



*The **SimplyBiz** Group plc*

*Admission Document*

MARCH 2018

*Zeus Capital*

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") immediately.**

This Document, which is drawn up as an admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FCA pursuant to section 85 of FSMA.

The Company and the Directors, whose names and functions are set out on page 8 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the ordinary share capital of The SimplyBiz Group plc in issue immediately following the Placing to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that dealings in the Ordinary Shares will commence on AIM on 4 April 2018.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.**

**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.**

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this Document. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. Your attention is drawn to the section entitled 'Risk Factors' in Part 2 of this Document.

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## **The SimplyBiz Group plc**

(Incorporated in England and Wales under the Companies Act 2006 with registered number 9619906)

**Placing of 38,009,377 Ordinary Shares of 1p each  
at 170p per share  
and Admission to AIM**

**Nominated Adviser and Broker**

*Zeus Capital*

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### **Issued share capital immediately following the Placing**

<i>Nominal value</i>	<i>Number</i>
£764,705.88	76,470,588

The Placing is conditional, *inter alia*, on Admission taking place by 8:00a.m. on 4 April 2018 (or such later dates as the Company and Zeus Capital may agree, being not later than 27 April 2018). The Placing Shares and the Existing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the

Enlarged Share Capital to be admitted to the Official List or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his/her decision to subscribe for and/or purchase shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

No liability whatsoever is accepted by Zeus Capital for the accuracy or information or opinions contained in this Document or for the omissions of any information.

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The distribution of this Document outside of the UK may be restricted by law. No action has been taken by the Company, the Selling Shareholders or Zeus Capital that would permit a public offer of shares in any jurisdiction outside of the UK where action for that purpose is required. Persons outside of the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.



## IMPORTANT INFORMATION

In deciding whether or not to invest in Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or Zeus Capital. Neither the delivery of this Document nor any subscription or purchase made under this Document shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see Part 2, Risk Factors, of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document or any subsequent communications from the Company as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, subscription, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, subscription, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, subscription, holding, transfer or other disposal of their Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This Document should be read in its entirety before making any investment in the Company.

### Forward looking statements

Certain statements contained in this Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and the industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law, the AIM Rules for Companies or any appropriate regulatory authority.

### **Presentation of financial information**

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as operating profit before financing costs, taxation, depreciation, amortisation and any exceptional one-off costs ("Adjusted EBITDA") have been included in the financial information as the Directors believe that these provide important alternative measures with which to assess the Group's performance. You should not consider Adjusted EBITDA as an alternative for "Revenue" or "Operating Profit" which are IFRS measures. Additionally, the Company's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **No incorporation of website**

The contents of the Company's website (or any other website) do not form part of this Document.

### **General notice**

This Document has been drawn up in accordance with the AIM Rules for Companies and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules for Companies and has not been delivered to the Registrar of Companies in England and Wales for registration.

### **Governing law**

Unless otherwise stated, statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

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## KEY STATISTICS

### Existing share capital at the date of this Document

Number of Existing Shares	58,823,439
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### Placing

Placing Price	170p
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Number of Placing Shares	38,009,377
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– to be sold by the Selling Shareholders (Existing Shares)	20,362,228
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– to be issued by the Company (New Ordinary Shares)	17,647,149
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Gross proceeds of the Placing (receivable by the Company)	£30.0m
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Estimated net proceeds of the Placing receivable by the Company	£26.3m
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Gross proceeds of the Placing receivable by the Selling Shareholders	£34.6m
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Estimated net proceeds of the Placing receivable by the Selling Shareholders	£33.7m
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### Upon Admission

Number of Ordinary Shares in issue upon Admission	76,470,588
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Percentage of Enlarged Share Capital represented by the New Ordinary Shares	23.1%
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Estimated market capitalisation of the Company at Admission at the Placing Price	£130.0m
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TIDM	SBIZ
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ISIN	GB00BG1THS43
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LEI	213800DXP1VY21GCTH04
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SEDOL	BG1THS4
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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	22 March 2018
Admission and commencement of dealings in the Enlarged Share Capital on AIM	4 April 2018
CREST accounts credited (where applicable)	4 April 2018
Dispatch of definitive share certificates (where applicable) by	18 April 2018

Note: If any of the above times or dates should change, the revised times and/or dates may be notified to Shareholders by an announcement on an RIS.



## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Kenneth Ernest Davy ( <i>Non-Executive Chairman</i> ) Neil Martin Stevens ( <i>Joint Chief Executive Officer</i> ) Matthew Lloyd Timmins ( <i>Joint Chief Executive Officer</i> ) Gareth Richard Hague ( <i>Group Finance Director</i> ) Timothy Hugh Southcombe Trotter ( <i>Non-Executive Director</i> ) David John Etherington ( <i>Non-Executive Director</i> ) Timothy Paul Clarke ( <i>Non-Executive Director</i> )
<b>Registered Office:</b>	The John Smith's Stadium, Stadium Way, Huddersfield, West Yorkshire HD1 6PG
<b>Company Secretary:</b>	Sarah Clare Turvey
<b>Company Website:</b>	<a href="http://www.simplybizgroup.co.uk">www.simplybizgroup.co.uk</a>
<b>Nominated Adviser and Broker to the Company:</b>	Zeus Capital Limited 82 King Street, Manchester M2 4WQ
<b>Reporting Accountants:</b>	KPMG LLP 1 Sovereign Square, Sovereign Street, Leeds LS1 4DA
<b>Solicitors to the Company:</b>	Eversheds Sutherland (International) LLP Bridgewater Place, Water Lane, Leeds LS11 5DR
<b>Solicitors to Zeus Capital:</b>	Walker Morris LLP Kings Court, 12 King Street, Leeds LS1 2HL
<b>Financial PR:</b>	Instinctif Partners Limited First Floor, 65 Gresham Street, London EC2 7NQ
<b>Company Registrars:</b>	Link Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>Bankers:</b>	Clydesdale Bank plc (trading as Yorkshire Bank) 30 St Vincent Place, Glasgow G1 2HL

## PART 1

### INFORMATION IN RELATION TO THE COMPANY

#### 1. Introduction

Ken Davy, the current Chairman of the Group, founded the Group in 2002 to meet the changing needs of financial advisers in a sector being reformed by regulatory intervention. The introduction of a new regulator, the FSA, created a regulatory landscape that was more conducive for experienced IFAs to operate as directly authorised firms rather than operate as appointed representatives of networks. The Group's innovative approach to lower cost membership services enabled directly authorised IFAs to obtain regulatory and business support within a monthly subscription service.

The Group has designed its model of membership services to deliver, for a relatively modest monthly subscription, the services an experienced intermediary adviser firm will need to maintain ongoing compliance with regulatory requirements, and to effectively operate a business providing financial advice to retail clients. The Directors believe that the Group's services enable the demand-side of retail financial services to operate more effectively through many small independent practitioner firms. The effectiveness and popularity of operating under direct authorisation from the FCA, coupled with the Group's support services membership model has also been brought to the adjacent markets of mortgage advisers and consumer credit brokers when each of these sectors were brought under FCA regulation, in 2005 and 2014 respectively.

The Group provides product providers with efficient access to its Members, enabling the product providers to achieve the tasks necessary in preparing their products and services for intermediation to a retail customer. The Directors believe that the Group's services enable the supply-side of retail financial services to operate more effectively through an otherwise fragmented independent intermediary sector.

The Directors believe that the Group is a crucial market enabler, ensuring that independent intermediaries can continue to meet the needs of their retail clients, compliantly and effectively, and that the product providers can effectively distribute financial services products through a thriving independent intermediary sector. The Group provides services to the demand-side, financial intermediaries, and the supply-side, financial institutions, of retail financial services via its two divisions, the **Intermediary Services Division** and the **Distribution Channels Division**.

In the 12 month period to 31 December 2017, the Group generated total revenues of £44.1 million, of which in excess of 90 per cent. were of a recurring nature, and an Adjusted EBITDA of £9.5 million, producing an Adjusted EBITDA margin of 21.6 per cent..

The Group has 15 operating subsidiaries across two divisions:

#### **Intermediary Services Division, representing £22.1m 50 per cent. of total revenues in FY2017**

The Intermediary Services Division provides compliance and regulation services to over 3,400 individual financial intermediary Members, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers. The Group's Intermediary Services Division is at the core of the Group's business and operates on a membership basis with subscriptions paid monthly. In addition, Members purchase additional compliance and technical services, tailored to their business needs, and software, primarily in the form of back office CRM licenses.

The Group's Membership, at 31 December 2017, comprised: 2,200 directly authorised IFA firms, representing c.30 per cent. of the UK directly authorised market with aggregated assets under advice of £40 billion, plus 603 directly authorised mortgage adviser firms. Combined, the IFA and mortgage adviser firms placed c.£10 billion of mortgage lending in 2017. In addition, the Group provides membership services to 630 consumer credit broker firms and a mixed channel of workplace consultants and employers who have access to the Group's proprietary employee benefits software.

#### **Distribution Channels Division, representing £21.9m 50 per cent. of total revenues in FY2017**

The Distribution Channels Division provides marketing and promotion, product panelling and co-manufacturing services to more than 135 financial institutions, including 43 asset managers, 26 life assurance and pension companies, 46 mortgage lenders, 13 general insurance providers and

7 credit lenders. This division also undertakes survey panelling and surveying work for mortgage lenders. The Distribution Channels Division provides targeted access for product providers to reach the Group's financial intermediary Members. Product providers enter into annual contracts for the services provided.

Each service provided to product providers through the Distribution Channels Division is made available to eligible Members within the Group's Intermediary Services Division.

### **Admission and the Placing**

The Group has conditionally raised £26.3 million (net of expenses) which will be used to pay down its debt which will allow it to further its strategy through investment to support organic growth and, where attractive opportunities present themselves, to fund acquisitions.

The Group is seeking Admission in order to enhance the profile of the business, assist in incentivising management and employees, to provide permanent capital from institutional investors to enable the Directors to take long term investment decisions and to provide Ken Davy, the Group's Chairman and current majority owner, and the other Selling Shareholders the opportunity to sell down all or part of their respective holdings. Further details of the Placing and the use of proceeds are set out in paragraphs 5 and 10 below.

## **2. History of the Group**

The majority of the executive Directors and senior management have been with the Group since its inception in 2002 and have more than 15 years' experience of working together. Matt Timmins, Sarah Turvey and Gary Kershaw were appointed to the board of Simply Biz Services Limited in August 2003, with Neil Stevens joining in May 2004. Neil Stevens and Matt Timmins have led the Group as joint managing directors and subsequently joint chief executive officers since 2010. Gareth Hague joined in the Group in September 2016 as Group financial controller. Gareth Hague has been appointed as Group finance director in preparation for Admission.

In the 15 years since inception, continually evolving regulation has created new opportunities to develop and broaden the services the Group provides, and to move the model to adjacent sectors to serve mortgage advisers and consumer credit brokers.

In the previous five years, the Group has grown revenues by 151 per cent. (2013: £17.6m – 2017: £44.1m) and expanded its intermediary Membership base by 54 per cent. (2013: 2,212 – 2017: 3,433).

The Group has developed and grown its services in anticipation of, and in response to, the evolving regulatory landscape. There have been numerous regulatory reviews, often leading to the introduction of new legislation, that affect the way in which financial intermediaries conduct business. These include the introduction of mortgage regulation in 2004, FG11/05 Assessing Investment Suitability in 2011, the Retail Distribution Review in 2013, and the Mortgage Market Review in 2014.

Key milestones in the Group's development include:

#### *Regulation of the mortgage market by the FCA, leading to:*

The launch of a dedicated service proposition to mortgage advisers in 2004. The Group now provides services to 603 mortgage advice firms and, when combined with IFAs who have the necessary permissions to advise on mortgages, has over 1,600 registered firms within its mortgage distribution channel. In 2017 the Group's mortgage club originated over £10 billion of lending.

#### *The FCA review into investment suitability, leading to:*

The launch of Verbatim, the Group's asset management business in 2010. Since launch, assets under management have grown to over £580 million (31 December 2017) with AUM growth exceeding £10 million per month on average during 2017.

#### *The Retail Distribution Review, implemented in 2013, leading to:*

The launch of the Group's 'Vision' service, delivering a complete operating model for firms to meet all requirements of the Retail Distribution Review. The new requirements of retail distribution review enabled the Group to drive accelerated growth in software sales, providing an efficient practice management solution for independent firms.

