

## Management of Teathers Financial PLC

**Drafts** V1 4/7/16 BT  
V2 15/7/16 BT, DK & SL  
V3 12/8/16 BT  
V4 18/9/16 BT

### **ACTION**

- **Statements made during the EGM** Board stated that that it did not consult with the **company** solicitor concerning making the action group on the inside. This is contrary to NJ's claim in an email on 24/5/16. [The company solicitor confirms that they did not give this advice.]
- Board failed to obtain written competitive quotes for development of the TSFL App. NJ would not confirm whether the £209,000 payment made to JD's Tactu Applico Ltd for "software development and office related fees" was made directly from the Plc (subsequently we found it was 18/9/16). As an investment company the Plc should not make such payments under AIM rules.
- **Tactu Applico**
  - No competitive bidding process took place for employing Tactu to build the App. According to Oliver Fattal, Jason Drummond (Director and majority shareholder of Tactu) made the decision to employ Tactu, despite the obvious COI.
  - 28/7/15 Charged £145,800 for Versions 1(base build) & 2 (as per spec) of the App, without getting a competitive quote – (Tactu has been unable or unwilling to provide the original specification 18/9/16) – and £34,992 for the annual Service Level Agreement for the App
  - Teathers paid for the cleaning of Unit 2.22 (as per invoice from JZ Business Services October 2015) and this at best was only partially re-charged to Tactu as the sublettee [need to check details but could be a 2/3rd split as per rent]
  - Tactu have failed to submit timesheets for the disputed amount
- **General mismanagement**
  - October 2015 summons to court for non payment of rates
  - VAT Record – irregular submission, suggests fines
  - Failure to submit accounts by 30/4/16, incurring fine
  - Did not change the bank account name to Teathers (was this legal?)
  - Charging of £10,000 for a shooting party as "entertainment", which was also rejected by HMRC as a legitimate VAT expense. Teathers paid for Jason Drummond's wife to attend this.
  - Failure to get competitive quotes for App development and then paying Drummond's Tactu Applico >£330,000
  - Employing Oliver Fattal in a role (CEO of TFSL) which, by his own admission [TFSL Board Minutes, 14/7/16], he was not fit for. Failure to pay numerous parties on time including solicitors, PR firm, London Stock Exchange, Kensington & Chelsea council (resulting in a court summons in 2015)
  - Payment of £25,000 to Jason Drummond for the Teathers.com domain name and 5 other domains, while the Company was still called CA Sperati.

- **Breaches of AIM Rules**

- Multiple instances of rule breaches supported by evidence
  - Failure to disclose multiple related party transactions with Ascend Capital, where Nilesh Jagatia is Director and Company Secretary at the time of the transactions
  - Misleading RNSs [e.g. investment into TFSL, when in reality App development was paid for by the Plc and no money flow through the TFSL accounts]
  - False claims in EGM Circular, including supposed "suspension" of fees
  - Plc acting as an operating firm not an investment company including payments made on behalf of TFSL, contract for App development was between Plc and Tactu, Plc currently holds App IP, Plc paying the salary of two sales and marketing staff for the TFSL App, no independent management team for TFSL despite RNS, no separate bank account for TFSL
  - App IP not held by TFSL despite announcement made (currently held by Plc with no paperwork yet completed to transfer it to TFSL)

- **Evidence suggesting subsidising of privately owned companies in which Jason Drummond was a major shareholder**

- Teathers took out an expensive (£70kpa or more, including all costs) lease on a large unit on King's Road despite being an investing company with minimal staff (staff were maximally two sales and marketing people). According to the minutes of the board meetings on 28/10/14 and 27/11/14 Oliver Fattal questioned the need for the lease and was told first by Jason Drummond it was necessary and subsequently by Nilesh Jagatia that Teathers could afford it. Once the lease commenced the office was immediately sublet to Tactu and subsequently to Gametech (both private companies of Jason Drummond's). Teathers had minimal use of the unit, while operating as a listed Plc, and now has no use for it at all. Tactu and Gametech continue to use the unit, with multiple staff members and desks. However Gametech is only being partially re-charged for this unit (66%), providing them with an effective subsidy from the Plc to these two private companies
- There was a break clause in the lease, which expired on 30 June 2016, which would have allowed Teathers to give up the lease in December 2016. During the EGM Nilesh claimed the lease ended in 2016. This was not true. Jagatia did not activate the break clause, despite it being obvious Teathers had no use for the space. Jagatia also failed to inform the new board of the break clause. The first handover the new board had with Jagatia for documents was on 6 July 2016. Additionally, on 01 June 2016 Jagatia signed a new office share arrangement with Gametech, whereby it would pay 66% of the office costs.
- The Plc paid for office equipment (e.g. multiple high-end Apple computers) that were then sold to Tactu for a fraction of value because of "depreciation", despite the company accounts stating the depreciation policy. With a maximum of two staff it seems unlikely that these items were bought with a view to being used by Teathers staff - the number and specification were too high. However they would have been very suitable for App development by Tactu and it seems likely that they were bought with the intention of being passed on to Tactu.
- Teathers paid Tactu for what would be a multi-year App development and SLA project using a £800/d daily charge rate. Such a per diem rate would normally only be used for small, ad hoc app development projects; this was clearly a larger scale project that should have received a different project costing. [By analogy, this is equivalent to getting a new kitchen fitted by a plumber charging at the emergency call-out rate]. Additionally Tactu was a company that seemingly only existed to service Teathers and Gametech. The company had no track record and mainly employed contractors to do the work, who charged between £400/d and £500/d. Given Drummond's experience in the sector and that he was executive Chairman of Teathers, this begs the obvious

question why Teathers did not directly employ the contracts and save £300-£400 per day cost.

