pursuant to the terms of which each of the Locked-in Parties have undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares, which they hold immediately following Admission for a period commencing at Admission and ending on the first anniversary of Admission, without the prior written consent of the Company and ZAICF. In addition, each of the Locked-in Parties has undertaken to the Company and ZAICF that, for a further year thereafter, he will only sell such Ordinary Shares through ZAICF in order to maintain an orderly market. ICC Investments Ordinary Shares acquired as part of the Placing is specifically excluded from the provisions of the lock in and orderly market restrictions.

## **10. Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this Document and are, or may be, material:

### **10.1 Placing Agreement**

On 17 June 2013, the Company, the Directors, ZAICF and Peterhouse entered into the Placing Agreement. The Placing Agreement contains the following terms:

- 10.1.1 the Company appointed ZAICF and Peterhouse as its agents to procure subscribers at the Placing Price of the Placing Shares and ZAICF and Peterhouse agreed (subject to paragraph 10.1.2 below) to use their respective reasonable endeavours to procure subscribers at the Placing Price for the Placing Shares;
- 10.1.2 the obligations of ZAICF and Peterhouse are conditional, *inter alia*, on Admission occurring on or before 20 June 2013 or such later date (being no later than 19 July 2013) as the Company and ZAICF may agree;
- 10.1.3 subject to Admission, the Company shall pay to ZAICF and Peterhouse such fees as set out in the documents summarised in paragraphs 10.2, 10.3 and 10.4;
- 10.1.4 the Placing Agreement contains certain warranties and indemnities given by the Company and the Directors in favour of ZAICF and Peterhouse (including warranties relating to the accuracy of the information in this Document and the Company's incorporation and capacity).

### **10.2 ZAI Joint Broker Agreement**

On 8 August 2012, the Company entered in to an engagement letter with ZAICF whereby ZAICF agreed to be appointed as broker to the Company on an on-going basis for a 5 per cent. commission of the funds raised Admission. In addition, the Company has agreed, on Admission, to grant ZAI warrants in the Company equal to the greater of 3 per cent. of the funds raised by ZAICF or 1 per cent. of the entire issued share capital of the Company. The agreement contains certain indemnities given by the Company to ZAICF.

### **10.3 Peterhouse Joint Broker**

On 9 April 2013, the Company entered into an engagement letter with Peterhouse Corporate Finance Limited ("Peterhouse") whereby Peterhouse agreed to be appointed joint broker to the Company on an on-going basis for an annual retainer fee of £10,000 plus VAT and a 5 per cent. commission of the funds raised by Peterhouse. The agreement contains certain indemnities given by the Company to Peterhouse.

### **10.4 ZAI Nomad Agreements**

On 8 August 2012, the Company entered into an engagement letter with ZAICF whereby ZAICF agreed to act as nominated adviser to the Company on an for purposes of the Company's Admission. The agreement contains certain indemnities given by the Company to ZAICF. The

Company is required under the AIM Rules to retain a Nominated Adviser at all times. On 14 June 2012, the Company entered into an agreement with ZAICF whereby ZAICF agreed to act as nominated adviser to the Company on an on-going basis. The agreement contains covenants from the Company relevant to the compliance with the AIM Rules, and stipulates an annual fee subject to annual review.

#### 10.5 **Warrant Agreement**

A warrant agreement has been executed between the Company and ZAICF to give effect to the issue of warrants to ZAICF. Pursuant to the warrant agreement ZAICF shall be issued warrants to subscribe for an aggregate of 374,583 Ordinary Shares. The warrants will be exercisable at any time from Admission for a period of five years from Admission at the Placing Price.

The Ordinary Shares to be allotted and issued on the exercise of any or all of the warrants will rank for all dividends and other distributions declared after the date of the allotment of such shares but not before such date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the date of such exercise allotment.

The warrant agreement contains provisions for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the warrants and the subscription price upon a capitalisation of reserves, on sub-division or consolidation or reduction of the share capital of the Company.

#### 10.6 **Depositary Agreement**

On 17 June 2013, the Company and Computershare Investor Services PLC (“**Depositary**”) entered into an agreement for the provision of depositary services and custody services (the “Depositary Agreement”), pursuant to which the Company appointed the Depositary to act as depositary and custodian in respect of the Depositary Interests and to provide the services set out in the Depositary Agreement.