*The introduction of auto-enrolment pensions, leading to:*

The acquisition of an employee benefits software business (Staffcare Limited, now known as Zest Technology Limited) in 2013. The Directors believe that, following the compulsory introduction of automatic enrolment, more smaller and medium sized organisations will look to augment automatic enrolment with flexible benefits programmes for their employees. The Directors believe that large IFAs and corporate IFAs are the most appropriate advisers to serve this market. Collectively, the business's software supports over 300,000 employees for flexible benefits.

*The regulation of consumer credit activity by the FCA, leading to:*

The launch of the Consumer Credit Centre in 2014, which has attracted 600 consumer credit broker firms to a fledgling service package. The Group increased its engagement with this sector in 2017, by investing in the Association of Bridging Professionals Limited enabling the Group to launch a new trade body; Finance Intermediaries & Brokers Association.

*The mortgage market review in 2014, leading to:*

Rapid expansion in the Group's mortgage club and transaction services to mortgage lenders. The 2014 acquisition of Home Information Group Limited, and the 2018 acquisition of Landmark Surveyors Ltd will assist the Group in continuing to exploit the structural shift to the intermediary sector.

*The recent introduction of MiFID II in 2018, expected to lead to:*

Increased use of technology and centralised research by financial advisers and the Group's expanding role in enabling product providers to satisfy new regulatory requirements that demonstrate their understanding of how products are intermediated, and the appropriateness of their products for the consumers who buy them.

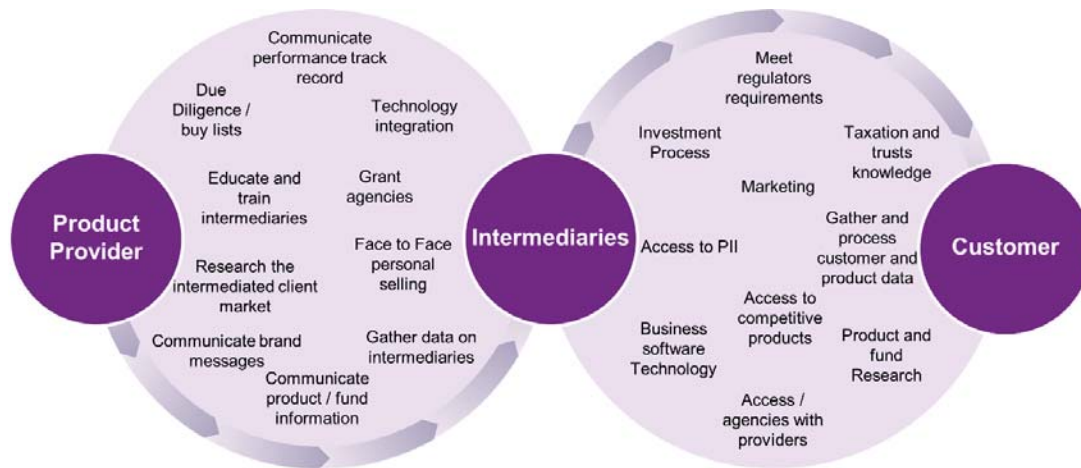
**The Group has demonstrated that regulatory change is a key driver for its growth, through the increased demand for its core compliance services, the opportunities created to provide additional services and software to intermediary firms, and the prospects created for innovation in distribution methods.**

### **3. Business Description**

The Group provides services to the demand-side, financial intermediaries, and the supply-side, financial institutions, of retail financial services via its two divisions, the **Intermediary Services Division** and the **Distribution Channels Division**. The Group does not advise retail clients and as such is not exposed to regulated retail advice risk.

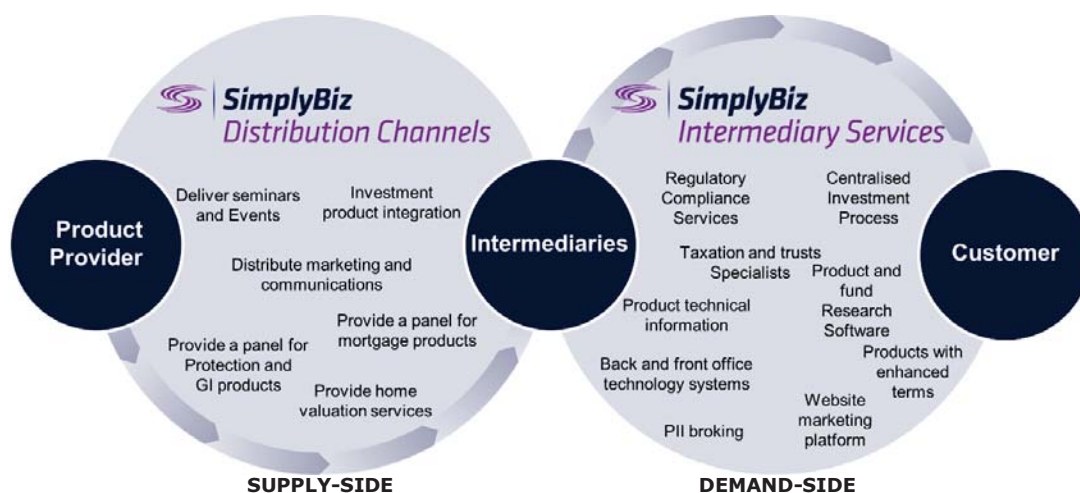
There are many challenges, and a complex array of tasks, that product providers need to overcome and satisfy in order to prepare their products and services for recommendation by independent intermediaries. Similarly, there is significant complexity and multiple technical and regulatory challenges to overcome in order for intermediaries to meet their customers' needs compliantly and effectively. This produces market challenges in the highly intermediated and regulated retail financial services market, as illustrated in figure 1.

Figure 1: market challenges to financial services intermediation



The Group aims to satisfy the needs and assist both product providers and intermediaries in efficiently achieving the requirements they are obliged to meet in the market through the range of services offered by the Group through its Intermediary Services Division and Distribution Channels Division. Examples of the services provided by the Group within each division are illustrated in figure 2.

Figure 2: the Group's divisions and the services that enable the market to function more efficiently



The principal activities of these divisions are summarised below.

Table 1: Summary of divisions

	Intermediary Services Division (see paragraph 3.1)	Distribution Channels Division (see paragraph 3.2)
<b>Service and Revenue Lines</b>	<ul style="list-style-type: none"> <li>• <b>Membership</b> Comprehensive regulatory compliance services and business support for IFAs, mortgage advisers, and consumer credit broker firms</li> <li>• <b>Additional services</b> Field consultant support, file checking, estate planning &amp; probate, and professional indemnity insurance broking</li> <li>• <b>Software</b> Back office CRM licenses</li> <li>• <b>Employee benefits software</b> Proprietary software used by workplace consultants and employers to provide automatic enrolment and flexible benefit services to employees. This business currently serves a separate customer group from the Members</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Marketing services</b> Enabling product providers to deliver intermediary training and to communicate their products and services to the independent sector</li> <li>• <b>Mortgage panel &amp; transaction services</b> Enabling aggregated negotiation, efficient origination and property valuation services to mortgage lenders</li> <li>• <b>Protection insurance &amp; general insurance panel</b> Enabling aggregated negotiation and efficient origination of life insurance policies for product providers</li> <li>• <b>The Group's own investment products</b> Verbatim Asset Management Limited</li> </ul>
<b>Key facts (as at 31 December 2017)</b>	<ul style="list-style-type: none"> <li>• Over 3,400 directly authorised Members</li> <li>• Monthly subscription model with high recurring revenues</li> <li>• Additional services up-sell and software cross-sell delivers recurring revenues and increases average income per Member by c.87 per cent.</li> <li>• £40 billion AUA</li> </ul>	<ul style="list-style-type: none"> <li>• 135+ product providers commercially engaged as Distribution Channel partners</li> <li>• Annual contracts with high recurring revenues</li> <li>• £10 billion of mortgage lending originated in FY2017</li> <li>• &gt;9,000 general insurance policies originated in FY2017</li> <li>• £580 million AUM in own investment products, growth of £140 million in 2017 (Verbatim)</li> </ul>
<b>Revenues FY2017</b>	<b>£22.1 million</b>	<b>£21.9 million</b>
Revenue Contribution FY2015	53 per cent.	47 per cent.
Revenue Contribution FY2016	52 per cent.	48 per cent.
Revenue Contribution FY2017	50 per cent.	50 per cent.

### 3.1 Intermediary Services Division – business description

*Comprising the operating subsidiaries Simply Biz Services Limited, SIFA Limited, Zest Technology Limited, APS Legal & Associates Limited, New Model Business Academy Limited and Financial Intermediary and Broker Association Limited.*

The Intermediary Services Division provides compliance and business services to over 3,400 individual intermediary firms through a comprehensive membership model. Financial advisers, mortgage advisers, and consumer credit broker firms conduct regulated activities that require that they are authorised and regulated by the FCA.



In the general marketplace, firms may operate in one of two ways: under direct authorisation and regulation by the FCA, or as an appointed representative of a principal authorised firm, whereby the principal takes responsibility for regulatory compliance of the appointed representative. In addition to the requirement to meet threshold conditions for authorisation, and the regulatory requirement to ensure ongoing compliance with regulation, directly authorised intermediary firms are subject to a range of commercial and operational pressures that are difficult to meet without a support services provider, such as the Group.

The majority of Members, in excess of 90 per cent., generate less than £10,000 per annum in revenue for the Group from membership fees, additional services and software licenses. No Member exceeds 1 per cent. of the Group's revenue. Average Membership duration is in excess of five years and attrition in 2017 was c.5 per cent..

The compliance support that the Group provides to its Members does not constitute regulated advice, and the Member themselves, as they are authorised and regulated by the FCA directly, remain responsible for their advice and all matters of regulatory compliance. There is no requirement for the Intermediary Services Division to be regulated by the FCA, therefore there is no associated regulatory capital requirement for providing Intermediary Services.

### ***Intermediary Services Division: Membership***

The Group's Membership generates a recurring monthly subscription fee from each intermediary firm. The membership fee is typically calculated as a small percentage (c.2.5 per cent.) of each Member's annual turnover, subject to a cap and collar. Credit broking firms are charged a small fixed membership fee, while the Group provides a fledgling service to a newly regulated sector that is not yet matured. In 2017, the average annual membership fee was £2,460, with an average additional services and software combined up-sell of £2,163, totalling £4,623 per annum per Member.

Compliance services are at the core of the Group's Member offering. Directly authorised firms are subject to a constantly evolving and increasingly complex regulatory environment, which they are required to understand and adhere to. The Directors recognise the importance of the regulatory guidance and support for directly authorised firms, and therefore ensure that a dedicated policy team constantly monitors the regulatory developments both from the FCA and the wider regulatory environment, including HMRC, TPR and ICO. The Group's policy team proactively advises Members of their compliance requirements, and provide practical help on how to comply via regular technical communications and compliance sessions at Member events. The policy team also plays an important role in acting as the conduit for the Group's Members' collective voice in submitting responses to relevant FCA consultations.

The Group provides Members with a range of packaged membership services, designed to allow them to keep their independence and stay in control of their business, while ensuring that they have the tools and technical support needed to remain compliant.

### ***Authorisation services***

The Group provides a dedicated team to assist new Members in obtaining authorisation from the FCA. The team provides assistance with regulatory applications, individual approvals, variation of permissions and change of control applications. New Members receive assistance from a dedicated case manager who will liaise with the FCA authorisations department on all matters relating to the application. The Group's authorisation experts will conduct detailed pre-assessment checks, assist firms in meeting all threshold conditions, and provide a detailed induction session to familiarise firms with the regulatory requirements and operating procedures prior to gaining authorisation.

### ***Regulatory and compliance communications***

To ensure the Members have access to the latest news and updates from the FCA, and other sources as appropriate, the Group delivers a comprehensive communications programme that includes email updates, printed materials in short form and in magazine format, and publications on social media applications.

### ***Helpdesks***

The compliance helpdesk provides comprehensive guidance and support on regulatory matters covering a wide range of retail product areas, including investments, pensions, mortgages and other secured lending, life insurance, general insurance and unsecured lending. The range of helpdesk services include: appraisal and feedback on financial promotions; stationery and websites

disclosure checks; assistance with the FCA's GABRIEL reporting system and making regulatory returns; support with training and competency requirements; and the assessment of, and guidance for, the key disclosure documents. The helpdesk provides a resource library with personal guidance on compliance policy documents that a directly authorised firm needs to meet regulatory requirements.

