

Applications from
9am 29 April 2012
to
1pm 22 June 2012



Mr & Mrs Smith
Hotel Collection

The Smith Bond

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This document ("the Invitation" or "Invitation Document") constitutes an invitation to subscribe for bonds ("Smith Bonds") issued by Smith Bonds plc ("the Company") on the terms and conditions set out in this Invitation. Investors should not subscribe for any of the Smith Bonds referred to in this Invitation Document except on the basis of the information published in this Invitation and the Instrument dated 26 April 2012 constituting Smith Bonds of the Company (the "Instrument"), the terms of which set out on page 24 onwards in this Invitation Document. Your attention is particularly drawn to the "Risk Factors" which are set out on page 21 of this Invitation. Prospective investors should consider carefully whether an investment in Smith Bonds is suitable for them in the light of their personal circumstances. Smith Bonds are an unsecured debt of the Company and they may not be a suitable investment for all recipients of the Invitation. Smith Bonds are not transferable or negotiable on the capital markets and no application is to be made for Smith Bonds to be admitted to listing or trading on any market. Investment in an unquoted security of this nature, being an illiquid investment, is speculative, involving a degree of risk. It will not be

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LETTER FROM THE FOUNDERS



Mr & Mrs Smith is the result of a terrible weekend away. In the early days of our relationship, we booked a romantic break in the Lake District at what the leading guidebook of the time presented as a beautiful 'boutique hotel'. Unfortunately, the room we ended up in had all the charm and personality of a run-down motel.

The stay was a disaster, but it gave us an idea. By the time we got home, we'd compiled a wish list of everything we wanted in a hotel guide. The world didn't need another luxury hotel brochure; it needed a stylish, in-the-know handbook to the boutique hotels that really merit the name; the ones with the certain something that so many discerning couples

are looking for, but which can prove so hard to find. We assembled a passionate team, chose a name we hoped would raise a smile – a cheeky nod to the pseudonym adopted by weekendening couples everywhere – and published our first book in 2003. The Mr & Mrs Smith hotel collection was born. Now, nine books, almost 1,000 properties, and three international offices later, Smith is one of the UK's leading boutique hotel travel brands.

We don't do stars or diamonds; we judge hotels by the qualities that really mean something to the guest: the originality of design, the generosity of the host, the attention to detail, and the quirky, individual touches. It's not about glitz and gimmicks, it's about creativity and character. All of our hotels have these qualities – that's what makes them 'Smith'.

Over the last 10 years, we've gone from being a trusted guidebook publisher to an award-winning on- and offline booking service, and a worldwide travel club. We've expanded into new territories, developed our own booking technologies, built apps, and grown consistently and innovatively, year-on-year. We've been incredibly fortunate to have built a loyal customer base and we are continually humbled by their feedback and support.

But we know the team and the brand can do so much more. We've discovered that Smith customers want more than romantic weekends: they also travel

with their families, with friends, or for business, and they're still looking for places to stay with the style and character that they've come to expect from our collection. That's why we're expanding further to develop a family of sister brands, starting with Smith & Family, specialising in child-friendly trips, which launches in late 2012.

To help us do this – and to continue growing the Mr & Mrs Smith brand into new technologies, products and markets – we're introducing Smith Bonds. They're our way of raising the funds we need for our expansion plans, while giving our members and supporters the chance to share in the success of our development.

Ten years on from that disastrous weekend, we think we've built a great British brand. We strongly believe that Smith now has the opportunity to become a global travel leader – this is your invitation to join us.

Best wishes,

James and Tamara Lohan
(aka Mr & Mrs Smith)

BOND SUMMARY

- 7.5% cash interest or 9.5% in Mr & Mrs Smith loyalty money
- Four-year fixed-term bond
- Applications from 9am 29 April 2012 to 1pm 22 June 2012
- Available on a first-come, first-served basis

This document invites you to invest in Smith and to register to apply for the Smith Bond, a four-year retail bond created to enable members and supporters of Mr & Mrs Smith to share in the benefits of the business growth that the Bond will help fund.

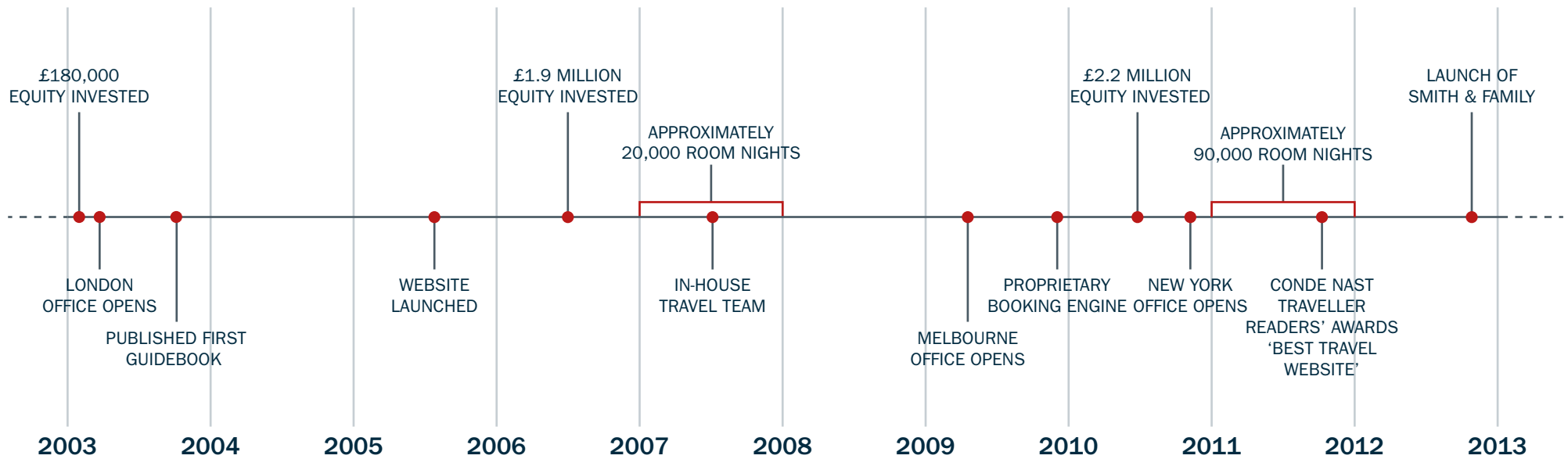
The terms of the Bond and details of our expansion plans can be found later in this document, but, in brief, Smith Bonds offer you the opportunity to support a successful British travel business, while earning a fixed rate of interest.

Smith Bondholders will receive semi-annual interest of 7.5%, or, if they prefer, 9.5% interest in Smith loyalty money, which can be used towards booking stays at any of Mr & Mrs Smith's boutique hotels and houses around the world. The minimum investment is £1,000, and subscriptions may be made in multiples of £1,000 with no upper limit.

Smith Bonds are unsecured corporate bonds issued by Smith Bonds plc, a wholly owned subsidiary of Spy Publishing Limited, which has guaranteed to satisfy the payment obligations of Smith Bonds plc.

Applications are open until 22 June 2012, or until the target of £5 million investment has been reached, whichever is sooner.

MR & MRS SMITH THE HISTORY



MR & MRS SMITH THE HISTORY

AWARDS

Italian Tourist Board Travel Writing Awards 2011 *Best Travel Guide*

Condé Nast Traveller Readers' Travel Awards 2011 *Favourite Travel Website*

Travolution Awards 2010 *Travel Brand Of The Year*

Condé Nast Traveller Readers' Travel Awards 2010 *Favourite Travel Website (Runner-up)*