In consideration of the services to be provided, the Company has agreed to pay the Depositary an annual fee of £6,000. The Company has also agreed to pay the Depositary £5,000 in respect of the compilation of the initial depositary interests register and the provision of the draft documentation in respect of the Deed Poll and the Depositary Agreement.

The Depositary’s maximum liability under the Depositary Agreement in respect of any twelve month period is capped at an amount equal to twice the Depositary’s fees earned in that twelve month period. The parties are required under the Depositary Agreement to indemnify each other in certain circumstances.

Subject to earlier termination, the appointment of the Depositary is for a fixed term of one year and thereafter until terminated by either party giving to the other not less than six months’ notice.

#### 10.7 **Registrars Agreement**

On 17 June 2013, the Company and Computershare Investor Services (BVI) Limited entered into a registrar’s agreement (the “Registrar’s Agreement”), pursuant to which the Company appointed the Registrar to act as its registrar and to provide the services set out in the Registrar’s Agreement.

In consideration for the services to be provided, the Company has agreed to pay the Registrar a setup fee of £1,500 and a fixed annual fee of £5,500.

The Registrar’s maximum liability under the Registrar’s Agreement in respect of any twelve month period is capped at an amount equal to twice the Registrar’s fees earned in that twelve month period. The parties are required under the Registrar’s Agreement to indemnify each other in certain circumstances.

Subject to earlier termination, the Registrar’s Agreement is for a fixed term of three two years and thereafter until terminated by the Company giving to the Registrar not less than three months’ notice, such notice not to expire prior to the third anniversary of Admission.

#### 10.8 **Bond/Share Purchase Agreement**

On 28 March 2013, (1) Falanx Group Limited and (2) SAIG entered into an agreement with the holders (“**Seller**” or “**Bondholder**”) of 2,817 B ordinary shares of US\$1 each in SAIG (“**Sale Shares**”) and a convertible bond instrument dated 1 August 2008 (“**Convertible Bond**”) whereby the Seller/Bondholder sold the Sale Shares and surrendered the Convertible Bond to SAIG. The Bondholder also surrendered all rights pursuant to the receipts, coupons and other documents issued by SAIG in favour of the Bondholder and representing the rights of the Bondholder to convert the bonds into principal payment and/or interest (“**Bond Receipts**”).

The consideration for the Sale Shares and Convertible Bond was £250,000. Completion of the agreement is conditional upon FGL or Stirling Assynt (Acquisition) Limited having entered into an agreement for the purchase of the entire business, assets and undertaking (including liabilities) of SAIG.

The agreement contains certain warranties from the Seller in favour of FGL and SAIG and from SAIG in favour of the Seller and FGL. Under the terms of the agreement, the Seller waived any claims it or any person connected with it had or has against SAIG and released any obligation owed to it or any connected person by SAIG.

#### 10.9 **Business Purchase Agreement**

On 29 March 2013, Stirling Assynt (Acquisition) Limited (“**SAAL**”) and SAIG entered into an agreement whereby SAIG agreed to sell the entire business, assets and undertaking (including liabilities) of SAIG (“**Business**”) to SAAL.

To satisfy the consideration for the Business, SAAL agreed to:

- (a) set off repayment of a loan made by SAAL to SAIG on 27 February 2013 (“**Loan**”);
- (b) undertake, pay, satisfy and discharge the liabilities of the Business including the creditors (other than fixed and floating charges and sums owing to SAAL by SAIG);
- (c) adopt, perform and fulfil the outstanding contracts of the Business;
- (d) from completion, indemnify and keep indemnified SAIG from the liabilities and creditors of the Business; and
- (e) pay, satisfy or discharge all debts, liabilities and obligations incurred by SAAL in connection with the Business after completion.

Part of the consideration shall be discharged by means of set-off against the Loan.

The agreement contains warranties from SAIG in favour of SAAL.

#### 10.10 **Loan Agreement**

On 27 February 2013, SAAL and SAIG entered into a short form loan agreement pursuant to which SAAL loaned to SAIG the sum of £125,000 on the basis that it was unsecured interest-free and repayable on demand.