In addition to the general compliance helpdesk, the Group provides Members with a specialist pension technical helpdesk that provides specialist guidance on HMRC, DWP and FCA aspects of pension related regulations via telephone and email. The pensions helpdesk covers key topics such as regulatory changes, the SIPP/SSAS regime, carry forward rules and application, overseas residents, pensions and divorce implications and pension switching/transfers. The helpdesk team produces regular bulletins and maintains a technical library of over 200 technical guides/suitability report templates and checklists, made available within the Member portal on the Group's website.

The Group also provides a specialist trust and taxation helpdesk that provides support for a wide range of tax and technical assistance, covering key topics that include inheritance and estate planning, capital gains tax mitigation, top slicing, encashment of bonds and trustee investment opportunities.

#### *Investment planning and research services*

The Group supports its Members in dealing with their clients throughout the advice process through a range of relevant third party software tools, guidance and research materials on multiple areas of investment advice. The tools supplied help Members to provide investment advice, meeting specific regulatory requirements, and to produce valuable planning reports and more efficiently assess and select appropriate portfolios for client needs.

#### *Centra – bespoke configuration of leading financial planning and research software*

Centra is a customised software application, provided by Defaqto, that offers the Members:

- financial planning tools;
- integrated product research;
- automated suitability report writing; and
- a pre-loaded centralised investment process with the ability to customise at the preference of each Member.

#### *Professional development/CPD*

The Group offers an accredited learning and development programme to its Members. The Group held over 400 training events across the UK in 2017, attracting several thousand Members. The Group also provides its Members with complimentary access to an accredited, award winning online CPD portal. The CPD portal includes a learning zone, complete with the reading materials and testing facilities that advisers require to complete their compulsory CPD requirements.

#### ***Intermediary Services Division: additional services***

In addition to the packaged services described above, the Members also benefit from access to additional paid-for services, some of which are provided by third party partners under reseller agreements with whom the Group have negotiated preferential rates.

#### *On-site compliance visits and audits*

The Group provides a face-to-face personal, proactive and business focussed compliance consultancy service, which provides Members with access to additional specialised on-site compliance assistance, tailored to their needs. The Group's field compliance managers are able to create bespoke visit agendas to suit individual Member requirements, and include a written report of recommended actions where appropriate. Depending on the level of membership fee, some Members may be provided with complimentary on-site compliance visits, with additional visits provided at a further additional charge.

#### *Professional indemnity insurance*

It is necessary for all of the Members, as directly authorised firms, to have an appropriate professional indemnity insurance policy in force at all times. The Group provides a dedicated professional indemnity insurance broking service to assist Members in the process of obtaining appropriate cover. This is an activity which is regulated by the FCA and as such the Group has the appropriate FCA authorisation in place to carry out this activity.

#### *File checks*

The Group's file checking service provides detailed feedback on the adviser's client files, highlighting any issues and practices that may need attention. The Group's specialist, desk-based, team of compliance consultants, delivers this cost effective and scalable solution.

#### *Referral services*

Members are provided with access to specialist outsourced services, that can enhance their service offering to end clients in product areas that they would otherwise be unable, or unwilling, to provide advice.

#### *Wills, estate planning and probate*

The Group offers a training, accreditation and back-office production service that supports its Members in producing client wills, undertaking simple estate planning and administering client estates following a grant of probate.

#### *Marketing support*

The Directors believe that the role of marketing has become ever more important and it is crucial that adviser firms have access to efficient solutions to communicate their brand and value to their clients, and prospective clients. The Group provides:

- Next generation websites – NextGen sites are built on third party technology and provide Members with a professional website that they can tailor to their needs. The Group has developed a website service that enables Members to complement their face-to-face advice with a digital presence, and offer clients the opportunity to access products and services online. There are currently over 450 Next Generation sites in use by the Group's Membership.
- Online marketing store – the Group offers Members a variety of professionally created marketing materials to help them keep in touch with both their existing clients and prospects. This includes brochures, direct mail, e-mail and adverts.

#### *Workplace academy*

The workplace academy provides Members with a gateway to skills, knowledge and tools needed to build a robust, comprehensive and profitable corporate business proposition. The Directors believe that the opportunities available to advisers in the corporate space are both sizable and numerous and many UK firms, SMEs in particular, are in need of financial advice and guidance. The workplace academy offers support at each step of the journey into corporate advice, from identifying and engaging clients, through the process of developing a proposition, to modules focussing on technical product information.

#### *Auto-enrolment support*

The Group's SimplyEnrol proposition has been designed to deliver an auto enrolment solution that suits Members' corporate clients, providing guidance, collateral and tools to support Members throughout the auto enrolment process. The SimplyEnrol proposition includes:

- educational materials and information to ensure Members have a full understanding of the compliance and regulatory requirements of auto enrolment and the areas that interconnect with it such as salary exchange, and reporting needs; and
- practical guidance and tools that will help Members identify, approach and engage with clients who need help fulfilling their auto enrolment duties.

#### ***Intermediary Services Division: software***

The Group provides Members with a customised version of the sector's leading specialist practice management and CRM application, Intelligent Office. The scale of the Group enables the service to be offered at attractive rates, representing a significant saving against recommended retail price (24 per cent.) for Members while generating recurring revenues and good margin. The bespoke configuration of the software integrates significant compliance intellectual property of the Group and provides for custom integration with other Member services to deliver a unified user experience while striving for best of breed in each area of functionality.

### ***Intermediary Services Division: membership summary***

The Group is driven by a strong service ethos, evidenced by a commitment to customer satisfaction across all areas of the business. The Group operates the NPS methodology to benchmark success in customer satisfaction, setting advocacy as the objective. The 2017 NPS score for Intermediary Services was 59. Member attrition rates are low for 2017 at sub 5 per cent..

The Group's Intermediary Services for Members continues to grow, with revenues increasing 7.9 per cent. 2015-2016 and 12.1 per cent. 2016-2017. Adjusted EBITDA has increased by 22.2 per cent. 2015-2016 and by 20.3 per cent. 2016-2017 with Adjusted EBITDA margin increasing from 17 per cent. in 2015 to 21 per cent. in 2017.

*Table 2: Intermediary Services Division financial record, Members*

<b>Year Ended</b>	<b>31 Dec 2015</b>	<b>31 Dec 2016</b>	<b>31 Dec 2017</b>
Revenue	£13.1 million	£14.1 million	£15.9 million
Adjusted EBITDA	£2.3 million	£2.8 million	£3.3 million
Number of Members	2,962	3,216	3,433
Average subscription per Member per annum	£2,505	£2,446	£2,460
Average additional revenue per Member per annum	£1,203	£1,143	£1,196
Average software revenue per Member per annum	£724	£815	£967

### ***Intermediary Services Division: employee benefits software***

Zest Technology Limited provides software as a service for compensation, communication and administration. It licenses its software to many of the UK's leading employee benefit consultants including Equiniti, Aviva, Hargreaves Lansdown, LCP, JFB, Mattioli Woods, AJ Gallagher and Mazars amongst its many partners. Over 300 organisations communicate and manage their employee benefits using Zest Technology Limited's software.

The Group acquired Staffcare Limited (now known as Zest Technology Limited) in December 2013 with a longer-term strategic objective to enable IFAs to offer auto enrolment and flexible benefit services to the workplace market, in addition to servicing existing employee benefit consultant clients.

The Directors believe there are opportunities to create synergies with the Group's IFA Members by helping them to provide flexible benefits solutions to the SME marketplace in the UK. The expansion from retail clients to workplace clients would provide advisers with a larger customer base as well as provide the opportunity to advise on group pension and protection schemes. The catalyst for this investment was the introduction of auto enrolment providing market opportunity and Zest Technology Limited's considerable client bank of c.4m employees.

Since acquisition, the Group has re-designed the platform and re-built the core technology under a new 'software as a service' model. The Group believes this is essential to providing a benefits platform which is capable of scale and is flexible enough to provide a multi-client environment, serving millions of employees. The re-design of the platform was carried out during 2016 and 2017, resulting in a multi-million pound investment and duplication of costs whilst running old and new platforms. The Group expects the duplication of operating costs to fall away by 2020 and operating margin to then return to levels more consistent with sector averages.

Zest Technology Limited provides modern, flexible, device independent software, that is quick to set up, easy to maintain and simple to use.

### ***Services***

Zest Technology Limited provides a complete support service to employers to get the most out of their benefits scheme – from setting up the scheme, to improving employee engagement, to ongoing administration and maintenance.

Zest Technology Limited's interactive reward statement clearly articulates an individual's total package, allowing them to understand the full value of their employment.

Zest Technology Limited also helps organisations to remain fully compliant with their duties under GDPR. Using secure UK data centres, application level encryption and two factor authentication as standard, Zest Technology Limited is ISO 27001 accredited.

### **Employee benefits software: key statistics**

Table 3: Intermediary Services Division financial record, employee benefits software

Year Ended	31 Dec 2015	31 Dec 2016	31 Dec 2017
Revenue	£7.2 million	£7.0 million	£6.3 million*
Adjusted EBITDA	£1.4 million	£1.1 million	£0.1 million*
Number of employee seats	2.6m	3.4m	4.0m

\*Revenue has decreased over the period due to reduced one off project income. Adjusted EBITDA also decreased in 2017. Both the revenue and EBITDA reductions over the period are primarily the result of re-platforming the employee benefit software.

### **3.2 Distribution Channels Division – business description**

Comprising the operating subsidiaries Home Information Group Limited, Sonas Surveyors Limited, Landmark Surveyors Ltd, Simply Biz Support Limited, Simply Biz Mortgages Limited, Verbatim Asset Management Limited, Verbatim Portfolio Management Limited, Verbatim Adviser Services Limited and Verbatim Investments Limited.

The Group provides an effective distribution channel for c.135 financial institutions to reach an otherwise fragmented independent intermediary sector. The financial institutions served by the Distribution Channels Division comprise 26 life & pensions companies, 43 asset managers, 46 lenders, 13 general insurers and 7 credit lenders. The Group generates revenue from product providers when it successfully engages Members to participate in the channels offered through its Distribution Channels Division. It is therefore essential that there are clear benefits to intermediary firms, such as the Group's Members, from participation, and achieving high value and Member satisfaction is essential in delivering successful distribution channel activities to the product providers.

#### **Distribution Channels Division: marketing services**

##### *Events & seminars*

The Group's extensive events programme has been developed to cater for the needs of Members. IFAs and mortgage advisers require ongoing education and support across a broad range of topics, particularly as the markets and products continue to evolve. While the events programme in any given year will cover a diverse agenda the Group will, where required, ensure any major industry developments are given due attention. For example, the Group maintained a focus on pension freedoms in 2017.

The Group's events provide the product providers with the opportunity to deliver engaging information that is relevant to their own markets, products and services that will enhance adviser knowledge and continue to improve consumer outcomes. Product providers are able to interact in person with an engaged audience of advisers who choose to attend optional, well-attended events. Product providers have regulatory requirements to ensure that these objectives are achieved, and the Group delivers an efficient method to reach the otherwise fragmented independent sector. The Group's events take a variety of formats, suited to the particular needs of different Members, including: learning and development events; investment forums; protection connection; mortgage events; on-mainstream product education; and efficient advice process seminars. Events are well-attended, with audience size typically ranging from 30 – 100+ per venue.

Since 2011, the Group has worked with the Chartered Institute of Insurers and the London Institute of Banking and Finance to deliver structured CPD as part of the Member events schedule. Both professional bodies continue to award accredited status for the events programme. This continues to demonstrate the value the Group brings to IFAs and mortgage advisers while enabling the product providers to achieve their objectives. Under the Standards of Professionalism, advisers are required to undertake 21 hours of structured CPD annually. The Members can obtain well in excess of the required 21 hours by attending the events programme.

The Group's strategic partner and events team work closely with product providers to develop high quality and relevant presentations and learning materials throughout all stages of the development process, and ensure that any content meets the requirements for accreditation prior to delivery.

The Group hosts over 400 events and seminars each year, providing many opportunities, with national coverage, for product providers to reach the Membership. 2017 face to face event attendance was over 12,000.



### *Brand and product communications*

The Group delivers a broad range of electronic and printed materials to deliver product provider brand and product communications to its Members. This enables product providers to keep a regular communication plan in place with a large number of independent intermediaries. Product provider content is carried alongside technical and compliance materials produced for Members, increasing the likelihood of Members reading the communications.

The Group provider income from marketing services is well diversified across around 65 product providers engaged with marketing services in 2017. No single product provider represents more than 5 per cent. of the Group's revenue, and engagement with these product providers on an annual basis provides excellent revenue visibility.