Travolution Awards 2010 *Best Accommodation-Only Website*

Luxuria Awards 2009 *Best Customer Care Programme*

Travolution Awards 2009 *Best B2C Travel Blog*

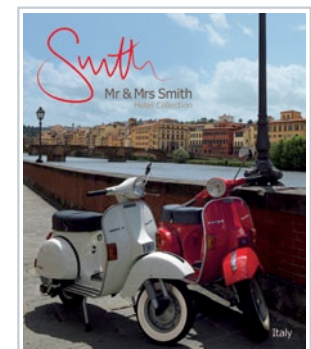
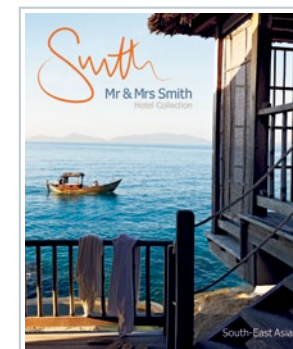
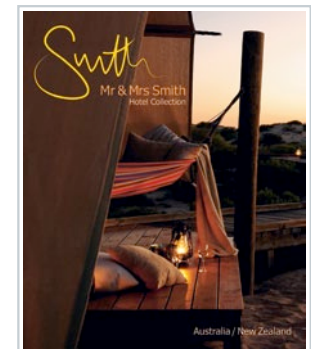
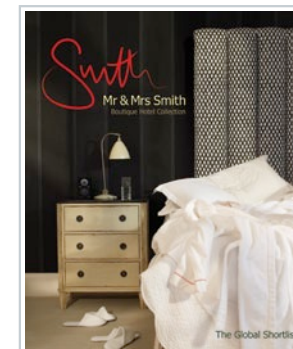
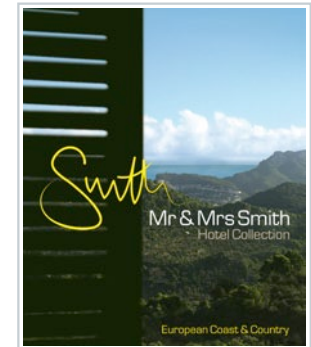
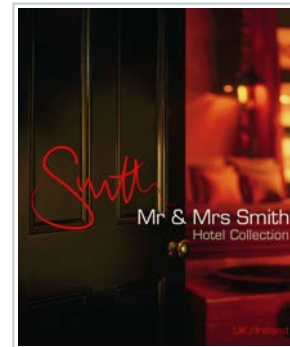
Luxuria Awards 2009 *Best Use Of New Media*



MR & MRS SMITH THE HISTORY

1.1 HIGH-QUALITY CONTENT

Spy Publishing Limited was incorporated in 2002, raising approximately £180,000 from friends and family to publish the first Mr & Mrs Smith boutique hotel guide in October 2003. Our distributors' sales projection was 5,000 copies in the book's lifetime. We sold almost 20,000 in the first three months. Another eight guidebooks followed.

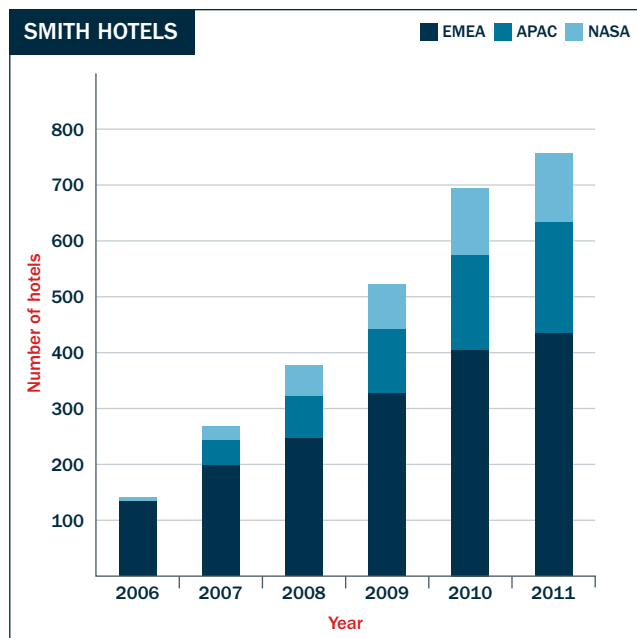


MR & MRS SMITH THE HISTORY

1.2 GLOBAL COLLECTION

In 2006, following the success of our first two guidebooks, Spy Publishing Limited raised around £1.9 million to put our growing collection of European boutique hotels online, and to introduce additional properties around the world. By 29 February 2012, there were 893 properties on www.mrandmrsmith.com.

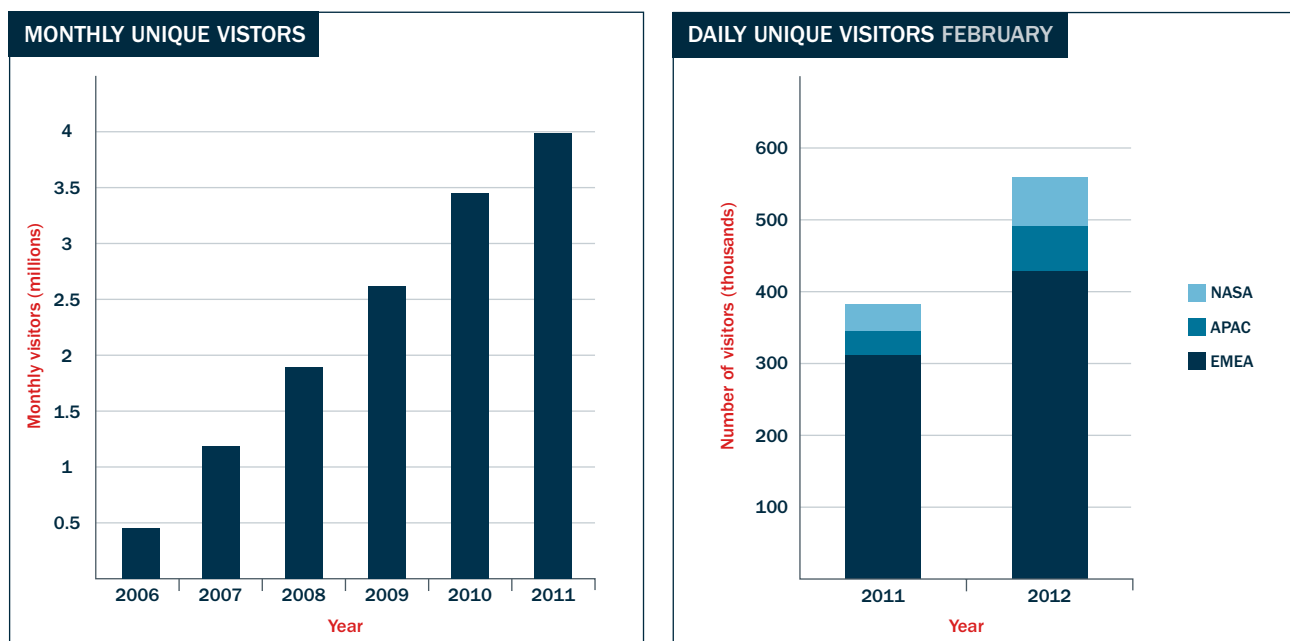
Hotels join the collection by invitation only. Every Mr & Mrs Smith hotel is handpicked and personally visited by a member of the Smith team, then anonymously reviewed by a tastemaker couple (our reviewers have included the likes of Raymond Blanc, Stella McCartney, Philip Treacy and Gavin Turk). Although hotels cannot buy their way in, those we invite into our collection pay an annual fee to cover the direct bookings that result from their listing. These fees are a key source of revenues for Spy Publishing as the carefully curated collection continues to grow across Europe and Africa (EMEA), the Americas (NASA) and the Asia-Pacific region (APAC).



MR & MRS SMITH THE HISTORY

1.3 GLOBAL AUDIENCE

The quality of our content results in a high average visit time of four minutes 50 seconds, and an average of 7.2 page impressions per visit. In 2011 the website received an annual total of around four million monthly unique visitors and 2012 has started with a large increase in visitor numbers. In February 2012, the website received more than 550,000 daily unique visitors, up 51% on February 2011, with almost 25% now coming from the Americas and Asia Pacific.



1.4 GLOBAL OPERATIONS

Between 2008 and 2010, we raised another £2.2 million from our shareholders to fund the start of the global expansion of the business. We opened our first international office in Melbourne in May 2009, followed by an office in New York in December 2010. These offices operate the regional components of our teams, servicing hotels and members around the world, supporting regional marketing activity and providing 24-hour (five days a week) telephone bookings. All three regions started 2012 strongly, with the value of bookings up globally in January and February by more than 50% year on year, and APAC and NASA up by 144% and 128% respectively.