#### 10.11 **John Wyatt Associates Contract**

On 17 January 2013, Falanx Protection and John Wyatt Associates (“**JWA**”) entered into a master services agreement for a fixed period of 3 years initially and thereafter until terminated on 90 days’ notice.

Under the terms of this agreement, JWA has agreed to provide certain security services as requested by Falanx Protection from time to time including intelligence collection and analysis, security surveys and local risk assessments in particular regions and reporting and recommendations under individual work assignments agreed between the parties.

Each party shall retain the intellectual property rights, whether owned or licenced, which were created before the commencement of the agreement and shall grant the other party a non-exclusive royalty-free licence to use such rights during the term of the agreement. Any intellectual property rights created by or on behalf of Falanx Protection in performance of the services shall belong to

Falanx Protection and Weslan shall assign all such rights throughout the world, including future rights, to Falanx Protection in perpetuity. Weslan shall retain ownership of any improvements made to the intellectual property rights it owned prior to commencement of the agreement gained through the provision of services to Falanx Protection.

The parties are required under the agreement to indemnify each other in certain circumstances.

Under the terms of the agreement, Falanx Protection has agreed to pay the charges as specified in the individual work assignments, which are based on a matrix which will be agreed for each specific assignment. Falanx Protection has agreed not to solicit any employee or contractor of JWA during the term of the contract and for a twelve month period thereafter.

#### 10.12 **Weslan Contract**

On 6 November 2012, Falanx Protection and Weslan Security Consultants Limited ("**Weslan**") entered into an master services agreement, for a fixed period of 3 years initially and to continue thereafter until terminated on 90 days' notice.

Under the terms of this agreement, Weslan has agreed to provide certain security services including, but not limited to, analysis of security threats in the region and routes of travel to and from this area, analysis of capability and reliability of indigenous security forces, analysis of existing and potential physical security at specific operational sites (e.g. base camps) and analysis of the suitability of "night" operations and recommendations of security measures for such operations under individual work assignments to be agreed between the parties.

Under the terms of the agreement, Falanx Protection has agreed to pay the charges as specified in the individual work assignments, which are based on a matrix which will be agreed for each specific assignment.

Each party shall retain the intellectual property rights, whether owned or licenced, which were created before the commencement of the agreement and shall grant the other party a non-exclusive royalty-free licence to use such rights during the term of the agreement. Any intellectual property rights created by or on behalf of Falanx Protection in performance of the services shall belong to Falanx Protection and Weslan shall assign all such rights throughout the world, including future rights, to Falanx Protection in perpetuity. Weslan shall retain ownership of any improvements made to the intellectual property rights it owned prior to commencement of the agreement gained through the provision of services to Falanx Protection.

The parties are required under the agreement to indemnify each other in certain circumstances.

Falanx Protection has agreed not to solicit any employee or contractor of Weslan during the term of the contract and for a twelve month period thereafter.

#### 10.13 **Brian Wilkins Contract**

On 9 November 2012, Falanx Protection and Brian Wilkins ("**BW**") entered into a patent and know-how licence agreement (the "**BW Agreement**") pursuant to which BW granted Falanx Protection an exclusive licence for the manufacture and sale of a blast protective window blind and the provision of ancillary services exclusively in the Middle East, North Africa and Singapore and on a non-exclusive licence in China and Hong Kong of intellectual property relating to security blind technology developed by BW and of his associated know-how (in each case on a non-exclusive basis ("**Licensed Technology**") to manufacture, sell, lease, supply or otherwise use products within the scope of the claims of a registered patent and certain applications for patents and know-how (the "**Products**"). BW is the ultimate owner of the Licensed Technology. Whilst an international patent application and individual patent applications have been made by BW in the United Arab Emirates and the Kingdom of Saudi Arabia, a patent has only been granted in Hong Kong.

Subject to earlier termination, the BW Agreement is for an initial period of three years and continues thereafter for further periods of twelve months until the intellectual property in the Products is no longer protected or valid and the know-how has become public knowledge as result of Falanx

Protection's actions. Falanx Protection has a 6 month sell-off period where the BW Agreement is terminated by BW for any reason.