### **Distribution Channels Division: mortgage panel and transaction services**

Simply Biz Mortgages Limited is now the UK's third largest mortgage club and all eligible Members benefit from complimentary access. The service includes a dedicated account manager to assist with queries and assist with case placement. The Group negotiates preferred products from key lenders, and presents product information in an easy to access rate summary sheet to assist advisers. The Group delivers parity with other major mortgage clubs on procurement fees payable, ensuring Members are receiving a competitive commercial deal. In addition, the Group provides a range of Member benefits that helps to increase penetration, including free access to "Mortgage Brain", subject to minimum case numbers, and subsidised access to the "Trigold Crystal" sourcing software. The Group helps lenders connect with the mortgage advisers through their attendance at complimentary mortgage meetings and roundtable events held across the UK. With over 1,600 Members using the mortgage panel service, the Directors believe there is significant future growth opportunity in continuing to drive take-up of this valuable service from eligible Members, with current penetration around 50 per cent..

### *Panel services*

Gateway is a panel manager to 16 per cent. of the UK building society sector and operates a survey and valuation panel of over 50 firms covering England, Scotland and Wales. Sonas Surveyors Limited is the Group's in-house employed workforce, comprising 54 employed surveyors operating in England and Wales. Both Gateway and Sonas are well respected in the mortgage market and are appointed to the majority of major bank and building society panels as well as the second charge lending community. This flexible model of employed surveyors and an external panel has enabled the business to expand and contract as the market has fluctuated, whilst maintaining its core delivery capability within Sonas Surveyors Limited. In 2018 the Group strengthened its capabilities in providing home valuations with the acquisition of Landmark Surveyors Ltd, a business that the Directors believe is highly aligned and complementary to the business of Sonas Surveyors Limited.

### **Distribution Channels Division: protection insurance and general insurance panel**

The Group offers Members access to a protection and a general insurance panel. Members receive competitive product terms, negotiated centrally, and the product providers benefit from efficient distribution of products and support with training and origination of policies. The Group provides specialist software and a range of training and business development services that are designed to increase productivity and efficiency for Members advising on insurance products.

Member penetration in this channel was boosted by almost 100 per cent. in 2017, following a sustained marketing and sales campaign, and the Directors expect to see strong revenue growth in this high margin service in 2018.

### **Distribution Channels Division: Verbatim investment products**

The Group launched Verbatim in 2010, in response to perceived challenges in the sector with providing retail clients with packaged investments that can continue to meet clear risk-managed objectives over a medium to longer-term timeframe. Verbatim initially launched with five growth portfolio funds and one income portfolio fund. The Verbatim portfolio funds are matched to an independent investment process promoted by the Group, and provided by Distribution Technology. Advisers are able to clearly understand the risk-managed investment mandate, and have total visibility of the fund holding and independent attribution analysis. The funds are managed to bespoke mandates by Liontrust, Sarasin and Architas who are outsourced investment managers.



The Directors believe that Verbatim's approach of delivering a client-focussed investment solution, with high levels of transparency for financial advisers, will help continue to grow AUM. As at 31 December 2017, over 1000 IFAs had placed an investment with Verbatim, leaving the opportunity to promote the products to the remaining c.1,000 investment firms within the Group's Membership.

18 per cent. of IFAs who had placed an investment with Verbatim have AUM in excess of £500,000. The Directors believe there is significant opportunity to increase AUM with existing IFA users of Verbatim.

The FP Verbatim Portfolio Funds are available on all major platforms and several insured product wrappers, providing a wide range of opportunities to use the solutions for new or existing clients. The fund range has received independent ratings from Rayner Spencer Mills Research in 2017, hold Lipper Leaders' ratings of 4 or 5 for consistent returns compared to peer group and are risk rated as meeting a consistent advice process by leading adviser research companies Defaqto, Synaptics and Distribution Technology.

In 2013, Verbatim acquired a multi-index passive fund range, Total Clarity, with <£10m AUM. This has since grown to £130m. In 2015 Verbatim launched a discretionary model management service on a single purpose platform, which was subsequently extended to a range of third party platforms in 2017 and AUM is currently £65m.

#### **Distribution Channels Division: key statistics**

The Group's Distribution Channels Division continues to grow, with revenues increasing 8 per cent. 2015-2016 and 11 per cent. 2016-2017. Adjusted EBITDA has increased by 14 per cent. 2015-2016 and by 31 per cent. 2016-2017 with Adjusted EBITDA margin increasing from 22 per cent. in 2015 to 28 per cent. in 2017.

*Table 4: Distribution Channels Division financial record*

<b>Year Ended</b>	<b>31 Dec 2015</b>	<b>31 Dec 2016</b>	<b>31 Dec 2017</b>
Revenue	£18.2m	£19.7m	£21.9m
Adjusted EBITDA	£4.1m	£4.6m	£6.1m
Average attributable revenue per eligible Member:			
— Marketing Services	£1,958	£1,779	£1,793
— Mortgage Panel & Services	£3,372	£3,194	£3,421
— Insurance Panel*	£1,822	£1,942	£1,219
Average fee per survey	£188	£167	£167
Verbatim AUM	£349m	£424m	£582m

\* The reduced attributable revenue per eligible Member in 2017 for insurance panel has been produced by a rapid increase in penetration during 2017 hence the Directors believe that latent productivity will generate increased revenues from existing users in 2018.

#### **4. Key Strengths and Investment Characteristics**

The Group has demonstrated year on year revenue growth from its disruptive model of increasing IFA, mortgage adviser and consumer credit broker Membership in its Intermediary Services Division.

The Group's provision of a low-cost packaged membership service that delivers to the needs of independent intermediaries, is coupled with the supply-side Distribution Channels Division – adding value to both Members and the product providers who would find reaching this otherwise fragmented sector to be more costly and less efficient without the Group's services.

##### ***Defensive growth opportunity***

The nature of compliance, governance and risk services coupled with effective diversification of revenues across a broad spectrum of financial services sectors has enabled the Group to deliver defensive non-cyclical recurring revenues that the Directors believe will be attractive to investors.

##### ***Strong margin, growing through operational leverage***

The Group delivers an Adjusted EBITDA margin of over 20 per cent., and the Directors believe that margin will increase due to the scalable model and operational leverage.

### ***Multiple market drivers for continued growth***

The increase in the number of intermediary firms, structural increase in the relative market share for intermediaries, and the propensity to procure compliance and business services are a strong combination of growth drivers for the business. Significant and increasing regulation for financial intermediary firms is increasing both the importance and the range of services that intermediaries need, and the Directors believe the Group's comprehensive packaged subscription service is well placed to meet the needs of the market and capture growth in the future.

As the market share of product sales is maintained and grown through the intermediary sector, existing and new entrant product providers will see increasing benefits from the efficient access to the independent sector provided by the Group. MiFID II places additional responsibilities on product providers that are likely to further encourage a collaborative approach with centres of influence, and particularly through organisations such as the Group that can actively assist the product providers to meet their own regulatory responsibilities in a low-risk model.

### ***AUM benefits***

Continued growth of the Group's Verbatim products delivers high margin recurring revenues with a highly diversified user base. Verbatim's products are designed to have mass-market appeal, and their availability on virtually all adviser platforms and some insured products positions them for future growth.

### ***Barriers to entry***

The Group benefits from high barriers to entry, as the breadth of our packaged service is difficult to replicate and the duration of our close relationships with Members will be hard to disturb or replace, particularly for a new entrant. The scale of the Group's Membership is an essential factor in securing product enhancements, reduced technology costs and is essential in providing the services of the Group's Distribution Channels Division to the product provider sector.

### ***Regulation light, capital light access to attractive financial services themes***

The Group offers investors access to the many attractive themes within financial services; increased consumer wealth, increased personal responsibility for lifetime financial welfare, increased product and distribution complexity creating challenges for large product providers to access the benefits of these positive opportunities, increased regulation and continued regulatory reform. The Group balances access to the upside of capital markets and housing markets with defensive and well-diversified governance, risk and compliance revenues – and within a “regulation-light” and “capital-light” business model that delivers strong and growing margins and over 90 per cent. operating cash conversion.

In addition to these attractive drivers of organic growth, the Group has demonstrated a track record of successful acquisitions which delivers further growth potential through bolt-ons, and a team capable of making larger acquisitions to benefit from potential market consolidation.

## **5. Strategy and use of Proceeds**

### ***Strategy***

The Group's growth strategy focuses on both organic growth and growth by acquisition. The Group has a track record of growing its revenue and Adjusted EBITDA across both divisions, driven by growth in its Membership and breadth of its service and product offering, and long-standing recurring engagement with financial institutions that need access to the independent sector.

### ***Organic Growth***

The Group has continued to grow its customer base since launch, and the Directors believe that market drivers and the strong competitive positioning of the Group will enable continued organic growth in existing markets.

The consumer credit broker market is still relatively new to regulation, as FCA regulation commenced in 2014. While this segment of Members currently pay a lower fixed-fee, the Directors believe that there will be opportunities to increase the range and value of services in the years to come.

The Group has significant latent potential to increase Member participation in additional services and distribution channels offered. The Directors believe that market and regulatory drivers are likely to increase the demand for these services, and increase existing Member participation.

The Group's investment products have demonstrated a strong track record of performance, attaining independent ratings for such, and the Directors believe that they represent a significant growth opportunity that delivers high incremental margin.

#### *Acquisition opportunities*

The Group has successfully completed seven acquisitions, comprising bolt-ons, new markets and service developments for existing markets. The Directors believe that the continuation of regulatory reform will drive future opportunities to acquire services that are complementary to existing customers. The Directors also believe that there are attractive market dynamics for consolidation of competitors, and remain active in exploring these options.

#### ***Rationale of IPO and use of proceeds***

The Directors believe that Admission and the Placing will:

- enhance the profile of the business;
- assist in incentivising management and employees;
- provide permanent capital from institutional investors to enable the Directors to take long term investment decisions; and
- provide for Ken Davy, the Group's Chairman and current majority owner, and other Selling Shareholders to sell down all or part of their respective holdings.

The Company will receive approximately £26.3 million of net proceeds from the Placing (after deducting placing commissions, other estimated offering-related fees and other related expenses incurred by the Group of approximately £3.7 million).

The Company intends to use the net proceeds from the Placing to pay down its debt and make the payment to the Alcentra funds referred to in paragraph 3(b) of Part 5 of this Document. This will allow the Company to further its strategy through investment to support organic growth and, where attractive opportunities present themselves, to fund acquisitions.

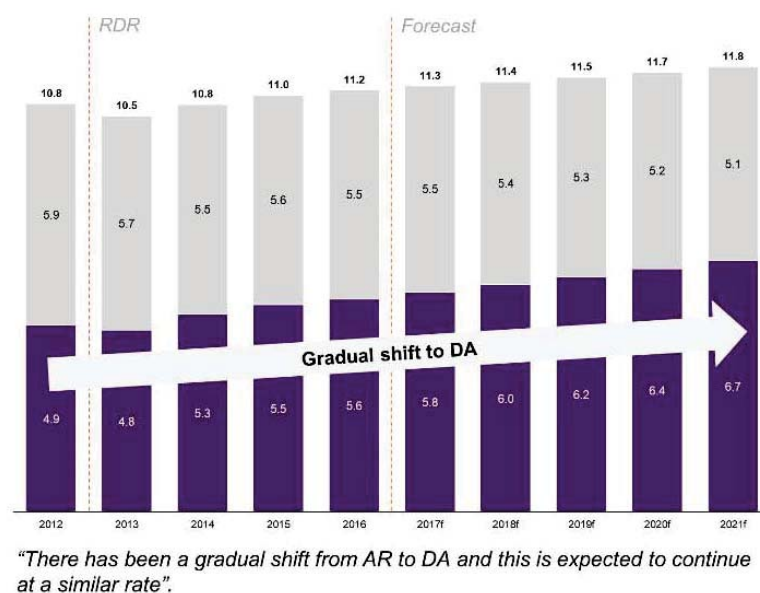
The Company will not receive any of the proceeds from the sale of Existing Shares by the Selling Shareholders.

## **6. Market Background**

UK retail financial services is heavily reliant on intermediation. It is estimated that 80 per cent. of retail investment products, c.£140 billion in 2016, were sold through intermediaries and 70 per cent.+ of mortgage lending by value, £147 billion in 2016, was intermediated.

The introduction of the new regime developed under the Retail Distribution Review saw a reduction in the number of IFA firms in 2013. The market has been steadily increasing since and exhibiting a trend to direct authorisation as the preferred model for IFA firms. The Directors believe that this trend is set to continue, as illustrated by independent research included below.