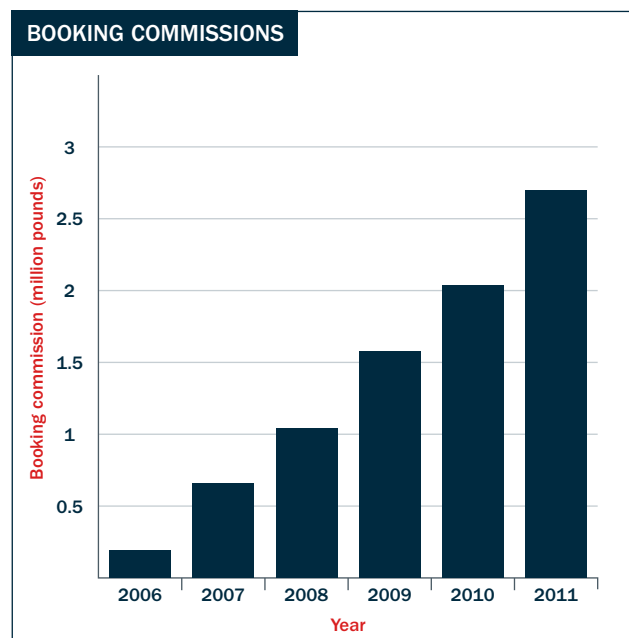
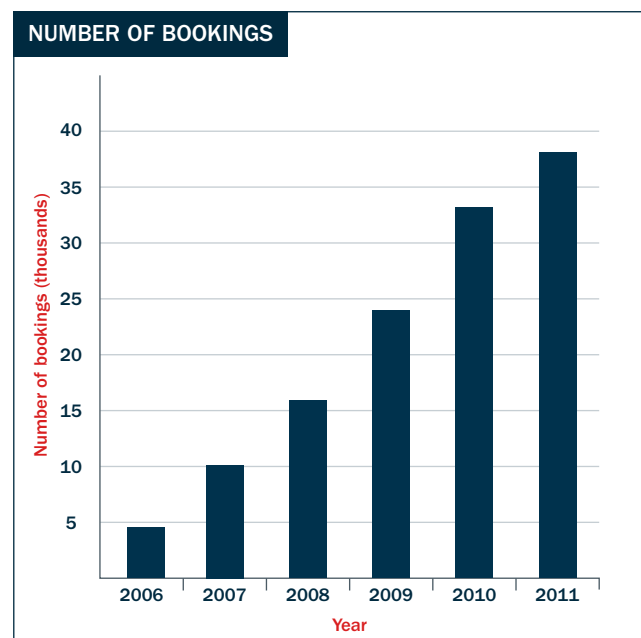
MR & MRS SMITH THE HISTORY

1.5 PROPRIETARY BOOKING TECHNOLOGY

Having launched our booking service in 2006 using a third-party booking engine, in 2009 we built our own bespoke extranet-based booking engine, the Smith Availability Management System (SAMS), which now processes all of our online and offline bookings. Since the beginning of 2011, our in-house development team has been building an improved enquiry-management system for the Travel Team (TASH) and a proprietary customer relationship marketing database (SCRAMS) to streamline our membership processes.

1.6 TWENTY-FOUR HOUR HOTEL BOOKING

Every hotel in our collection can be booked on the Smith site and through our in-house, 24-hour (five days a week) Travel Team. We have another team to ensure the best possible availability of rooms, and all our hotels are contracted to provide our customers with the best available rates – if anyone finds a lower rate elsewhere, we oblige the hotel to match it and we give the customer a £25 voucher. The commission paid by hotels allows us to not charge a booking fee. In 2011, we generated almost 40,000 bookings, worth more than £24 million.

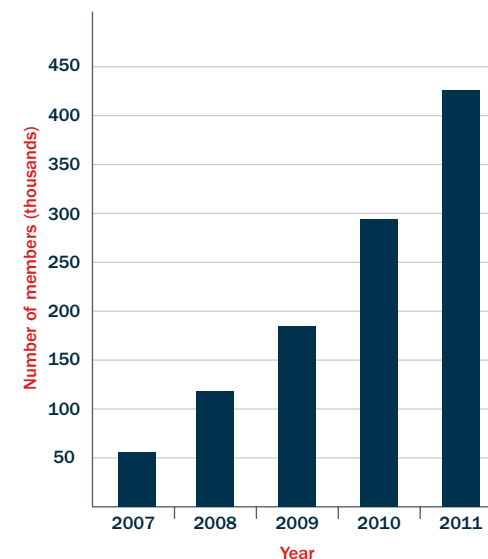


MR & MRS SMITH THE HISTORY

1.7 OUR CUSTOMERS

There are now more than 460,000 members in the Smith database, growing by approximately 10,000 per month. The average age is just over 40; around 55% of our customers are female, and they hail from more than 150 countries. 80% of the UK database falls into five Mosaic groups (Liberal Opinions: 37%, Alpha Territory: 16%, Professional Rewards: 13%, Career & Kids: 7%, Rural Solitude: 6%) and all the sub-types are clustered in the High Income, Cosmopolitan, Asset-Rich quadrant. The largest sub-type is Urban Cool (well-educated professionals in creative jobs, who work long hours, have high incomes and are in their late 30s/early 40s, with some young children).

MEMBER DATABASE



1.8 OUR TRAVEL CLUB AND LOYALTY SCHEME



BlackSmith

In January 2012, we launched a free membership tier, BlackSmith, for everyone who books through us, and anyone else wanting access to our exclusive hotel offers and benefits (or to register to invest in the Smith Bond). BlackSmith members receive 1% of the value of their bookings credited to a loyalty account, which can be put towards the cost of their next booking. Members also have access to Smith-exclusive offers (including discounts such as two nights for the price of one), and an exclusive Smith 'extra' (such as free champagne or spa treatments) at every hotel they book through us.



SilverSmith

For £40 a year, our SilverSmith membership level brings a higher loyalty earn rate of 3% with every booking, as well as a free Smith guidebook (worth £19.95) when they join and access to Last-Minute Club email newswatches (late-availability discounts of up to 70%) and Half-Price Hotels (where approximately half the new additions to the hotel collection offer 50% off their room rates for a limited period).



GoldSmith

Our premium membership level is GoldSmith (£400 a year), which provides the member with an award-winning travel concierge service when booking a trip that includes a Smith hotel, and automatic room upgrades whenever available. Furthermore, Goldsmiths receive 5% of the value of their bookings back in their loyalty account, as well as a luxury membership pack, annual renewal gift, and an ever-growing array of special travel and lifestyle benefits.

MR & MRS SMITH THE TEAM

Mr & Mrs Smith is very lucky to have a team of more than 90 hardworking employees worldwide, committed to developing the brand and providing the best service possible to our customers. To recognise this, we have a company policy to issue share options to all employees so everyone has a stake in the ongoing success of the business. Over the last 10 years, we have built a wonderful team of dedicated managers, headed by our experienced board of directors.



JAMES LOHAN
CHIEF EXECUTIVE OFFICER

The original Mr Smith, James is a successful serial entrepreneur and the creative soul of the Mr & Mrs Smith brand, as well as a fantastic, hands-on leader of the Smith team.

2002 – Today	Founder of Mr & Mrs Smith
1999 – 2002	Founder of The White House members' club, bar and restaurant
1995 – 2001	Founder of Atomic Events
1994 – 1999	Founder of Come Dancing club promotions



TAMARA LOHAN
CHIEF TECHNOLOGY OFFICER

Tamara, our founding Mrs Smith, has been instrumental in transforming Mr & Mrs Smith from a traditional offline publishing brand into a fast-growing, dynamic, digital business.

2002 – Today	Founder of Mr & Mrs Smith
2000 – 2006	Managing Director of The County Register
1998 – 2002	Marketing Consultant for Ericsson, Honda, Unilever, Swissair
1997 – 1998	Launch Co-ordinator for a Brazilian energy drink



EDWARD ORR
CHAIRMAN

As an entrepreneurial investor and business developer, Edward helped James and Tamara launch the company and has been invaluable in building the brand into a successful business.

2002 – Today	Founder of Mr & Mrs Smith
2000 – 2002	Managing Director of ucp UK
1998 – 2000	MBA at IESE Business School in Barcelona
1992 – 1998	Vice President of Equity Capital Markets, BT Alex Brown

THE TEAM CONTINUED...



SIMON WESTCOTT
MANAGING DIRECTOR
MR & MRS SMITH ASIA PACIFIC

After helping sell iconic Australian travel-guide publisher Lonely Planet to the BBC in 2008, Simon invested in Mr & Mrs Smith to set up our Melbourne office and launch our brand in Australia and Asia.

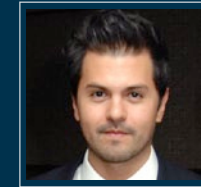
2008 – Today	Co-Founder of Mr & Mrs Smith, Asia Pacific
2001 – 2008	Executive Director of Lonely Planet Publications
1999 – 2001	Marketing & Circulation Director of <i>The Age</i> , Fairfax Media
1994 – 1999	Marketing Director of Reed Books, Reed Elsevier



SALLY BALCOMBE
NON-EXECUTIVE DIRECTOR

Sally recently joined the board to bring the benefit of her extensive experience in the travel sector to help the company continue its development into a global travel business.

2008 – 2011	Chief Marketing Officer of Travelport
2004 – 2007	Commercial and Product Director of Opodo
2001 – 2003	Managing Director of TUI Specialist Holidays
1991 – 2001	Managing Director of British Airways Holidays



RODRIGO CALVO
MANAGING DIRECTOR
MR & MRS SMITH AMERICAS

Rodrigo has been a lynchpin in Smith's international development; after a year in London, he assisted in the launch of Mr & Mrs Smith Asia Pacific, then set up our American operations in New York in 2010.

2007 – Today	Managing Director of Mr & Mrs Smith, Americas
2005 – 2007	MBA at London Business School
2003 – 2005	Founder of Marketing Practice at Pretorian Consulting
1999 – 2001	Wallwork & Curry Advertising

MR & MRS SMITH THE EXPANSION PLANS

Now that we have created the brand, unique content, global hotel collection, booking service, customer database, proprietary technology and global operations, we are looking forward to the next exciting stage of growth.