To the extent that no patent application is made and/or a patent is pending in a specific territory, Falanx Protection is reliant on the licensed know-how to exploit the rights granted under the BW Agreement. Falanx Protection is responsible for all patent costs (such as patent attorney fees, filing fees, application costs and maintenance fees) incurred in relation to the licensed territory which are provided for in the patent costs budget to be agreed by the parties following signature of the contract. This budget will be reviewed and, if appropriate, varied on a semi-annual basis. Falanx Protection may appoint a third party to manufacture the Products provided that the sub-licence contains comparable obligations and terminates automatically on the expiration or termination of the SB Agreement. Each party can assign its rights to a third party on notice to the other party.

BW will own all intellectual property rights in any severable or non-severable improvements to the Licensed Technology whether created solely or jointly by BW or Falanx Protection.

In consideration for the grant of the licence, Falanx Protection has agreed to pay BW an annual licence fee of £150,000 (the first licence fee being payable within 14 days of Falanx Protection's public listing to the UK AIM market as a wholly owned subsidiary of the Company) and royalties equal to 5 per cent. of the net sales price for each square metre of Product supplied by Falanx Protection in the licensed territory on a quarterly basis.

If BW offers grants a third party more favourable terms as to royalty in respect of any non-exclusive licensed territory, Falanx Protection has a right, within 21 days of being notified of the same, to require BW to offer it comparable terms.

Falanx Protection may, but is not obliged, to market the Products under the "Security Blinds" trade name.

The parties must attempt to agree a joint programme of action if the Licensed Technology (or the "Security Blinds" trade name) is attacked, opposed, infringed or an application is made for a compulsory licence under any patent. Where the parties are unable to agree a joint programme of action, BW is free in his discretion to take such steps as he deems desirable and, where he notifies Falanx Protection that he does not intend to do anything, Falanx Protection may, in its discretion and at its own cost, take action against the third party.

Falanx Protection indemnifies BW against all liabilities, costs, expenses, damages or losses he suffers arising from any product liability claim relating to the Products manufactured and sold by Falanx Protection save if a claim results from BW's own negligence or wilful misconduct. Falanx Protection is to maintain appropriate product liability insurance and comprehensive general liability insurance during and for a period of six years following termination of the BW Agreement.

BW indemnifies Falanx Protection against all liabilities, costs, expenses, damages or losses it suffers arising out of any claim that the Licensed Technology and/or Protects infringes, or the import, use or resale of the Products infringes the intellectual property rights, or misuses any confidential information, belonging to any third party.

Each party's maximum liability under the BW Agreement in respect of any twelve month period is capped at an amount equal to the total royalties paid or payable in that twelve month period. Each party's liability for certain types of direct and indirect loss including loss of profit, injury to reputation, product recall costs or third party losses is excluded.

#### 10.14 **Environmental Recycling Contract**

On 11 January 2013, Falanx Protection and Environmental Recycling Technologies Plc ("**ENRT**") entered into a licence agreement (the "**ENRT Agreement**") pursuant to which AIM:ENRT granted Falanx Protection an exclusive licence in the territory of MENA (comprising Morocco, Algeria, Tunisia, Libya, Egypt, Syria, Lebanon, Iraq, Jordan, Saudi Arabia, UAE, Bahrain, Kuwait, Qatar, Oman and Yemen) to make, have made, import, use, lease, hire, sell, supply, dispose of or otherwise exploit any anti-ballistic or anti-blast products (the "**Products**") which fall within the scope of ENRT's



patents and patent applications or know-how relating to its Powder Impression Moulding technology (the "**Licensed Technology**").

Subject to earlier termination the ENRT Agreement is for a period of 20 years or, if later, until the expiration of the relevant patents on a country by country basis. Falanx Protection may, however, terminate on three months' notice at any time during the first twelve months. Upon termination Falanx Protection is free, subject to payment of any applicable royalties, to sell or dispose of the Licensed Products how it chooses.

The ENRT Agreement does not provide specific information about the patents, if any, which may have been granted in relation to the Licensed Technology in the licensed territories. As such, to the extent that no patent has been granted, no application is made and/or a patent is pending, Falanx Protection is reliant on the licensed know-how to exploit the rights granted under the ENRT Agreement.