Figure 3: Number of adviser firms with FCA investment permission and forecast in the UK



Source: CIL, 2017

Note: The data in figure 3 is based on Matrix Investment Intermediaries, which includes only active FCA authorised firms operating in the investment market with at least one active CF30 advisor within the firm or at its appointed representative.

Table 5: Compounded annual growth rate of adviser firms who are directly authorised or appointed representatives.

	FY12-16 CAGR Actual	FY17-21 CAGR Forecast
Total	0.8 per cent.	1.8 per cent.
Appointed representatives	(1.5 per cent.)	(1.0 per cent.)
Directly authorised	3.3 per cent.	3.3 per cent.

Source: CIL, 2017

The Directors believe that poor network performance, and inherent inefficiencies, cause the appointed representative model to be more expensive and inflexible for financial advisers. Networks may seek to restrict a firm's chosen advice model, and many consolidator models seek to impinge on a firm's independence.

The Group is able to benefit from the underlying trend to direct authorisation as its packaged membership service includes authorisation services to assist firms moving from being an appointed representative to being directly authorised. Furthermore, the rising market for directly authorised firms is expected to exhibit an increased propensity to buy-in regulatory and compliance services as against managing all affairs in-house. The Directors have observed an increased propensity of directly authorised firms to buy in services from a compliance support provider due to the following reasons:

- Complex regulatory environment
- Breadth and complexity of products
- Complex tax regime
- Documentation management
- CPD requirements
- Commercial imperative
- Software training / education requirements

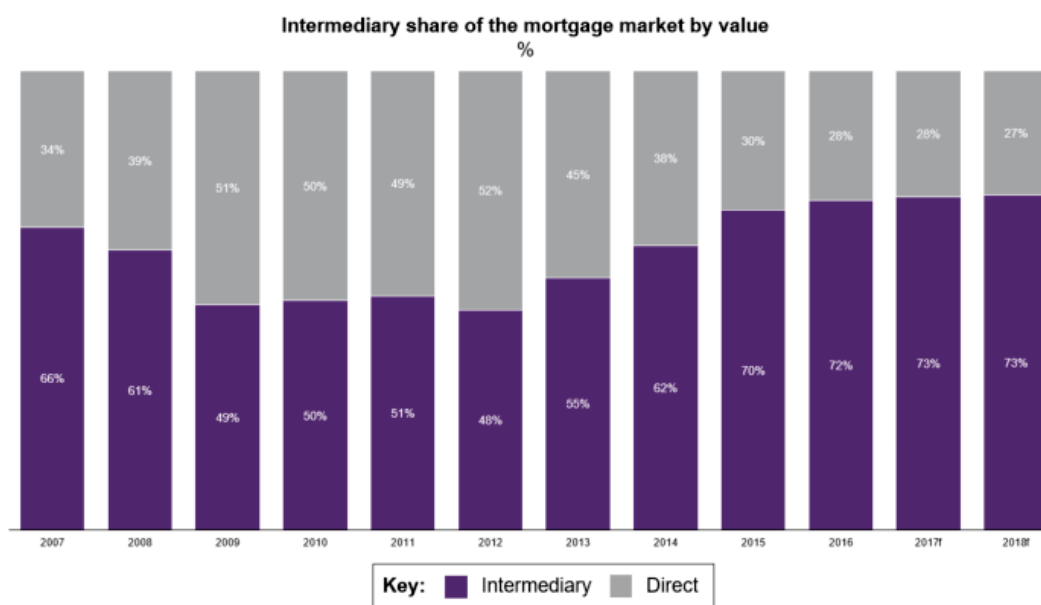
Figure 4: Number of directly authorised firms



Source: CIL, 2017

The UK mortgage market has demonstrated what the Directors believe to be a structural shift in the intermediary share of mortgages by value. The mortgage market review, introduced in 2014, has added significant complexity and greater responsibility to the activity of providing mortgage advice. Independent professional intermediaries have benefitted from this change in regulation, with c.70 per cent. of mortgage lending by value through the intermediary channel in 2017.

Figure 5: Intermediary share of the mortgage market



Source: CIL 2017

In addition to the existing regulations in place for intermediary firms and product providers, 2018 will see the introduction of significant new legislation that will place new requirements on the ongoing operating model for IFAs and product providers.

- January 2018 – The introduction of MiFID II
- May 2018 – The introduction of GDPR

- Summer 2018 – The Senior Managers & Certification Regime policy statement is due to be published

The Directors believe that the Group will continue to understand the challenges that new regulations bring to both the supply-side, financial institutions, and the demand-side, financial intermediaries, in the market. The Group has demonstrated its record of delivering solutions to these new challenges, and growing high quality revenues successfully.

#### *Robo-advice*

Robo-advice is a relatively new term in the UK and is considered as a potential long-term threat to the financial adviser community, as more people seek to manage their financial affairs online.

The Directors believe that whilst the market for robo-advice is set to grow, it will not necessarily take market share from the traditional adviser community where their clients' affairs tend to be more complex and their needs often long-term and multi-generational. The Directors believe that robo-advice will be mainly targeted at, and used by, the current population who do not receive financial advice. The underserved mass market, as described by the FCA, are clients who are not serviced by an existing adviser, but who have advice needs.

The Directors, nonetheless, recognise the importance of technology, and particularly the opportunities to augment face-to-face advice with online tools and information. Accordingly, the Group has invested in launching its 'NextGen sites' for advisers who want to offer their clients the ability to view their portfolios online, service their policies, top up investments and purchase simple products. Over 400 advisory firms across the Membership have subscribed to NextGen sites in the first 12 months since the launch of the service.

The Directors note that, according to research conducted by consumer financial website Boring Money, it costs robo-adviser businesses on average between £200 and £500 to acquire each new customer. Low ongoing charges, combined with high upfront acquisition costs, mean that revenues might never cover the costs of acquisition. This survey revealed that robo-advisers accounted for less than 1 per cent. of the UK's £192 billion non-advised online investment market at the end of the third quarter of 2017.

#### *Market summary*

The Directors believe that increased customer demand for financial services products, the increasing market share of intermediary firms, the increasing number of intermediaries operating in the market, the trend towards directly authorised operating models and the increased regulatory complexity leading to a greater propensity to use a service provider are each important, and together compounding, growth drivers for the Group.

## **7. Competition**

### *Direct competitors – support service providers to the directly authorised market*

The Group is the largest support services provider in the UK to the directly authorised market, as measured by relevant revenue. It has delivered strong revenue growth while delivering good margin, due to its innovative membership model and consistent focus on growing the number of directly authorised IFAs, directly authorised mortgage advisers and directly authorised consumer credit brokers while also increasing penetration of additional services and software sales. High customer advocacy, as measured by NPS, and low rates of customer churn contribute to a stable and growing model of high recurring revenues.

The Directors believe that the independent ownership of the Group is important in securing the most advantageous position to benefit from future growth. Many of the direct and indirect competitors to the business are owned by large product providers, which the Directors believe can create strategic misalignment and lead to dissatisfied intermediaries.



*Table 6: Direct competitors and ownership*

<b>The Group</b>	<b>Privately owned, seeking admission to trading on AIM</b>
Bankhall	Owned by a product provider
Threesixty Services	Owned by a product provider
Tenet Select	Majority owned by product providers
Paradigm Partners	A subsidiary of Tatton Asset Management plc which is traded on AIM
True Potential	Backed by private equity

*Indirect competitors – appointed representative networks*

Unlike the appointed representative network model, the Group does not undertake any regulated advice, which protects the Group from regulatory liability and avoids central non-value adding costs incurred by such networks. The Group does not need to provide significant regulatory capital for its business model, aiding the high cash generation. The Directors believe that these two factors have reduced the attractiveness of most network models, which can be more expensive and more restrictive for the intermediary members, operating as appointed representatives. The Group holds a modest amount of regulatory capital, c.0.5 per cent. of revenues, for its Verbatim Asset Management business and professional indemnity insurance broking.

*Mortgage support providers*

The Group's mortgage offering exhibits strong growth at high-margin by leveraging the distribution value of existing Members. The direct authorisation model ensures that the Group does not incur any advice risk, avoiding potentially significant central costs that may be incurred, and act as a drag factor, with mortgage appointed representative network models.

*Table 7: Direct competitors for mortgage advisers, and their ownership*

<b>The Group</b>	<b>Privately owned, seeking admission to trading on AIM</b>
Tenet Lime	Appointed representative network Majority owned by product providers
Primis	Appointed representative network Owned by LSL, a listed property services business
Mortgage Intelligence	Appointed representative network Owned by Countrywide, a listed estate agency and property services business
Paradigm	Directly authorised service provider. A subsidiary of Tatton Asset Management plc which is traded on AIM
Mortgage Advice Bureau	Appointed representative network Traded on AIM

## **8. Financial Information**

Part 3 of this Document contains audited Historical Financial Information of The SimplyBizGroup plc and its subsidiaries for the three years ended 31 December 2017.

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

Table 8: Profit and loss summary

Year Ended	31 Dec 2015 £'000	31 Dec 2016 £'000	31 Dec 2017 £'000
<b>Revenue</b>	38,480	40,815	44,066
Operating expenses	(30,929)	(32,492)	(34,921)
<b>Operating profit before exceptional / non-recurring items</b>	7,551	8,323	9,145
<i>Operating margin before exceptional / non-recurring items</i>	19.6%	20.4%	20.8%
Exceptional / non-recurring items	(6,081)	(66)	(342)
<b>Operating profit</b>	1,470	8,257	8,803
Net finance costs	(1,992)	(3,316)	(3,322)
<b>(Loss) / Profit before tax</b>	(522)	4,941	5,481
Taxation	(151)	(864)	(694)
<b>(Loss) / Profit after tax</b>	(673)	4,077	4,787

The Group has increased revenue by 14.5 per cent. between 2015 and 2017 through organic growth, with operating margin before exceptional / non-recurring items increasing from 19.6 per cent. to 20.8 per cent.. An increase in Membership numbers, an improvement in the revenue per Member and greater penetration in distribution channels have driven the growth in revenue.

Operating expenses before exceptional / non-recurring items have increased by 12.9 per cent.. Operational leverage has enabled the Group to increase operating margin by 1.2bps, while continuing to invest in future growth areas of the business.

#### Exceptional / non-recurring items

Exceptional and non-recurring items reflect costs and income that do not relate to the Group's normal business operations and that are considered material (individually or in aggregate where of a similar type) due to their size or frequency. These items are summarised in the table below:

Table 9: Exceptional/non-recurring items

Year Ended	31 Dec 2015 £'000	31 Dec 2016 £'000	31 Dec 2017 £'000
Costs in relation to corporate restructuring and refinancing	5,170	—	303
Group reorganisation costs	838	66	10
Release of deferred consideration	—	—	(129)
Customer settlement	100	—	—
Write off of directors loan	—	—	89
Professional fees for acquisitions	—	—	69
Provision against loan	(27)	—	—
<b>Total exceptional / non-recurring items</b>	6,081	66	342

Costs in relation to the corporate restructuring and refinancing of the business have been incurred in 2015 and 2017 as a result of two separate processes to restructure and refinance the business at those times. Group reorganisation costs have been incurred over the three years as the Group has exited certain businesses and streamlined the corporate structure.

## Segmental Reporting

The following table shows the Group's performance split by division:

Table 10: Segmental reporting

Year Ended	31 Dec 2015 £'000	31 Dec 2016 £'000	31 Dec 2017 £'000
<b>Revenue</b>			
Intermediary Services Division	20,298	21,118	22,147
Distribution Channels Division	18,182	19,697	21,919
<b>Total revenue</b>	<b>38,480</b>	<b>40,815</b>	<b>44,066</b>
<b>Adjusted EBITDA</b>			
Intermediary Services Division	3,669	3,894	3,449
Distribution Channels Division	4,062	4,641	6,094
	<b>7,731</b>	<b>8,535</b>	<b>9,543</b>

Revenue has increased each year between 2015 and 2017 for each of the divisions. The reduction in profit within the Intermediary Services Division is due to the re-platforming of the employee benefits software business. This reduction masks the underlying growth on membership Adjusted EBITDA, see table 2 on page 17.

In determining the trading performance of the operating segments, central costs are allocated based on the divisional contribution of revenue to the Group.

## Key Performance Indicators (KPIs)

The following table sets out the key performance indicators of the Group:

Table 11: Key performance indicators

Year Ended	31 Dec 2015	31 Dec 2016	31 Dec 2017
Number of Members	2,962	3,216	3,433
Average fee per Member	£4,432	£4,404	£4,623
AUM	£349m	£424m	£582m

## 9. Current trading and prospects

The Group's performance since 31 December 2017 has remained in line with the Board's expectations.