3.1 INVESTMENT IN TECHNOLOGY

As a fast-growing digital business, there is an enormous opportunity for us to expand our development team and continue to improve our online and offline service by investing in new functionalities and technologies. We plan to:

- Create new products and new websites
- Improve site navigation
- Streamline our systems to allow better support our hotel partners and members
- Fully integrate offline and online booking experiences
- Build and market new apps across emerging platforms (see our iPhone 'Plan and Play' app, released in 2011)
- Develop full mobile functionality
- Establish better database-management and analysis systems
- Integrate with more content and product partners

3.2 INVESTMENT IN CONTENT

Since our launch, the Mr & Mrs Smith collection has captured the imaginations of couples, first in the UK, where our debut book became a bestseller, and now all around the world. It's time to expand our product offering, to bring the Smith brand to customers who want more than a romantic weekend away. That's why we're diversifying to include stays of all types, but always with that distinct sense of 'Smithness' to them.

The Mr & Mrs Smith brand will be joined by Smith & Family for child-friendly trips, Smith & Friends for group stays, and Smith & Co for boutique business travel. All four will sit under the Smith masterbrand and, whether we're booking for couples, families, groups or professionals, we will continue to provide the personal recommendations and above-and-beyond service our customers have come to expect from us.

The first new site to launch, in the second half of 2012, will be www.smithandfamily.co.uk, with the others to follow in the coming few years. Our new brands represents a significant opportunity to add more hotels to our collection without undermining Mr & Mrs Smith as a brand for couples, as well as to make Smith membership more compelling by enabling members to earn and spend loyalty money on all elements of their travel.

3.3 INVESTMENT IN MARKETING

Not only do we have the exciting new Smith & Family product to launch, but we are also in several discussions, internally and with potential partners, to take the brand into new products, countries and customer segments. Historically, for an online travel agent we have spent a relatively low percentage of our revenues on marketing because of the strength of the brand and the quality of the product. With additional efficient investment in marketing, we hope that we will be able to achieve our goal of becoming the world's number one boutique travel brand, generating revenues from:

- 1 Hotels' annual fees to be part of the collection.
- 2 Commissions from Smith hotels when members book through SAMS
- 3 Membership to the Smith boutique travel club
- 4 High quality, unique content
- 5 Brand and product partners

MR & MRS SMITH THE EXPANSION PLANS

Smith

Smith

Mr & Mrs Smith

Smith

Smith & Family

Smith

Smith & Friends

Smith

Smith & Co

MR & MRS SMITH THE BOND

With so many opportunities, we thought that, rather than rely exclusively on professional investors, it would be in keeping with the Smith brand values to offer our members and potential customers the opportunity to invest in the business through a bond.

We created the brand, content, global hotel collection, booking service, database, proprietary technology and global operations with a total equity investment of less than £5 million. We are now looking to raise a similar amount from the Smith Bond to fund the continued growth of the business.

4.1 SUMMARY OF THE BOND TERMS

Smith Bonds are unsecured corporate bonds issued by Smith Bonds plc, a wholly owned subsidiary of Spy Publishing Limited, which has guaranteed to satisfy the payment obligations of Smith Bonds plc. They are essentially a loan to the Company, under which the sum invested by the bondholders will be repaid at maturity in four years if the bondholders elect to redeem the bond (unless the Company opts to redeem the bond early). Otherwise, the bond remains outstanding, and bondholders will continue to receive the same interest payments until they choose to redeem it on a subsequent anniversary. In the meantime, bondholders will receive semi-annual interest payments on their original subscription. Bondholders may choose to receive either:

- 7.5% per annum in cash interest;
- OR
- 9.5% per annum in Smith loyalty money (£1 of interest equals £1 of loyalty money)

Every time a member books a hotel with us – either online or through our Travel Team – we deposit a percentage of the total room cost (1% for BlackSmith; 3% for SilverSmith; 5% for GoldSmith) into the member's loyalty account. Members can use this money on future bookings made on our site, or on the phone with our Travel Team. Bondholders who choose to receive their interest as Smith loyalty money will have it credited to their Smith membership account (anyone registering to apply for the bond who is not already a member will be set up as a BlackSmith). It may then be redeemed against hotel bookings made through Mr & Mrs Smith and the other Smith websites, once launched, and/or to pay for a SilverSmith or GoldSmith annual subscription.

We are aiming to raise up to £5 million. You can invest as little as £1,000 and, although there is no upper limit, subscriptions must be in multiples of £1,000. The subscription period will close as soon as the maximum amount of £5 million is raised or on 22 June 2012, whichever is earlier. Allocations will be made on a first-come, first-served basis and only UK resident individuals, aged 18 years or older, may apply for and hold Smith Bonds. The first interest payment will be payable six months after the issue date and twice a year thereafter.

4.2 WHY INVEST IN A SMITH BOND?

Becoming a Smith Bondholder represents an opportunity to support the growth of an entrepreneurial British brand and share in its financial benefits. In particular, we are offering retail investors the chance to invest in an asset class that is normally quite difficult to access. Many investors are looking for investments that pay a high rate of interest but also work to support the development of UK businesses – the Smith Bond does both. Furthermore, if you opt to receive the higher rate of interest paid into your Smith loyalty account, you can put it towards funding stays in Smith boutique hotels over the course of the bond's lifespan – and beyond.

We will make the necessary arrangements to pay basic rate tax due from your interest payment direct to HM Revenue and Customs. However, we strongly recommend that all applicants who are or might be liable for tax, especially higher-rate taxpayers, consult their own independent financial advisors as to the tax that may be payable on the interest received. You should also consult your financial advisor if you would like to put your Smith Bonds into a SIPP or SSAS.

4.3 HOW TO INVEST IN A SMITH BOND

You may apply online or by post. To apply by post, you can download a PDF application form from the Smith Bond section of the Mr & Mrs Smith website (www.mrandmrssmith.com/bond/paper-application). Once completed, the form should then be signed and sent, together with payment, as soon as possible to ensure it reaches us before the offer closes on 22 June. Corporate applicants, or individuals wishing to apply for more than £10,000 of Smith Bonds may only apply by post as payments in excess of £10,000 cannot be processed online. However, because Smith Bonds are limited to £5 million and will be allocated on a first-come, first-served basis, it may be better to apply and pay online where possible, as online payments will be processed within 24 hours, whereas cheques may take up to seven business days to clear.

The Company reserves the right to accept applications for Smith Bonds in whole or in part and therefore the amount of Smith Bonds issued to you may be less than the amount applied for. The Company also reserves the right to redeem the bonds in full or in part at any time. Smith Bonds, however, are not transferable, cannot be sold and may only be redeemed (and the interest received) by the original bondholder.

4.4 USE OF PROCEEDS

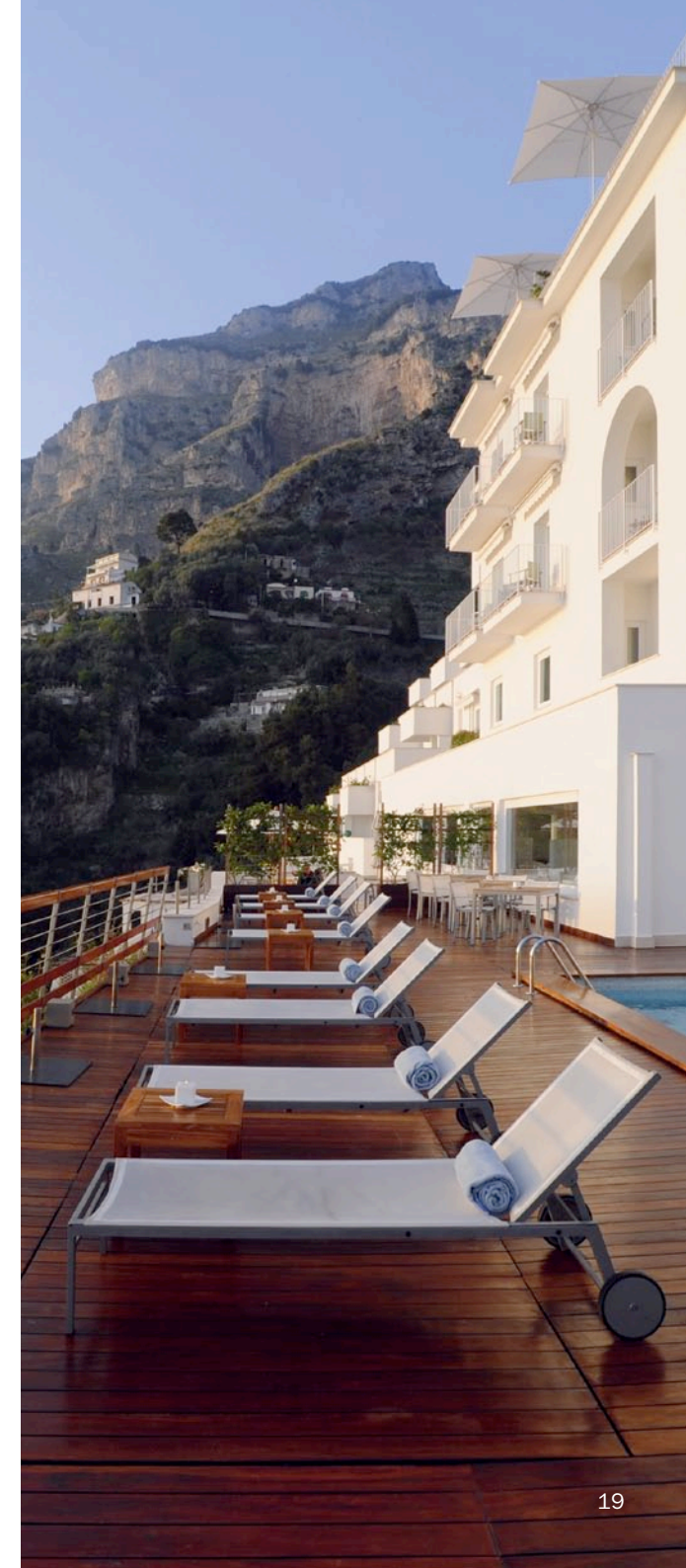
The funds raised by the Smith Bond will provide working capital and financing for general corporate purposes to continue to develop the global growth of business, including some or all of the following:

- Launching Smith & Family and other potential brand extensions
- Increasing global marketing activity
- Continuing to develop proprietary technology (booking engine, database-management and customer relationship marketing systems)
- Creating additional original content (written, photographic and potentially video)

FINANCIAL INFORMATION

Smith Bonds plc is a wholly owned subsidiary of Spy Publishing Limited, the UK-based company that owns and operates the Mr & Mrs Smith business. Spy Publishing Limited has two other wholly owned subsidiaries, Mr & Mrs Smith (Asia Pacific) PTY Limited, registered in Australia, and Mr & Mrs Smith (Americas) Inc, registered in the United States of America. Collectively Spy Publishing Limited, Smith Bonds plc, Mr & Mrs Smith (Asia Pacific) PTY Limited and Mr & Mrs Smith (Americas) Inc make up the “Group”. The Group has not prepared audited consolidated accounts. On a pro-forma basis for 2011, the Group recorded an EBITDA of -£527k and Net Liabilities of £595k. The Group has not assigned a value to its brand or content.

2011 Pro Forma (£m)	UK	USA	Australia	Group
EBITDA	0.53	(0.39)	(0.68)	(0.53)
Net Assets/(Liabilities)	1.43	(0.43)	(1.59)	(0.59)



FINANCIAL INFORMATION CONTINUED...

Smith Bonds plc is guaranteed by the UK parent company Spy Publishing Limited. Below are the summary accounts of Spy Publishing Limited only (which does not consolidate the US and Australian subsidiaries) for the last four years, ending 31 December 2011. The Australian subsidiary and US subsidiary were formed in 2009 and 2010 respectively, and their start-up losses to date (while establishing global operations and launching the Smith brand and products in new international markets) have been funded by Spy Publishing Limited and are shown as subsidiary loans.

Spy Publishing Ltd	2008	2009	2010	2011
Total Bookings	8,204,576	12,979,935	19,302,577	24,132,000
Revenues	1,946,719	2,601,091	3,553,552	4,377,635
Cost of Sales	896,647	791,737	679,956	823,093
Gross Margin (GM)	1,050,072	1,809,354	2,873,596	3,554,542
GM/Total Bookings	13%	14%	15%	15%
Marketing	278,840	192,667	332,714	557,014
Personnel	1,353,318	1,513,128	1,873,249	1,979,144
Overheads	642,443	508,565	522,788	488,355
EBITDA	(1,224,529)	(405,006)	144,845	530,029
Depreciation	62,038	104,589	142,533	191,696
Interest	55,832	124,896	121,058	23,877
Net (Loss)/Profit	(1,342,399)	(634,491)	(118,746)	314,456
Fixed Assets	297,757	397,938	481,998	642,423
Subsidiary Loans	0	205,803	660,315	2,059,463
Current Assets	727,376	779,969	1,083,178	1,165,581
Total Assets	1,025,133	1,383,710	2,225,491	3,867,467
Current Liabilities	782,373	1,068,636	1,434,726	2,436,114
Long term Liabilities	7,407	0	0	0
Net Assets	235,353	315,074	790,765	1,431,353

Unaudited Accounts have been prepared under UK GAAP. The Spy Publishing Limited accounts for 2010 are available at Companies House. The 2011 accounts have been approved by the directors and are expected to be filed at Companies House shortly.

Gross Margin (Turnover less Cost of Sales) has grown from £1.1m in 2008 to £3.6m in 2011, due to top-line revenue growth and a change from low-margin books to higher-margin fees.

Fixed Assets consist of office equipment and some capitalised development costs. Almost all of the capital that has been invested in creating the proprietary Smith content (£2.4m since 2006) has been expensed rather than capitalised.

Subsidiary Loans – since formation in 2009, the Australian subsidiary has accumulated losses of AUD2.4m and, since incorporation in 2010, the American subsidiary has accumulated losses of USD599k.

Current Liabilities are restated in 2008/09 to reflect the conversion of a convertible loan note from shareholders into ordinary shares in 2010. Spy Publishing Limited currently has an unsecured working capital facility from shareholders of £265,000 and has a £35,000 overdraft and a guarantee for a AUD50,000 overdraft of Mr & Mrs Smith (Asia Pacific) PTY Ltd.

Interest accrued on the convertible loan note until it was converted into ordinary shares at the end of 2010 and is currently accruing on the working capital facility.

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully when evaluating whether to make an investment in Smith Bonds. If you are in any doubt about the contents of this document or the action you should take, it is strongly recommended that you consult a professional advisor authorised under the FSMA who specialises in advising on investment in bonds, shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Smith Bonds in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in the UK, as well as overall global financial conditions.

NOT SUITABLE FOR ALL READERS OF THIS DOCUMENT

Smith Bonds may not be a suitable investment for all reviewers of this Invitation or the Instrument.

NON-TRANSFERABLE STATUS

Smith Bonds are not transferable or negotiable on the capital markets and no application is to be made for the Smith Bonds to be admitted to listing or trading on any market.

ILLIQUID INVESTMENT

Investment in an unquoted security of this nature is speculative, involving a degree of risk. It will not be possible to sell or realise the Smith Bonds until they are repaid by the Company, or to obtain reliable information about the risks to which they are exposed.

NO CERTAINTY OF REPAYMENT

Smith Bonds are an unsecured debt of the Company and will rank pari passu with all future unsecured debts of the Company. There is no certainty or guarantee that the Company will be able to repay them. If the Company were to become insolvent, there is a risk that (a) some or all of the nominal value of the Smith Bonds will not be redeemed, and (b) some or all of the return due on the Smith Bonds will not be paid.

MACRO-ECONOMIC DETERIORATION

A downturn in the macro-economic environment of any of the Company's core markets might negatively affect the demand for high-end travel, thereby limiting the Company's ability to continue growing revenues.

TECHNOLOGICAL DISINTERMEDIATION

As new technologies develop, it may become easier and more cost-effective for hotels to attract bookers directly, reducing the role and value of intermediary services such as Mr & Mrs Smith.

NEW COMPETITION

The travel sector has relatively low barriers to entry and new competitors may successfully enter Mr & Mrs Smith's market segments and inhibit the Company's ability to grow revenues.

NO FINANCIAL SERVICES COMPENSATION SCHEME

Smith Bonds are not covered by the Financial Services Compensation Scheme.

BUSINESS MODEL

The Group is loss-making. The parent company, Spy Publishing Limited, was profitable in 2011 but the two new subsidiaries in

Australia and US are both still loss-making. On a pro-forma consolidated basis, the Group was loss-making globally in 2011 and is expected to continue to make losses in 2012. The Group, however, continues to experience strong revenue growth, which the directors expect to result in profits globally in the future.

FINANCIAL INFORMATION

The financial information as presented is unaudited and not consolidated. The financial information on Spy Publishing Limited has been prepared under UK GAAP. The accounts for 2010 are available at Companies House. The 2011 accounts for Spy Publishing Limited are expected to be filed shortly. The group does not currently prepare consolidated accounts but intends to do so for the period to 31 December 2012.

INVESTORS SHOULD SEEK THEIR OWN TAX ADVICE

Investors should also take their own tax advice as to the consequences of owning Smith Bonds in the Company as well as receiving returns from them. No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any Smith Bonds in the Company and neither the Company nor the Directors will be responsible for any tax consequences for any such investors.