- £350/month for broadband connectivity to Unit 2.22. There can be no business justification for this being needed by Teathers, although it would be needed by Tactu and Gametech for their business needs. No evidence that this has been partially or completely re-charged to Tactu.

- **Misleading public statements**

- Drummond's false claim that the board had not been paid since December and stopped taking pay since then. In reality all three Board members received January salaries (paid in Feb) and have invoiced for all subsequent months (but have not been paid).
  - Separately Jagatia and Fattal accrued salaries from February until the EGM at the end of June.
- Drummond's claim on Twitter that Teathers has assets of £949K on 26<sup>th</sup> June 2016 (2 days before EGM vote).
- Drummond article on ShareProphets on 21<sup>st</sup> June (Retweeted by Drummond) - "Jason Drummond says accounts will be far better than critics say"

- **Accounting/auditing failures**

- Failure to disclose related party Ascend Capital transactions (£35,460).
- Failure to submit accounts, which was deliberate. In a meeting on 02 September Jonathan Bradley-Hoare of Wellbeck (the company's auditor) confirmed the accounts were ready for submission on 23 April 2016. Bradley-Hoare has subsequently supplied the directors' Related Party and Remuneration forms for the 2015 accounts for Jagatia and Fattal and the Related Party Form for Drummond (all signed on 24 & 25 June 2016 – as a side note Drummond signed this when he was no longer a director).
- Repeated failure to submit VAT returns on time
- Failure to change the company's bank account name and registered name at HMRC from CA Sperati to Teathers Financial Plc
- Failure to disclose the Plc was acting as an operating company
- Failure to disclose the £25,000 paid to Drummond for the Teathers.com domain name in October 2014
- At least £12,860 taken out by Jagatia mainly in £200 cash withdrawals. The regular frequency of these uniform withdrawals, together with their irregular entry into Sage (implausible narrative and suggestion of hiding transactions so as not to appear in VAT return) suggest these withdrawals were largely not legitimate. Additionally Jagatia had a company expense card with FairFx.

- **Misleading RNSes regarding the investment in TFSL (21 July and 14 October 2015)**

- RNS announcements state that investment (£150k then £350k "made available") has been made into TFSL and satisfied by the issue of shares.
  - No evidence of such milestones nor board discussion about them, as recorded in board minutes.
- No new shares in TFSL were *issued* although one share was *reclassified* to have a paid-up value of £150,000. No evidence that any matched share issuance/reclassification took place for beyond that figure
- TFSL does not have its own bank account and no financial transactions (receipt of £150k, payment of App costs) went through its books.
- That therefore limits the Teathers "investment" into TFSL at £150,000. However the aggregate cost paid for the App (excluding the additional sales and marketing salaries paid by the Plc) is 2-3x that figure

- You will notice how it is quite explicit how TFSL will develop and run the app "with an independent management team" etc. There was no independent management team - TFSL was run by OF and the App development and marketing was paid for by the Plc  
*TFSL is responsible for operating the Teathers App with an independent management team focusing on developing and commercialising the App initially in the UK and EU, with additional roll-out potential identified both globally and by white-labelling to further brokers. In order to focus on the development of TFSL and the Teathers app, as Managing Director of TFSL, Oliver Fattal, currently an Executive Director, will become a Non-Executive Director of the Company. Jason Drummond and Nilesch Jagatia both Executive Directors of Teathers, will continue to focus on the Company and its strategic investing activities in line with the Company's objective of building a portfolio of revenue generative of investments. [RNS 14 Oct 2015]*

## DURING HANDOVER

### Actions by former directors

- The Teathers email accounts of NJ & OF were disabled [*by whom and under what authority is unclear*] without informing us and without supplying alternative means of email contact 1/7/16
  - They also did not previously respond to our repeated requests for an introduction to the website manager.
- NJ did not respond to repeated email requests for information, introductions and access to company systems and has yet to do so. Based on invoices (which refer to "PLC website and email costs") it appears that Tactu is the provider of these services.
  - At both a post-EGM meeting and during the handover meeting Nilesch Jagatia advised new directors that ALL the paperwork (apparently including invoices & receipts) held at a lock-up could be binned despite some of it relating to accounts from 2010-2013 which are legally required to be kept in case of inspection
  - As of 14<sup>th</sup> July Nilesch has still not sent the key to the lock-up that was promised at handover
- **The board has refused to hand over its email histories.**

### Email communication

The following was requested (date)

- Request for introductions to advisors (22/6/16) No reply
- Initial handover list (26/6/16) No reply
- NJ's service contract (29/6/16) No reply
- Broker contact details (29/6/16) No reply
- Website manager contact details (29/6/16) No reply
- Introduction to John, shareholder and former CA Sperati (29/6/16) No reply
- Confirmation of meeting time for Wednesday 6/7/16 (29/6/16) No reply

Request for JD's resignation letter and written confirmation of waiving of accruals (1/7/16) – BOUNCED BACK nj@ and of@ email addresses shut down (NOTE – OF email to mbutrney@hotmail.com 29/6/16 claiming NJ "hard to get hold of" but will reply)