The Group completed the acquisition of Landmark Surveyors Ltd for £4.84m on 23 January 2018. Landmark Surveyors Ltd is a residential surveying business, which will fit alongside the acquisition of Home Information Group Limited in December 2014 and give the Group coverage of a wider geographical area.

The Group anticipates incurring incremental running costs of approximately £0.3m in connection with the Placing and Admission for the year ended 31 December 2018.

## 10. Placing Agreement and Shareholder Lock-ins

The Placing Shares will represent approximately 49.7 per cent. of the Ordinary Shares upon Admission. The Selling Shareholders have agreed to sell 20,362,228 Existing Shares at the Placing Price which will be placed with investors by Zeus Capital. In addition, the Company will issue 17,647,149 New Ordinary Shares which will be subscribed for by new investors at the Placing Price. Pursuant to the Placing Agreement, Zeus Capital agreed to use all its reasonable endeavours to procure purchasers and subscribers for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement the Company, the Directors and the Selling Shareholders have given certain warranties and the Company has given an indemnity to Zeus Capital, all of which are in customary form.

The Placing is conditional, *inter alia*, upon the Placing Agreement becoming unconditional, not having been terminated and Admission occurring no later than 4 April 2018 or such date as Zeus Capital and the Company may agree, being no later than 27 April 2018. The estimated gross proceeds of the Placing are approximately £64.6m, £30.0m of which will be payable to the Company. Further details of the Placing Agreement are set out in paragraph 9 of Part 5 of this Document.

In addition to the Placing Agreement the Locked-In Shareholders have each entered into a lock-in deed whereby they have agreed with the Company and Zeus Capital not to dispose of any interest in their Ordinary Shares for a period ending on the first anniversary of Admission, save in certain limited circumstances. Furthermore, the Locked-In Shareholders have each agreed following the period referred to above, not to dispose of any interest in their Ordinary Shares for a period of 12 months beginning on the first anniversary of Admission except through and with the consent of Zeus Capital (as broker) to maintain an orderly market in the Ordinary Shares. Further details of the lock-in and orderly market agreement are set out at paragraph 9 of Part 5 of this Document.

The Directors believe that Admission will position the Group for its next stage of development including further raising the profile of the Group, incentivising employees and Members and providing it with a well-funded platform for future growth. Admission will also enable the Selling Shareholders to realise, in whole or in part, their investment in the Company.

## **11. The Board & Senior Management**

### ***The Board***

The Board on Admission will comprise Ken Davy as Non-Executive Chairman, Neil Stevens and Matt Timmins as Joint Chief Executive Officers, Gareth Hague as Group Finance Director and Tim Trotter, Tim Clarke and David Etherington as Non-Executive Directors.

#### **Ken Davy** (Non-Executive Chairman, aged 76)

Ken Davy is well known in the financial services sector and has been at the forefront of financial services strategy. In 1983, he created the IFA network concept for financial advisers, taking DBS Financial Management plc from being a start-up business to being traded on AIM followed by a move to a full stock-market listing in 1997 prior to it being acquired in 2001.

Ken is active in public and commercial life, having been a founding director of AIFA, a director of the Personal Investment Authority, deputy chairman of IFA Promotion and president of the Life Insurance Association. He has received many awards in recognition of his services to the community, charity, sport and financial services. He has been awarded an Honorary Fellowship of the Chartered Insurance Institute and an Honorary Doctorate in Business Administration and the position of Visiting Professor of Entrepreneurship by the University of Huddersfield. Ken has also received the Money Marketing and Scottish Widows Awards for his Outstanding Contribution to Financial Services.

His local awards include the: Pride of Huddersfield Award, Examiner Special Appreciation Award and Examiner Business Personality of the Year. He is Life President of Huddersfield Town Football Club, having been Chairman from 2003-2010 and is Chairman of the Huddersfield Giants Super League Club.

#### **Neil Stevens** (Joint Chief Executive Officer, aged 40)

Neil joined the Group as a consultant in 2003 before joining the Board in early 2004 as operations director and was appointed joint managing director of the Group in May 2010. Neil now serves as the joint CEO of the Group and is jointly responsible for Group strategy. Neil has lead executive responsibility for the operations, finance and governance of the business. Neil's background is in the automotive and aerospace sectors. Neil has an engineering management degree from the University of Central England and an MBA, in which he focused on finance theory, from Manchester Metropolitan University.

#### **Matt Timmins** (Joint Chief Executive Officer, aged 39)

Matt joined the Group at its inception in 2002 as marketing director and was appointed as joint managing director of the Group in May 2010. He now serves as joint CEO of the Group, responsible for the sales and marketing activities of the Group as well as key strategic relationships with both insurance and investment companies. Matt has direct responsibility for

several of the key subsidiaries within the business including Simply Biz Services Limited, Simply Biz Mortgages Limited, Home Information Group Limited, Landmark Surveyors Ltd, New Model Business Academy Limited and Simply Biz Support Limited. Matt is also chairman of Zest Technology Limited, the Group's provider of "software as a service" technology for the auto enrolment and flexible benefits market. Matt's previous employers includes GE Capital, Misys and DBS Financial Management.

**Gareth Hague** (Group Finance Director, aged 36)

Gareth joined the Group in 2016 as the Group financial controller, managing the finances of the Group, including key financial reporting. Prior to joining the Group, Gareth was head of financial reporting at Pace plc, a FTSE 250 listed business, with annual turnover of c\$2.6bn. During his 5 years at Pace, Gareth built his experience of working in a listed environment, within a business that recovered from a difficult period, to its ultimate sale to a US Global Technology giant in January 2016. Gareth was also involved in Pace's investor relations activities, tax strategies and compliance, and acquisition integrations. Gareth spent 9 years at PwC, where he trained as a Chartered Accountant of the ICAEW, and was promoted through to Senior Manager. While at PwC, Gareth managed audit and transaction engagements for listed, private equity and private clients across a broad range of sizes and industries, giving him a breadth of knowledge and experience.

**Tim Trotter** (Non-Executive Director, aged 59)

Tim has over 30 years' experience in the business, media and financial services sectors. He is currently chairman of Glenfern and non-executive chairman of Alpha Financial Markets Consulting plc (a position from which he is stepping down at the end of March 2018), bfinance Group Holdings Limited, Catalyst Corporate Finance LLP, Lucid Group Communications Ltd, PEI Group Topco Limited and The SR Group Holding Company Limited and is also an operating partner at Baird Capital Partners Europe. Prior to this, Tim was founder, chairman and chief executive of Ludgate Group Limited, the international public and investor relations consultancy and later led the sale of Ludgate to Interpublic. He was also a founding shareholder of Citywire Limited.

**Tim Clarke** (Non-Executive Director, aged 54)

Tim is currently a partner and shareholder of Park Place Corporate Finance Limited, an independent advisory firm. He has over 25 years' experience in corporate finance. He trained as a Chartered Accountant with BDO and qualified in 1988. Between 1989 and 2003 he worked at KPMG, becoming a partner in 1998. Tim played a leading role in establishing KPMG's corporate finance practice in Manchester during that time. Between 2003 and 2014 he was a partner at BDO, helping to establish and grow a new office in Leeds. Tim is a fellow of the ICAEW and has a degree in Economics and Accountancy from Lancaster University.

**David Etherington** (Non-Executive Director, aged 60)

David is the interim chairman of the Embark Group, sole non-executive director for its 5 primary operating subsidiaries and the chair of its risk committee. David spearheaded the transformation of Zurich UK Life from 2003 to 2012 and delivered Zurich's retail and corporate platforms. During that time, he held multiple Zurich board directorships and chaired several board committees including the investment committee. His career started with NatWest Group plc holding numerous senior executive roles. In 1998, he moved to help build CLS Bank International. Thereafter, he held senior executive positions with Bolero.net and Unum Limited.

**Senior Management**

**Sarah Turvey** (Chief Operating Officer and Company Secretary, aged 47)

Sarah joined the Group as Group finance director, at its inception in 2002. Since this time Sarah has held overall responsibility for the finances of the Group and has been directly involved in all acquisitions and investments made by the Group. Her success is reflected in the various national and regional awards she has won: Young FD of the Year 2008, Best FD of an SME 2009 and shortlisted for Best FD of a limited company 2017. Sarah will become Chief Operating Officer on Admission where she will continue to be involved in setting and executing corporate strategy as well as project managing future acquisitions. Sarah will also be responsible for governance and risk, legal, corporate third party relationships and corporate social responsibility.

**Gary Kershaw** (Group Compliance Officer, aged 47)

Gary joined the Group at launch in 2002 having spent a number of years in a senior compliance role within the Bankhall Group. Gary is responsible for the design and implementation of all compliance policy throughout the whole Group and he has an extensive knowledge of the regulatory system within the UK. Gary has over 25 years' experience in financial services and is currently an active board member of the Association of Professional Compliance Consultants as well as the Compliance Steering Committee of the Personal Investment Management and Financial Advice Association.

### **Executive Committee**

The Executive Committee is responsible for the day to day running of the Group and consists of Matt Timmins (Joint Chief Executive Officer); Neil Stevens (Joint Chief Executive Officer); Gareth Hague (Group Finance Director); Sarah Turvey (Chief Operating Officer) and Gary Kershaw (Group Compliance Officer).

## **12. Employees**

As at 16 March 2018, the Group employed 444 employees.

The table below sets out the average number of employees, including Directors, for the financial periods ended 31 December 2015, 31 December 2016 and 31 December 2017.

*Table 12: Employee data*

	<b>Financial Period ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Intermediary Services Division	202	205	223
Distribution Channels Division	141	159	140
Central Staff	48	54	58
<b>Average number of employees during the period</b>	<b>391</b>	<b>418</b>	<b>421</b>

The Group's workforce is comprised of both full and part time salaried employees who provide the Group's services.

## **13. Share Incentive Plans**

In order to align the interests of Shareholders and employees following Admission, the Company is proposing to establish on or prior to Admission the Employee Share Incentive Plans. These can be summarised as follows:

### *Company Share Option Plan ("CSOP")*

On, or shortly after Admission, the Company will also put in place a CSOP in relation to which all employees of the Group are eligible. The maximum number of Ordinary Shares that can be issued pursuant to the CSOP is such number as is equal to 10 per cent. of the Ordinary Shares, as further described in paragraph 5(a) of Part 5.

Further details of the CSOP are contained in paragraph 5(a) of Part 5 of this Document.

### *Management Incentive Plan ("MIP")*

On Admission or shortly thereafter, participants from the senior management team of the Company will subscribe for A Shares (being ordinary shares in the capital of Simply Biz Limited). Subject to a number of provisions described in detail in paragraph 5(b) of Part 5 of this Document, the A Shares can in the future be sold to the Company pursuant to the provisions of the articles of association of Simply Biz Limited for an aggregate value equivalent to 15 per cent. of the increase in shareholder value in the Company above a specified hurdle rate. The increase in shareholder value is broadly measured as the growth in market capitalisation of the Company from the time the A Shares are issued. There is an initial value hurdle based on the price of the Ordinary Shares that must be exceeded before the A Shares participate in value. On vesting, the A Shares can be converted into Ordinary Shares or acquired by the Company for cash.

The participants in the MIP are proposed to be Neil Stevens, Matt Timmins, Sarah Turvey and Gary Kershaw and their interests in the MIP (as a percentage of any total value created above the



specified hurdle rate) are 5 per cent., 5 per cent., 3.5 per cent., and 1.5 per cent. respectively. The maximum number of Ordinary Shares that can be issued pursuant to the MIP is such number as is equal to 7.35 per cent. of the Enlarged Share Capital.

Further details of the MIP are contained in paragraph 5(b) of Part 5 of this Document.

#### *Member Share Option Plan ("MSOP")*

In order to recognise the strong relationship the Group has with its Members and the contribution they have made to the growth of the Group, the Company has invited a number of its Members to participate in the MSOP shortly after Admission.

The maximum number of Ordinary Shares that can be issued pursuant to the MSOP is such number as is equal to 5 per cent. of the Enlarged Share Capital.

Further details of the MSOP are contained in paragraph 5(c) of Part 5 of this Document.

### **14. Taxation**

Information regarding taxation is set out at paragraph 11 of Part 5 of this Document. These details are intended only as a general guide to the current tax position in the UK.

**If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

### **15. Admission, Settlement and Dealings**

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 4 April 2018.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Ordinary Shares in uncertificated form, Ordinary Shares are expected to be credited to their CREST stock accounts on 4 April 2018. Shareholder who wish to receive and retain share certificates are able to do so and share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched by post to such Shareholders by no later than 18 April 2018.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Company will apply for the Enlarged Share Capital to be admitted to CREST from the Admission Date.