Falanx Protection has a right of first refusal to extend its licence beyond the anti-ballistic and anti-blast field of use. ENRT will consult with Falanx Protection free of charge in relation to the initial dissemination of the know-how. After this consultancy assistance will be provided at a rate of £650 per day plus expenses.

In consideration for the grant of the licence, Falanx Protection has agreed to pay ENRT a licence fee of \$100,000 in four instalments during 2013 and royalties equal to 5 per cent. of the net sales price of the Product supplied by Falanx Protection in the licensed territory bi-annually subject to an annual minimum royalty of \$100,000 which is payable from 2014 onwards. Falanx Protection must make all payments in pounds sterling.

Falanx Protection must provide a non-binding forecast at the beginning of each year of the royalties it anticipates will be payable to ENRT for the following three years. Unless otherwise agreed, Falanx Protection must provide samples of Products to ENRT for inspect, test and evaluate the quality of the Products once every six months and permit ENRT access to any place where Licensed Products are manufactured or stored for such quality control purposes.

Each party will own all intellectual property rights in any severable or non-severable improvements to the Licensed Technology which they create but Falanx Protection is not entitled to use or disclose any improvements it develops without ENRT's prior written consent which will not be unreasonably withheld or delayed. Falanx Protection must give ENRT the first option to co-fund the development and legal costs associated in securing the intellectual property rights in any significant improvement generated by Falanx Protection. If ENRT decides not to participate in a project Falanx Protection can proceed at its own cost but ENRT will have a non-exclusive, perpetual, irrevocable, royalty-free, worldwide licence to use and adapt the improvements.

In the event of any actual, suspected or threatened infringement of the Licensed Technology ENRT will have the first right (but no obligation) to take such steps as it deems appropriate to protect its rights. Where ENRT notifies Falanx Protection that it does not intend to do anything, Falanx Protection may, in its discretion and subject to ENRT's approval of any proposal which involves making a statement as to the validity of any patent or intellectual property contained in the know-how, at its own cost take action against the third party.

ENRT provides standard warranties as to the ownership of Licensed Technology and non-infringement of third party intellectual property. Subject to these warranties ENRT excludes its liability for any loss or damage (whether direct or otherwise) arising from the manufacture, use, storage or disposal of the Products.

Falanx Protection indemnifies ENRT against all liabilities, costs, expenses, damages or losses it suffers arising from the manufacture, use, storage or disposal of the Products save in respect of any breach of the warranties given by ENRT or liability directly attributable to ENRT's default. Falanx Protection is to maintain product liability insurance in the sum of £1,000,000 during and for a period of twelve months following termination of the ENRT Agreement.

Each party's maximum liability under the ENRT Agreement in respect of any twelve month period is capped at an amount equal to the total royalties paid or payable in that twelve month period save

for any direct losses arising from a party's intentional misconduct or negligence, in respect of which its liability will be uncapped. Each party's liability for indirect loss (unless caused by its intentional misconduct or negligence) is excluded.

Falanx Protection may not assign, charge or otherwise dispose of any of its rights or obligations without the prior written consent of ENRT, such consent not to be unreasonably withheld or delayed. ENRT can assign its rights to a third party on notice to Falanx Protection. The ENRT Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any claim or dispute.

#### **10.15 QinetiQ Contract**

Under an agreement dated 11 December 2012, QinetiQ Overseas Trading Limited ("**QinetiQ**") appointed SAEL to carry out initial scoping for a project to support the restructuring and training of a government agency in a Middle Eastern country.

On 1 May 2013, SAEL signed a 12 month contract with QinetiQ appointing SAEL to act as its principal sub-contractor for a second phase of the project which involves implementation of the recommendations from the scoping phase.

Before commencing work, and subject to QinetiQ having received a corresponding payment from the customer, QinetiQ shall make an advanced payment of £216,500 to SAEL in relation to anticipated consultancy fees to be incurred by SAEL during the first month of the engagement. After SAEL has been paid its sixth invoice, QinetiQ shall deduct the amount of the advanced payment from subsequent consultancy fees invoiced by SAEL.