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Smith Bonds in the Company. Accordingly and as noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business and prospects.

LEGAL FEATURES

A TERMS AND CONDITIONS

This Invitation, and/or your participation in the subscription of Smith Bonds is conditional upon and subject to:

1. your completed online Application Form being submitted together with online payment if your Application is for £10,000 or less. For postal Applications or for Applications for more than £10,000 (there is no maximum value for postal Applications), a downloaded, completed and printed Application Form accompanied by a personal cheque in sterling drawn on a bank account of a branch of a bank or building society in the UK, the Channel Islands or the Isle of Man made payable to “Capita Registrars Limited re Smith Bonds” and crossed “Account Payee only” being received by Capita Registrars Limited (who are acting as the Company’s Receiving Agent in connection with Smith Bonds) at Smith Bond Offer, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 1pm on 22 June 2012; and
2. the Company having accepted your Application in whole or in part in multiples of £1,000 nominal amount of Smith Bonds. Cheques will be cashed upon receipt.

Upon receipt of your Application Form and either your online payment or your cheque, your Application will be irrevocable and will not be capable of being terminated or rescinded by you.

For Applications of up to £10,000, you may complete, submit and pay for your Application online. For postal Applications, including all applications over £10,000 (there is no maximum value for postal Applications), you will be prompted to download an Application Form online which you should sign and return together with your cheque for the full amount of your Application.

You will be making your Application on the terms and conditions contained in this Invitation and the Instrument.

In particular, by making your Application, you will be deemed to acknowledge and confirm:

- a. that you are not relying on any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company in relation to the Company or any group member other than as contained in this Invitation and the Instrument and that, accordingly, none of the Company or any group member, its directors, officers, agents, employees or advisors or any person acting on behalf of any of them shall have any responsibility for any such other information or representation;
- b. you are not relying on the Company, Cairn Financial Advisers LLP or Fidelitas Capital Limited to advise whether or not Smith Bonds are a suitable investment for you;
- c. you are either (i) an individual who is 18 years old

or more at the date of making your Application and who is resident in the UK, or (ii) a company resident in the UK for corporation tax purposes and which is not prevented by the laws of its governing jurisdiction or place of incorporation from applying for or holding Smith Bonds;

- d. you are entitled to make your Application and to be issued with Smith Bonds in respect thereof under the laws of and rules of any governmental bodies located in any jurisdictions which apply to you;
- e. you are aware that it is open to you to seek advice from someone who specialises in advising on investments;
- f. you are not entitled to be paid any commission in relation to your Application;
- g. any monies returnable to you may be retained by the Company pending clearance of your cheque and such monies will not bear interest;
- h. you acknowledge that the Company may, in its absolute discretion, reject in whole or in part or scale down your application;
- i. all certificates, documents, monies and cheques sent to you by or on behalf of the Company or any documents, monies and cheques you send to the Company are sent at your risk;
- j. you and funds under your management are not engaged in money laundering;
- k. you are making your Application on your own behalf and for no other person;
- l. the Company, their representative members, directors, employees, agents and advisers will rely upon the truth and accuracy or the

confirmations, acknowledgements and representations contained in this Invitation and the Application Form;

- m. if applicable, the cheque provided by you in respect of your Smith Bonds, subscription will be honoured on first presentation; and
- n. the Company accepts no liability for any inaccuracies in your Application or for any late or failed delivery of your Application Form.

Nothing in this Invitation, the Instrument or Application will restrict the Company's liability for fraud.

MONEY LAUNDERING

It is also a term of your Application that, to ensure compliance with the Money Laundering Regulations 2007 (as amended), we or Capita Registrars Limited may, in our/their absolute discretion, require verification of your identity to the extent that you have not already provided the same. Pending the provision of evidence of identity, Smith Bonds applied for by you hereunder may not be issued at the absolute discretion of the Company or Capita Registrars Limited. If within a reasonable time after a request for verification of identity, satisfactory evidence has not been supplied, the Company may, at its absolute discretion, terminate your Application in which event your subscription will be returned to you without interest and at your risk.

If you decide to make an Application, you undertake to the Company that you will pay for such Smith Bonds on acceptance of your Application.

JURISDICTION

The making of applications, acceptances of applications and contracts resulting there from under this Invitation shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

B THE APPLICATION PROCESS AND TIMETABLE MAKING AN APPLICATION

Individual Applications for up to £10,000 (in multiples of £1,000) can be applied and paid for online using a UK debit card. Credit cards cannot be accepted.

For postal Applications, including Corporate Applications and Individual Applications for over £10,000 (there is no maximum value for postal Applications), you will be prompted to complete, print, sign and return the Application Form together with your cheque in sterling drawn on a bank account on which you are named of a branch of a bank or building society in the UK, the Channel Islands or the Isle of Man made payable to "Capita Registrars Limited re Smith Bonds" and crossed "Account Payee only" which should be sent to Smith Bond Offer, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to be received by no later than 1pm on 22 June 2012. Cheques received in respect of Applications will be cashed on receipt.

We will inform you in writing if your Application has been successful, in whole or in part, by 6 July 2012 and, in the event that your Application has been

successful, we will send you a certificate ("Smith Bonds Certificate") in respect of bonds that have been issued to you.

If your Application is successful in respect of only some of Smith Bonds you applied for, a cheque or online payment for the balance of the amount of your Application (without interest) will be sent to you within 10 Business Days together with your Smith Bonds Certificate at your risk.

The Company does not accept liability for any inaccuracies in your Application or for any late or failed delivery of your Application Form. Please note that the decision to accept your Application, in whole or in part (in multiples of £1,000), is at the sole and unreserved discretion of the Company. Therefore, the Company may accept your Application in respect of part only of the nominal amount of Smith Bonds applied for in your Application (in which case the balance of the amount paid to you in respect of Smith Bonds which were not issued to you would be repaid to you without interest).

BOND INSTRUMENT

Date: 26 April 2012

SMITH BONDS PLC

Guaranteed by: SPY PUBLISHING LIMITED

Instrument

Constituting £5,000,000 Smith Bonds No. 1

This document, which is a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2000, is being issued by Smith Bonds plc, which accepts responsibility for the information contained herein. This document has been approved as a financial promotion for UK publication by Cairn Financial Advisers LLP, 61 Cheapside, London EC2V 6AX, which is authorised by the Financial Services Authority to conduct investment business.

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BOND INSTRUMENT

THIS INSTRUMENT is made by way of Deed Poll on 26 April 2012
BY

SMITH BONDS PLC (registered number 7968550) whose registered office is at 109 South Warpole Way, London SW14 8TN (the **“Company”**); and
SPY PUBLISHING LIMITED (registered number 4438845) whose registered office is at 109 South Warpole Way, London SW14 8TN (the **“Guarantor”**).

TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1** The following words have these meanings in this Instrument unless a contrary intention appears:
- “Aggregate Nominal Amount”** in respect of the Smith Bonds in issue at any time, the aggregate principal amount of the Smith Bonds outstanding at that time and/or all accrued interest thereon;
 - “Bondholder or Bondholders”** the person(s) from time to time entered in the Register as the holders of the Smith Bonds;
 - “Business Day”** a day other than a Saturday or a Sunday on which banks are open for business in London;
 - “Certificate”** a certificate evidencing title to the Smith Bonds substantially in the form set out in the Schedule;
 - “Commencement Date”** the date on which the Smith Bonds are first issued;
 - “Default Event”** has the meaning given to that

term in Clause 6.1;

“Directors” the board of directors of the Company from time to time;

“Group” a company which is from time to time a parent undertaking or a subsidiary undertaking of the Company or a subsidiary undertaking of any such parent undertaking, and the terms “parent undertaking” and “subsidiary undertaking” shall have the meanings as set out in the Companies Act 2006;

“Instrument” this instrument;

“Interest Payment Date” the date falling (i) six months and (ii) twelve months, following the Commencement Date and (iii) the same date of each subsequent sixth month up to and including the date on which the Smith Bonds are finally redeemed;

“Interest Rate”

- (a) 7.5 per cent. per annum; or
- (b) 9.5 per cent. per annum if the relevant Bondholder elects to receive his or her interest in Smith Loyalty Money;

“Recognised Investment Exchange” has the meaning ascribed to that term in section 285 of the Financial Services and Markets Act 2000;

“Register” the register of Bondholders maintained by the Company as provided for in Clause 11;

“Registered Office” the registered office of the Company from time to time;

“Repayment Date” subject to pre-payment by

the Company in accordance with the terms of this Instrument, at the option of the Bondholder the later of (i) the fourth anniversary of the Commencement Date, and (ii) any subsequent anniversary of the Commencement Date (or if such date does not fall on a Business Day, the next Business Day) provided that the Bondholder has completed a notice of redemption six months prior to the relevant repayment date in accordance with clause 4.1;

“Smith Bonds or Smith Bonds No. 1” the non-convertible and non-transferable Smith Bonds No. 1 of the Company constituted by this Instrument; and

“Smith Loyalty Money” a notional currency equivalent to pounds sterling issued by the Guarantor that may be used to pay for the Guarantor’s products in accordance with the terms and conditions set out on its website.