### **16. Interests in Ordinary Shares**

Upon Admission, the Directors will in aggregate be interested in, directly and indirectly, 33,619,608 Ordinary Shares representing approximately 44.0 per cent. of the Enlarged Share Capital. Further information is available in paragraph 6 of Part 5 of this Document.

### **17. Dividend Policy**

The Board intends to adopt a progressive dividend policy for the Company from Admission which will seek to maximise Shareholder value and reflect the Group's strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund on-going operating requirements and to invest in the Company's long term growth. The Board may revise the dividend policy from time to time.

Subject to the discretion of the Board and subject to the Company having sufficient distributable reserves, the Directors' intention is to pay one-third of its adjusted profit after tax in respect of each financial year, paying one third of such dividend following the publication of the Company's interim accounts with the balance being paid following the year end.

In relation to the year ending 31 December 2018, the Directors' intention is to pay three-quarters of this amount to reflect the fact that its shares will have been admitted to trading on AIM for a period of approximately nine months within the current financial year.

The ability of the Company to pay dividends is dependent upon a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend would be. Please see Part 2 of this Document for further details. Consequently Shareholders may not receive any return on their investment unless they sell their Ordinary Shares for a price greater than that which they paid for them.

## **18. Corporate Governance**

The Directors acknowledge the importance of the principles set out in the QCA Code.

The Board intends to implement appropriate measures (having regard to the current stage of development of the Company) to comply with the QCA Code.

Immediately following Admission, the Board will comprise 7 directors, 3 of whom shall be executive directors and 4 of whom shall be non-executive directors (including the Chairman), reflecting a blend of different experience and backgrounds. Tim Clarke and David Etherington will be considered to be independent. The board intends to appoint an additional NED within six months of admission, to further strengthen the NED profile.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors will receive appropriate and timely information. Briefing papers will be distributed to all directors in advance of Board meetings. All Directors will have access to the advice and services of the Group Finance Director and the Company Secretary, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Company will, upon Admission, have established remuneration, audit and nomination committees. Further details in relation to these committees are set in in paragraph 8 of Part 5 of this Document.

## **19. Share dealing code**

The Directors understand the importance of complying with the AIM Rules for Companies and the EU Market Abuse Regulation relating to dealings by Directors and certain other employees of the Group in the Ordinary Shares and has established a share dealing code. The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with that code. The Directors believe that the share dealing code adopted by the Board is appropriate for a company quoted on AIM. The Board will comply with rule 21 of the AIM Rules for Companies.

## **20. Takeover Code**

The Company is a public company incorporated in England and Wales and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to all takeover and merger transactions in relation to the Company.

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he/she is already interested or in which persons acting in concert with him/her are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person will normally be required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him/her, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by such person.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him/her, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company.

The Company understand that the Panel consider the individuals set out in paragraph 6(l) of Part 5 of this Document to be acting in concert (the “**Concert Party**”) for the purposes of the Takeover Code.

Immediately following Admission the Concert Party will be interested in, in aggregate 34,535,390 Ordinary Shares representing approximately 45.2 per cent. of the Enlarged Share Capital.

On the basis that the maximum number of Ordinary Shares which can be issued to members of the Concert Party pursuant to the MIP are issued, and assuming no other shares are issued, the total holding of the Concert Party will be 35,950,901 Ordinary Shares representing 46.2 per cent. of the Enlarged Share Capital following the issue of the Ordinary Shares to members of the Concert Party pursuant to the MIP. Further details of the Concert Party are set out in paragraph 6(l) of Part 5 of this Document.

As described above, should any member of the Concert Party acquire any further interest in Ordinary Shares (with the exception of the interest in the MIP referred to above), a general offer will usually be required to all of the remaining Shareholders to acquire their Ordinary Shares.

## **21. The Bribery Act**

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the Bribery Act 2010. The Group has implemented an anti-bribery and anti-corruption policy that has been adopted by the Board.

## **22. Risk Factors**

Your attention is drawn to the risk factors set out in Part 2 of this Document and to the section entitled “Forward Looking Statements” therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in that part before making a decision to invest in the Company.

## **23. Additional Information**

You should read the whole of this Document and not just rely on the information contained in this Part 1.

You attention is drawn to the information set out in Parts 2 to 5 (inclusive) of this Document which contains further information on the Group.

## PART 2

### RISK FACTORS

Prospective investors should carefully consider all the information in this document including the risks described below. The Directors have identified these risks as the material risks, but additional risks and uncertainties not presently known to the Directors or that the Board considers immaterial may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition, operational performance and share price could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and potential investors lose all of their investments.

An investment in the Company may not be suitable for all recipients of this Document. Accordingly, investors are strongly advised to consult an independent adviser authorised under FSMA who specialises in advising upon investments.

For the avoidance of doubt none of the risk factors detailed below seek to qualify the working capital statement set out in paragraph 14 of Part 5 of this Document.

#### **General risks**

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

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

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

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

Before making any investment decision, prospective investors are strongly advised to consult an independent adviser authorised under FSMA who specialises in advising upon investments.

#### **Risks relating to the Group**

The following sets out some of the risks relating to the Group's business. If any of the following risks are borne out in reality, the Group's business, financial condition or results of operations could be seriously affected.

#### **The Group**

***The Group, and the financial regulation industry as a whole, is sensitive to adverse economic, political and market factors that are beyond the Group's control.***

The Group's customers and the markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control. Any one of the following factors, among others, may cause a substantial decline in the markets to which the Group offers its services: economic and political conditions; the level and volatility of interest rates; concerns about inflation; changes in investor sentiment and consumer confidence levels; and legislative and regulatory changes. Uncertain economic prospects or a sustained period of financial instability could result in stagnation in the financial services industry, as was evidenced during the difficult financial conditions in 2008. This could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects.

#### ***A failure to implement the Group's strategy***

A failure to implement the Group's strategy may have an adverse impact on its business, financial and other conditions, profitability and results of operations. The Company has achieved substantial

growth in revenues and profits, as described in detail in paragraph 8 of Part 1 of this Document. There can be no assurance that the Group will be able to continue this growth, either as a result of increasing new business volumes or otherwise, and to maintain its financial performance either at historical or anticipated future levels. In addition, the Group may seek to enter into transactions or undertake initiatives in furtherance of its business. There are no guarantees that such transactions will complete and such initiatives will be successful. Failure to complete such transactions or the lack of success of such initiatives could result in the Group not being able to implement its growth strategies and initiatives. More generally, there is no guarantee that the Group will be successful in any of its growth strategies and initiatives. Furthermore, the Group may experience constraints in its ability to expand, such as an inability to recruit sufficient qualified staff to meet demand. There is therefore no assurance that the Group will be successful in implementing any of its strategies and initiatives.

***A failure to continue to develop the Group's strategy***

The Group currently has a defined strategy which it plans to implement, however a failure to continuously review and adapt that strategy in light of changes in trading conditions and the market in which the Group operates could lead to an adverse impact on its revenues, operating costs and competitive advantage. There is a risk that if the Group fails to prepare or allocates insufficient resources to strategic planning this may lead to the Group being placed at a competitive disadvantage to its competitors.

***A failure to update and improve systems and processes as the Group grows***

If the Group is able to implement its strategy and grow its businesses such growth may place significant pressure on the Group's existing systems and processes. A failure to invest in and develop more robust systems and processes as the Group grows may risk such systems and processes failing which could adversely affect the Group's results of operations, business, reputation and financial condition.

***The Group operates in an evolving regulatory environment***

The environment in which the Group operates and assists its customers to operate in is evolving, particularly following the global economic crisis, political concerns at a national, European Union and international levels regarding the operations of the financial services industry and the recent vote in the UK to leave the European Union.

Whilst changes in the regulatory environment can represent a significant opportunity to the Group, they also pose a significant risk the Group if any of its activities become regulated or prohibited or if the Group fails to adapt its product offering to offer up to date compliance services to its customers.

The Group must continually invest in the development of its products in order to ensure that they are relevant to the latest regulatory requirements. If such investment is not made on a continual basis then the Group's services would quickly become outdated which could have an adverse effect on the Group's business and financial condition.

***The Group may suffer damage to its brand and reputation***

The Group's reputation is one of its most important assets. The strength of its brand and goodwill underpin its customer and market perception. Any deterioration in the market perception of the Group, including through the loss of key personnel, could lead to a loss of existing business or failure to win new business. The Group's reputation could also be damaged by litigation, regulatory action, misconduct, operational failures, mismanagement, breach of data protection legislation in relation to customer data, deterioration of relationships with the Group's customers and suppliers, fraud (by employees or third parties), negative publicity or press speculation or deterioration in the overall performance of the Group generally.

***Brexit risk***

On 23 June 2016, the UK held a referendum on its continued membership of the European Union. This resulted in a vote for the UK to exit the European Union. There are significant uncertainties as to the terms of such an exit and the time frame for doing so in the case that a transition period is agreed with the other members of the European Union. There are also significant uncertainties as to the current and future fiscal, monetary and regulatory landscape in the UK, including but not limited to the regulation of the financial services industry. There is also uncertainty in relation to



how, when and to what extent the exit will have an impact more generally on the economy of the UK and the growth of various industries, levels of investor activity and confidence in market performance.

***The Group may need to impair its historic or future purchased goodwill***

The Group has made a number of acquisitions and as a result has a significant amount of purchased goodwill within intangible assets. Goodwill is subject to annual impairment testing based on the performance of the underlying cash generating unit in accordance with current accounting practice. A deterioration in the performance of the underlying cash generating unit could lead to an impairment of this goodwill and potentially result in a significant write down in Group profits, albeit on a non-cash basis.

The business also capitalises software development costs in accordance with current accounting standards, which is also classified as goodwill and recorded on the Group's balance sheet as an intangible asset. This goodwill is currently amortised over a 3 year period. Should the software technology fail to attract sufficient take up in the foreseeable future to present a positive discounted cash flow of future receipts, there is a risk that the Board may be required to write off some or all of these capitalised costs in advance of the current amortisation policy. This may result in a significant impact to profits, albeit on a non-cash basis.

***Retention of key staff***

Although long term incentive structures are in place to motivate staff to remain with the Group, the Group is managed by certain key personnel, including the Directors, who have significant experience within the Group and the wider sector and who may be difficult to replace.

The Group has entered into contractual arrangements to secure the services of the executive Directors (details of which are set out in paragraph 7 of Part 5 of this Document). Whilst the executive Directors (except Gareth Hague) continue to have shareholdings in the business, the retention of their services cannot be guaranteed. Furthermore the Directors or other key personnel may be unable to provide their services to the Group for reasons outside of their or the Company's control, for example for reason of poor health.

The permanent or temporary loss of any key individual or the inability to attract appropriate personnel could impact on the Group's ability to execute its business strategy successfully and provide quality services to customers, which could negatively impact upon the Group's future performance.

***The Group may be adversely affected by external events and amounts recoverable under insurance may be limited***

The Group's business operations, information systems and processes are vulnerable to damage or interruption from fire, extreme weather conditions, power loss, systems of telecommunication failure, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These operations, information systems and processes may also be subject to sabotage, computer hacking, vandalism, theft and other criminal activity. Whilst the Group has in place disaster recovery and business continuity plans, there can be no absolute assurance that external providers of services have appropriate disaster recovery and business continuity plans or that the Group's disaster recovery and business continuity plan works as intended or works in all circumstances that may be encountered without any disruption to the business of the Group.

Although the Group maintains insurance cover that includes property damage and business interruption, full recovery under the insurance policy may not be possible in every case as, for example, the loss may exceed the policy limit. As a result, a loss of business continuity could have an adverse impact on the Group's reputation, brand, business, operations, financial condition and growth.

***The Group may be adversely affected by mistakes or misconduct by its personnel, including non-compliance with regulatory procedures***

The Group's personnel may inadvertently make mistakes or breach applicable laws in the course of their duties or engage in improper acts. In addition, the Group's personnel may fail to adequately advise its customers of the relevant applicable laws or regulations. The Group has systems in place designed to prevent and/or mitigate these risks; however, such systems may fail to detect or prevent such acts or omissions.



Such acts or omissions could lead to reputational damage and financial costs where such costs are not covered by insurance or restrictions of both the Group and the individual concerned. This could have an adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

***The Group may be adversely affected by the loss of strategic partners***

The Group has strong relationships with several strategic partners and outsourced service providers. If the Group's relationship with these partners terminates for any reason and the Group is unable to replace those partners in a timely fashion, or at all, the Group's business, results of operations, financial condition and growth prospects could be materially adversely affected.