SAEL shall be paid a net fee for each man for each day of consultancy work carried out at agreed rates based on the level of each consultant's experience.

### **11. Related Party Transactions**

Save as disclosed in Part III, IV or V for the period 1 April 2009 to 31 March 2012 (being the period covered by the historical financial information) until the last practicable date prior to production of this document the Company has not entered into any related party transactions.

### **12. Intellectual Property**

The Company is dependent in terms of its strategy for growth and its proposals for principal pipeline contracts upon the two licences details of which are summarised in paragraphs 10.13 and 10.14 above. Whilst the directors believe that the working capital is sufficient for the Company's present requirements as set out in paragraph 14 below, in order to have the ability to provide the services required pursuant to the principal pipeline contract the Company will need to access the technology licenced pursuant to those two documents.

### **13. Litigation**

Save as disclosed in this paragraph, the Group is not, nor has at any time in the 12 months immediately preceding the date of this Document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this Document in each case which may have, or have had in the 12 months preceding the date of this Document, a significant effect on the Group's financial position or profitability. The Company has been made aware of assertions made by Eruma plc surrounding the past conduct of Brian Wilkins, seeking to cast doubt on his ability to grant the intellectual property licence, granting a licence to the Group for the manufacture and sale of blast protective window blind and the provision of ancillary services in the Middle East, North Africa and Singapore (summarised in paragraph 10.13 of Part VII of this document). No threat of litigation has been made against the Group and the Company has taken legal advice which confirms that the assertions made by Eruma plc do not substantiate a legal claim. It is however possible, that Eruma plc may seek to initiate some sort of claim against Brian Wilkins and/or a member of the Group. Were any such claim to be made against a member of the Group, the Company would defend it



vigorously and has been advised by its legal advisers that the prospects of a successful defence are high, though the outcome of litigation can never be wholly certain.

#### **14. Working Capital**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

#### **15. General**

- 15.1 The gross proceeds of the Placing receivable by the Company are expected to amount to approximately £555,000. Total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £349,729 (excluding VAT).
- 15.2 The Placing Price is £0.12 pence per Ordinary Share. The Ordinary Shares are in registered form.
- 15.3 The Group consolidated historical financial information relating to the SAIG set out in the Accountants' Report by Bennett Brooks & Co. Limited in this Document does not comprise statutory accounts within the meaning of the UK Companies Act 2006.
- 15.4 Bennett Brooks & Co. Limited has given and not withdrawn its written consent to the inclusion of its report in Part III of this Document and the references to its name in the form and context in which they are respectively included.
- 15.5 DWF LLP has given and not withdrawn its consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 15.6 ZAICF has given and not withdrawn its consent to the inclusion in this Document to the references to its name in the form and context in which they are included.
- 15.7 Save as disclosed in this Document, there has been no significant change in the trading or financial position of the Group since 30 September 2012, the date to which the Group consolidated historical financial information was prepared.
- 15.8. As at 31 March 2012, the Group employed approximately 14 employees and the Group currently employs approximately 19 employees: 15 (including the two executive directors of the Company) are employed in the UK, 2 are employed in Dubai and 2 are employed in Hong Kong.
- 15.9 Save as set out in this Document no person (other than a professional adviser referred to in this Document or trade suppliers) has:
  - 15.9.1 received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
  - 15.9.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive directly or indirectly, from the Company on or after Admission, any of the following:
    - 15.9.2.1 fees totalling £10,000 or more;
    - 15.9.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or
    - 15.9.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 15.10 Save as disclosed in this Document, there are no investments in progress of the Company which are or may be significant.
- 15.11 Save as disclosed in this Document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.

- 15.12 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 15.13 No public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation until the date of this Document.
- 15.14 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.15 Save as disclosed in this Document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

## **16. Third Party Information**

- 16.1 Various data used in this Document has been obtained from independent sources. The Company has not verified the data obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties described above.
- 16.2 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **17. Availability of Admission Document**

Copies of this Document are available free of charge from the offices of ZAICF and may be inspected at the offices of DWF LLP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until at least one month after the date of Admission and on the Company's website, [www.falanxgroup.com](http://www.falanxgroup.com).

Dated: 17 June 2013