- 1.2** In this Instrument, unless the contrary intention appears:

- (a) the singular includes the plural and vice versa and any gender includes the other gender;
- (b) ‘person’ unless the context otherwise requires includes a natural person, a firm, a partnership, a body corporate, an unincorporated association or body, a state or agency of state, trust or foundation (whether or not having separate legal personality);

- (c) a 'natural person' unless the context otherwise requires shall mean a human being, as opposed to a juridical person created by law;
- (d) a reference to:
 - (i) a document means that document as amended, replaced or novated;
 - (ii) a statute or other law means that statute or other law as amended or replaced, whether before or after the date of this Instrument and includes regulations and other instruments made under it;
 - (iii) a clause or schedule is a reference to a clause or a schedule in this Instrument; and
 - (iv) a month means a calendar month;
- (e) where the word 'including' or 'includes' is used, it is to be taken to be followed by the words: 'but not limited to' or 'but is not limited to', as the case requires;
- (f) where a period of time is expressed to be calculated from or after a specified day, that day is included in the period;
- (g) a reference to "date of redemption" or "repayment" or "redeemed" or "repaid" means the date on which all the outstanding principal and accrued interest on all the outstanding Smith Bonds is finally paid; and
- (h) headings are inserted for convenience and do not affect the interpretation of this Instrument.

2. AMOUNT AND STATUS OF SMITH BONDS

- 2.1** The aggregate principal amount of the Smith Bonds is limited to £5,000,000.
- 2.2** The Smith Bonds shall only be capable of being issued in multiples of £1,000 in nominal amount and there will be no limit on the maximum amount of Smith Bonds that can be issued to a Bondholder, subject to the aggregate principal amount limit set out in Clause 2.1 above.
- 2.3** The Smith Bonds shall not be issued or registered in the names of more than one Bondholder.
- 2.4** Subject to this Instrument and the Schedule, the whole of the Smith Bonds as and when issued shall rank *pari passu* equally and rateably without discrimination or preference.
- 2.5** The Smith Bonds shall not be capable of being transferred by the Bondholder or by the Company and shall not be capable of being dealt in or negotiated on any stock exchange or other recognised or capital market in the United Kingdom or elsewhere and no application has been or will be made to any Recognised Investment Exchange for the listing of, or for permission to deal in, the Smith Bonds.

3. INTEREST

- 3.1** Interest is payable on the principal amount outstanding under the Smith Bonds from the Commencement Date until the date of redemption and will be calculated on the basis of a 365-day year (or, in the case of a leap year, a 366-day year).

- 3.2** Interest accrues from day to day at the applicable Interest Rate and is payable to the Bondholders by half-yearly payments in arrears on each Interest Payment Date until the Smith Bonds are repaid under the terms of this Instrument
- 3.3** Bondholders who elect to receive interest in cash shall be paid in cash at the Interest Rate of 7.5 per cent, such sum to be paid to the relevant Bondholders by the Company within 15 Business Days of the relevant Interest Payment Date.
- 3.4** Bondholders who elect to receive interest in Smith Loyalty Money shall be paid at the Interest Rate of 9.5 per cent. Such Bondholders will not receive cash but will receive the equivalent in Smith Loyalty Money. The relevant quantity of Smith Loyalty Money shall be credited to the member's accounts of the relevant Bondholders by the Company within 15 Business Days of the relevant Interest Payment Date.

4. REDEMPTION OF SMITH BONDS

- 4.1** All Smith Bonds not previously repaid (in whole or in part) before the Repayment Date will be redeemed by the Company on the Repayment Date, at par, together with interest accrued up to and including the date of redemption, provided that the Bondholder completes the notice of redemption on the reverse of the Certificate and returns the same to the Company in accordance with the instructions printed thereon so as to be received by the Company at least six months prior to the

relevant Repayment Date.

- 4.2** All payments of principal and interest in respect of the Smith Bonds by or on behalf of the Company shall be made at the Bondholder's risk:
- (a) either by cheque or bank transfer in favour of the Bondholder. If such payment is to be made by cheque, it shall be sent at the Bondholder's risk to the address notified to the Company for such purpose in writing by the Bondholder from time to time; and
 - (b) free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed, unless such withholding or deduction is required by law. In that event, the Company shall make such withholding or deduction and shall, where required, account to the relevant tax authority for such withholding or deduction. For the avoidance of doubt, in such circumstances, the Company shall not be required to increase or gross-up any payment of principal or interest made hereunder.
- 4.3** All Smith Bonds redeemed by the Company pursuant to the terms of this Instrument will be cancelled and will not be available for reissue.
- 4.4** In the event that any income or other tax is deducted from a payment, the Company will issue to the Bondholders as soon as reasonably practicable a certificate of deduction of tax in respect of the tax deducted or withheld.

5. EARLY REDEMPTION OF SMITH BONDS

In addition to Clause 6.1, the Company will be entitled to redeem any or all of the principal amount of the Smith Bonds together with interest accrued thereon at any time (in whole or in part).

6. DEFAULT EVENTS

- 6.1** Notwithstanding Clause 4 and 5 and subject to Clause 6.2, all outstanding Smith Bonds shall become immediately repayable, at the option of a Bondholder, at par together with all accrued interest up to and including the date of redemption, on the happening of any of the following events (each a "Default Event"):
- (a) an order is made or an effective resolution passed for winding-up or liquidation of the Company (otherwise than for the purposes of or in the course of a solvent re-organisation, reconstruction or amalgamation); or
 - (b) an encumbrancer has taken possession of or if a receiver, administrative receiver, liquidator, judicial factor or other similar officer is appointed to take possession of the whole or any material part of the property or undertaking of the Company and in any such case is not discharged, withdrawn or removed within 14 days of possession being taken or an appointment being made provided that at all times during such period the Company is contesting such possession or appointment in good faith and diligently; or
 - (c) any administration order or any administration application has been made

in respect of the Company; or

- (d) any procedure or step analogous to the events set out in Clause 6.1(a) to (c) is taken in any jurisdiction.

- 6.2** The Company will use reasonable endeavours to give notice to the Bondholders of the happening of any Default Event within ten (10) Business Days upon becoming aware of the same. If any Bondholder shall waive in writing its right of repayment of the Aggregate Nominal Amount due to it, the Smith Bonds held by such Bondholder shall remain outstanding.

7. NON-CONVERSION

Neither the principal amount of the Smith Bonds nor any accrued interest thereon shall be capable of conversion into shares or other securities in the Company.

8. CERTIFICATES

- 8.1** The Certificates will be in the form or substantially in the form set out in the Schedule.
- 8.2** The Company will recognise the Bondholder indicated in the Register as the absolute owner of the Smith Bonds. The Company is not bound to take notice or see to the execution of any trust, whether express, implied or constructive, to which any Smith Bonds may be subject.
- 8.3** If any of the Bondholder's Smith Bonds are due to be redeemed under any of the provisions of this Instrument, the Bondholder shall, if requested by the Company, deliver up to the Company (at its Registered Office) the

Certificate(s) for the Smith Bonds which are due to be redeemed in order that the same may be cancelled and, upon such delivery (if so requested by the Company), the Company shall pay the relevant redemption amount to the Bondholder.

- 8.4** If any of the Bondholder's Smith Bonds are liable to be redeemed under any of the provisions of this Instrument, and, following a request by the Company, it fails to or refuses to deliver up the Certificate(s) for such Smith Bonds at the time and place fixed for the redemption of such Smith Bonds, then the Company may set aside the relevant amount due to the Bondholder, pay it into a separate interest-bearing bank account which shall be held by the Company in trust for the Bondholder (but without interest (save as may accrue in such account)) and such setting aside shall be deemed, for all purposes of these conditions, to be a payment to the Bondholder and the Company shall thereby be discharged from all obligations in connection with such Smith Bonds. If the Company shall place such amount on deposit at a bank, the Company shall not be responsible for the safe custody of such amount or for any interest accruing on such amount in such account.
- 8.5** If any certificate is lost, stolen or mutilated, defaced or destroyed, it may be replaced at the Registered Office, subject to all applicable laws, upon such indemnity as the Directors may reasonably require.

9. TRANSFER

Smith Bonds are not transferable in whole or in part and neither the Company nor its Directors shall approve, or arrange or participate in any transfer of Smith Bonds whether by registration or otherwise.

10. TRANSMISSION

- 10.1** Any person becoming entitled to Smith Bonds as a result of the death or bankruptcy of a holder of Smith Bonds or of any other event giving rise to the transmission of such Smith Bonds by operation of law may, upon producing such evidence as reasonably required by the Directors of the Company, be registered as the holder of such Smith Bonds.
- 10.2** In the case of death of a registered holder of Smith Bonds, the only persons recognised by the Company as having any title to the Smith Bonds are the executors or administrators of a deceased sole registered holder of Smith Bonds or such other person or persons as the Directors of the Company may reasonably determine and they will be entitled to require repayment of the Smith Bond at par.

11. REGISTER OF THE SMITH BONDS

- 11.1** The Company will at all times keep at its Registered Office, or at such other place as the Company may have appointed for the purpose, a register showing:
- (a) the nominal amount of the Smith Bonds held by the Bondholder;
 - (b) the serial number of each Smith Bond issued;
 - (c) the date of issue and all subsequent transmissions of ownership; and

(d) the name and address of the Bondholder as bondholder.

- 11.2** The Bondholder may at all reasonable times during office hours inspect his/her details entered in the Register and take copies of such details from the Register.
- 11.3** The Register may be closed by the Company for such periods and at such times as it thinks fit but not more than thirty (30) days in any calendar year.
- 11.4** Any change of name or address on the part of the Bondholder must be notified to the Company and the Register will be altered accordingly.

12. GUARANTEE

- 12.1** The Guarantor unconditionally and irrevocably guarantees to each of the Bondholders from time to time that if, for any reason whatsoever, the Aggregate Nominal Amount of his or its outstanding Smith Bonds (or any part of it) is not paid in full by the Company on the due date it shall (subject to the limitations set out in this guarantee), on demand in writing by such Bondholder, pay to him such sum as shall be equal to the amount in respect of which such default has been made, provided that the Guarantor's maximum aggregate liability under this guarantee shall not exceed an amount equal to the Aggregate Nominal Amount due to such Bondholder.
- 12.2** Upon payment in full by the Guarantor of the Aggregate Nominal Amount of any outstanding Smith Bonds, such Smith Bonds shall be deemed to have been repaid and cancelled.

- 12.3** The Guarantor shall be liable as if it were a principal debtor for all monies payable pursuant to this Instrument (notwithstanding that, as between the Company and the Guarantor, the Guarantor is a surety only) and shall not be exonerated or discharged from liability under this guarantee:
- (a) by time or indulgence being given to, or any arrangement or alteration of terms being made with, the Company; or
 - (b) by the liquidation, whether voluntary or compulsory, of the Company or by the appointment of an administrative receiver or an administrator in relation to the Company or its assets; or
 - (c) by any act, omission, matter or thing whatsoever whereby the Guarantor, as surety only, would or might have been so exonerated or discharged.
- 12.4** Each of the covenants and guarantees contained in this Clause 12 shall be a continuing covenant and guarantee binding on the Guarantor, and shall remain in operation until the Aggregate Nominal Amount of the outstanding Smith Bonds has been fully paid or satisfied.
- 12.5** This Clause 12 shall be deemed to contain, as a separate and independent stipulation, a provision to the effect that any sums of money which may not be recoverable from the Guarantor by virtue of a guarantee (whether by reason of any legal limitation, disability, incapacity or any other fact or circumstance and whether known to the Bondholders or not) shall nevertheless be recoverable from the

Guarantor by way of indemnity.

- 12.6** Each Bondholder shall be entitled to determine from time to time when to enforce this guarantee as regards his outstanding Smith Bonds and may from time to time make any arrangements or compromise with the Guarantor in relation to the guarantee given by this Clause 12 which such Bondholder may think expedient and/or in his own interest.
- 12.7** Any payment to be made by the Guarantor under this Instrument shall be made without regard to any lien, right of set-off, counterclaim or other analogous right to which the Guarantor may be, or claim to be, entitled against any Bondholder.
- 12.8** Payment by the Guarantor to any Bondholder made in accordance with this Clause 12 shall be deemed a valid payment for all purposes of this Clause 12 and shall discharge the Guarantor from its liability under this Clause 12 to the extent of the payment, and the Guarantor shall not be concerned to see to the application of any such payment.
- 12.9** In relation to any demand made by a Bondholder for payment by the Guarantor pursuant to this Clause 12, such demand shall be in writing and shall state:
- (a) the full name and registered address of such Bondholder and the Aggregate Nominal Value which is claimed;
 - (b) that none of the Smith Bonds in respect of which such demand is made has been cancelled, redeemed or repurchased by the Company;
 - (c) that the sum demanded is due and payable

by the Company, that all conditions and demands prerequisite to the Company's obligations in relation to those Smith Bonds have been fulfilled and made, that any grace period relating to those obligations has elapsed and that the Company has failed to pay the sum demanded;

- (d) the date on which payment of the Aggregate Nominal Amount (or part thereof) in respect of which the demand is made should have been made to the Bondholder by the Company; and
- (e) the bank account details of a bank in the United Kingdom to which payment by the Guarantor is to be credited or the address to which payment by cheque is to be sent at the Bondholder's risk.

12.10 The Guarantor may rely on any demand or other document or information appearing on its face to be genuine and correct, and to have been signed or communicated by the person by whom it purports to be signed or communicated. The Guarantor shall not be liable for the consequences of such reliance and shall have no obligation to verify that the facts or matters stated in any such demand, document or information are true and correct.

13. WARRANTIES AND UNDERTAKINGS

- 13.1** The Company undertakes to the Bondholder that:
- (a) it will perform and observe the obligations imposed on it by this Instrument;
 - (b) it will comply with the provisions of the Certificates; and

- (c) the Smith Bonds are held subject to and with the benefit of the terms and conditions set out in this Instrument and are binding on the Company and the Bondholder and all persons claiming through or under them.

- 13.2** The Company and the Guarantor severally warrant to the Bondholder on the date of this Instrument, and at all times while such Bondholder holds Smith Bonds, that:
- (a) (in case of the Company only) it has the power and authority to issue the Smith Bonds and to exercise its rights and perform its obligations under the Smith Bonds;
 - (b) it has the power and authority to enter into this Instrument and to exercise its rights and perform its obligations under this Instrument;
 - (c) it has taken all necessary corporate, shareholder and other action to authorise the execution, delivery and performance of this Instrument; and
 - (d) it has been duly incorporated, constituted or amalgamated and is validly subsisting and is in good standing under the laws of the jurisdiction in which it is incorporated, constituted or amalgamated.

14. NOTICE

- 14.1** Any notice or other communication to be given under this Instrument must be in writing and will be served by delivering it personally or sending it by pre-paid post to the address and for the attention of the relevant party set out below (or as otherwise notified by that

party) Any notice will be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) in the case of pre-paid post, 48 hours from the date of posting; and
- (c) in the case of registered airmail within three (3) Business Days of the date of posting.

- 14.2** If deemed receipt occurs before 9am on a Business Day the notice is deemed to have been received at 9am on that day and if deemed receipt occurs after 5pm, the notice is deemed to have been received at 9am on the next Business Day.
- 14.3** The addresses of the Bondholders for the purposes of the Instrument are as set out in the Register from time to time and the address of the Company is its Registered Office.

15. COSTS AND EXPENSES

Each party shall pay its own costs, charges and expenses relating to the execution and implementation of this Instrument.

16. THIRD PARTY RIGHTS

No person shall have a right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

17. GOVERNING LAW AND JURISDICTION

- 17.1** This Instrument and each of the Smith Bonds is governed by and shall be construed in accordance with the law of England and Wales.
- 17.2** Each party irrevocably submits to the exclusive jurisdiction of the courts of England and Wales

as regards any claim, dispute or matter arising out of or in connection with this Instrument.

BOND INSTRUMENT

EXECUTED as a DEED

on the day and year set out above

for and on behalf of

SMITH BONDS PLC

acting by:

Director

Director/Secretary

EXECUTED as a DEED

on the day and year set out above

for and on behalf of

SPY PUBLISHING LIMITED

acting by:

Director

Director/Secretary

BOND INSTRUMENT

SCHEDULE 1

Smith Bond Certificate

SMITH BONDS PLC ("THE COMPANY")

(Incorporated and registered in England and Wales with company number 7968550)

Smith Bonds No. 1

Millions	Hundred Thousands	Ten Thousands	Thousands	Hundreds	Tens	Units

THIS IS TO CERTIFY THAT:

[Name and Address of Bondholder]

is the registered holder of Smith Bonds No. 1 constituted by an Instrument of the Company and Spy Publishing Limited (as Guarantor) dated 26 April 2012 ("the Instrument") in the above sum. The Smith Bonds are issued subject to the rights and restrictions contained in the Instrument and are not transferable.

Given under the Securities Seal of the Company on this the [DATE].

NOTES:

No transmission of the whole or any part of the above Smith Bonds can be registered without the production of this certificate.