***The Group's contractual arrangements may not secure ongoing streams of revenue***

The Group contracts with its Members on a monthly subscription basis which means that Members may terminate their agreements on relatively short notice. In the event that a large number of Members terminated their agreements with the Group, the Group's business, results of operations, financial condition and revenues could be materially adversely affected.

Some of the Group's contracts contain provisions permitting the counter-party to terminate the agreement at will or on a change of control. If a counter-party were to terminate a contract then that could adversely affect the Group's business, results of operations, financial condition and growth prospects.

***Some of the Group's contracts are not properly executed and may not effectively bind the counter-party***

Some of the Group's contracts have not been properly executed by the relevant counter-party. In those circumstances the counter-parties to those contracts may be able to argue that they are not bound by the terms contained within the contract and are therefore not required to perform the contract or are able to perform the contract on different terms. Non-performance of a contract could adversely affect the Group's business and contracts which are on uncertain terms may expose the Group to liabilities it would have otherwise sought to exclude. Each of these risks could result in the Group's business, results of operations, financial condition and growth prospects being adversely affected.

***Some of the Group's contracts do not contain a contractual cap on the Group's liability under the contract***

Where the Group does not have a contractual cap on its liability under a contract it may be exposed to claims which are potentially in excess of the amount of revenue or expenditure the contract represents. Any contract which does not contain a cap on the Group's liability could potentially lead to a large liability for the Group in the case of breach of that contract. Such a liability could adversely affect the Group's business, results of operations, financial condition and growth prospects.

***The Group may be exposed to a liability to pay tax in connection with contracts with certain consultants and atypical workers***

Where the Group engages with consultants or atypical workers (including through personal service companies) there is a risk that the Group may be liable to pay PAYE and employers' national insurance contributions in respect of the remuneration of such consultants or atypical workers. In many cases the contracts on which consultants or atypical workers are engaged by the Group contain an indemnity in favour of the Group in respect of such taxation. Where the Group does not have the benefit of an indemnity it may be exposed to this tax risk which may result in the Group's business, financial condition and growth prospects being adversely affected.

***The Group may suffer system failures and breaches of security***

The successful operation of the Group's business depends upon maintaining the integrity of its computer, communication and information technology systems. The Group's information technology systems pull data from external sources and reconcile customer data. These systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Group's control, such as fire, flood and other natural disasters; power loss or telecommunications or data network failures; improper or negligent operation of the Group's system by employees, or unauthorised physical or electronic access; and interruptions to internet system integrity generally

as a result of cyber-attacks by computer hackers or viruses or other types of security breaches. Further, requisite modifications or upgrades to any information technology systems could result in interruption to the Group's business and its ability to trade and service its customers. This could be harmful to the Group's business, financial condition and reputation and could deter current or potential customers from using its services.

There can be no guarantee that the Group's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security and any such breach of security could have an adverse effect on the Group's business, results of operations and/or financial condition.

The Group operates its IT systems across multiple sites in the UK. These sites are managed centrally by the group and there is a risk that a catastrophic failure in one location may take time to resolve and could also affect central services to other companies in the Group.

***Any system security breaches could lead to liability under the data protection laws***

The Group processes personal data as part of its business. There is a risk that this data could become public if there were a security breach at the Group or its third party service providers in respect of such data and, if one were to occur, the Group could face liability under data protection laws (including fines of up to £500,000) and could also lose the goodwill of its customers and suffer reputational damage which could have a material adverse effect on its business.

The General Data Protection Regulation will come into force on 25 May 2018. The Group will need to review the processing of personal data carried out by or on behalf of the Group to ensure that this and all related policies and procedures are compliant with the requirements of the GDPR. As part of this, the Group will need to review existing agreements pursuant to which personal data is processed and ensure that appropriate action is taken in relation to such contracts to ensure that they are updated to reflect the new requirements of the GDPR.

Failure to comply with the GDPR could result in the Group being liable under the GDPR, including a liability for fines. The maximum level of fines under the GDPR is significantly higher than the current regime and is set at either (a) the greater of €10m and 2 per cent. of worldwide annual turnover for the preceding year or (b) the greater of €20m and 4 per cent. of worldwide annual turnover for the preceding financial year.

**Intermediary Services Division**

***The Group may fail to provide correct advice to its Members***

If the advice provided by the Group to its Members is not accurate and complete, Members who rely on that advice could inadvertently breach their legal or regulatory obligations or the FCA's rules or guidelines. If a Member breaches any such obligations or rules that Member may be investigated and potentially sanctioned by the FCA. The clients of that Member may pursue the Member to recover any losses they have suffered as a result of the breach and/or the Member may be required to establish and operate a customer redress scheme. In these circumstances, the relevant Member may seek financial redress from the Group. Inaccurate or incomplete advice provided by the Group to a large number of its Members could have an adverse effect on Group's business, results of operations, financial condition and/or growth prospects.

***The Group may suffer as a result of the failure of Members to follow the Group's advice***

The Group provides regulatory guidance to its Members, which is intended to enable them to comply with their regulatory obligations, including their obligations imposed by the FCA. Although the Directors believe that the Group provides accurate and complete advice to its Members, the Group's Members are not obliged to follow that advice and may choose not to follow the Group's advice in full, or at all. If a Member breaches obligations imposed by law, regulation or FCA rules and guidelines, that Member may be investigated and potentially sanctioned by the FCA. A Member who is sanctioned for failure to comply may suffer losses as a result of that failure and may be pursued by its clients for recovery of those losses. This is likely to adversely affect the relevant Member and, depending on the circumstances, may adversely affect the Group. Perceived failings by the Group, even if the Group has provided correct and timely advice, may lead to a decline in the use of services of the Group in the future due to damage to the Group's reputation and also the possibility of the Member or the Member's clients attempting to take legal action against the Group in respect of the perceived failings. This could have an adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

***The Group may not be able to attract and retain Members***

The Group's growth strategy is partly dependent upon the recruitment of new Members. Due to competition between support services providers to recruit Members, there can be no guarantee that the Group will be successful in this element of its strategy. The failure to retain Members or recruit new Members could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects. If multiple Members of the Group were purchased by consolidators then the relationship the Group has with those Member's may end.

Whilst the Directors consider that the Group's business model has a number of distinguishing features from those of many of its competitors and historical growth has outperformed that of its peers, the market in which the Group operates is highly competitive and Members may choose to use an alternative service provider, bring their compliance requirements in-house or join a network.

Whilst the Group has a wide-ranging Membership and there is no major concentration risk arising from the dependence on any one Member, the risk of losing a large number of Members cannot be ruled out. Such a loss of Members would have an adverse effect on the Group's business, results of operations and financial condition.

***The Group may not be able to increase or maintain revenue through sales of additional services to Members***

The Group generates a significant amount of revenue and profit from delivering additional services to its Members. These additional services (which include compliance field visits, desk-based file checks and software sales) are usually provided on a one-off basis and the revenue and profit generated is a result of the demand driven from the Membership. Historically the Group has seen growth in its supply of additional services as increasing numbers of Members have elected to purchase additional services from the Group. The growth in purchases by Members and the current level of those purchases cannot be guaranteed in the future as the Group's Members are free to choose another supplier in relation to those additional services.

***The Group's mortgage club service could be affected by a slowdown in the housing market***

If volumes of mortgage approvals decrease or house prices on average fall, the aggregate revenue earned by the customers of Simply Biz Mortgages Limited will decrease. Accordingly, there will be a reduction in demand for the services of Simply Biz Mortgages Limited. Mortgage approvals and house prices are dependent on many factors which are beyond the control of Simply Biz Mortgages Limited. Any decrease in mortgage approval levels or house prices generally could materially adversely affect Simply Biz Mortgages Limited's results of operations, financial condition and growth prospects.

***The Group's mortgage club business may be the subject of increased regulation in future***

Mortgage clubs, including the mortgage club operated by Simply Biz Mortgages Limited are currently unregulated. In future the FCA or another regulator may elect to regulate them. Ensuring that Simply Biz Mortgages Limited is compliant with any such future regulatory regime would potentially incur significant time and cost and there is no guarantee that the Group would be able to operate its mortgage club business in the same way in light of any new regulations. Additional costs or a requirement to change, reduce or close the Group's mortgage club business could adversely impact the Group's results of operations, financial condition and growth prospects.

***The Group's mortgage club is affected by the decline or potential decline in the use of mortgage advisers***

There is currently a trend of increased use of online solutions by customers to find suitable mortgage products which may result in decreased demand for the services of mortgage advisers. The use of the internet as a research tool by consumers who can identify a specific lender to whom to directly apply for a mortgage product also represents an additional source of competition to mortgage advisers. The Group's mortgage club, operated by Simply Biz Mortgages Limited, may be affected by a decrease in mortgages being arranged by mortgage advisers as a result of this additional competition.

***The Group may not be able to ensure continued supply of third party technology to its Members***

The Group generates income from technology systems provided by third parties which the Group sub-licences on a wholesale and retail basis to its Members. The Group is dependent upon the continued performance and proper maintenance of these third party technology systems. The

Group would have difficulty in replacing these third party technology systems in a timely manner should the existing systems cease to be supplied, cease to be a competitive proposition, suffer a failure in maintenance or cease to provide compliant outcomes, for example if they are not compliant with GDPR. Failure to supply these third party technology systems could result in a loss of revenue for the Group and may cause damage to the Group's reputation.

***The Group has no control over the quality, stability and attractiveness of software that it resells***

The Group resells software licences from Intelligent Office. The resale of these licences to Members forms a significant part of the Group's revenues. The Group does not have ultimate control over the quality, stability or attractiveness of the software and is therefore exposed if Intelligent Office fails to be competitive or the software is found to contain flaws or bugs or becomes operationally ineffective.

***The Group may not be able to ensure the continued use of its auto-enrolment and flexible benefits technology***

Zest Technology Limited provides flexible benefits and auto-enrolment technology to licensees which include some of the Members as well as some employee benefit consultants and employers. The technology may suffer from poor performance, inadequate hosting arrangements, failure to comply with applicable law and regulation if it is not properly maintained. Even if the technology is properly maintained there may be factors outside of the Group's control (such as the ability to integrate the technology with third party benefit providers) which causes the Group's technology to become less attractive to licensees. Zest Technology operates in a market that relies on employers' propensity to offer flexible monetary and non-monetary benefits to its staff to attract and retain them. Should the desire amongst companies in the UK to offer flexible benefits change, or competition in the market intensify, then Zest Technology may lose customers, revenue and profit.

From time to time customers of Zest Technology Limited may choose to change their flexible benefits platform or begin to use an in house platform meaning that the services of Zest Technology Limited are no longer required. Similarly, where a licensee is acquired by a competitor of Zest Technology Limited it is likely that such licensee will no longer require the services of Zest Technology Limited. The Group is aware of licensees who intend to move away from the Zest Technology Limited platform and licensees who have been acquired by a competitor. Any loss of custom would adversely affect the revenue and profitability of Zest Technology Limited and therefore potentially the Group.

***The Group's employee benefits software customers are intended to be migrated to the re-platformed software***

Zest Technology Limited intends to transition its customers from the old employee benefits software (known as Staffcare) to their re-platformed software (known as Zest). The Group cannot guarantee that all of Zest Technology Limited's customers will agree to be transitioned to the re-platformed software. The migration of customers gives the Group the ability to re-engineer the financial dynamics of its customer base going forward and as a result customers may choose not to renew or transition to the re-platformed software. As a result of this there is a possibility that the overall scale of the business of Zest Technology Limited could reduce materially. Zest Technology Limited's largest customer by seat volume (but not contribution to profit), has indicated that it intends to bring all of its customer's employee schemes which have fewer than 500 employees in house. If that process proves to be successful for the customer there is a risk that they will roll this out to the rest of their customers.

**Distribution Channels Division**

***The Group may be affected by the loss of major product providers as customers***

The Group has several major product provider customers. If the Group's relationship with these customers terminate for any reason, or if any of them significantly reduces its business with the Group and the Group is unable to replace such customers in a timely fashion, or at all, the Group's business, results of operations, financial condition and growth prospects could be materially adversely affected. Recent changes to the FCA and European Union rules on conflicts of interest together with the implementation of MiFID II increase the risk of the loss of or failure to win product provider customers as increased regulation may cause some product provider customers or potential product provider customers to undertake less activity or withdraw from providing certain products.



***The Group's surveyor and surveyor panel management businesses may be adversely affected by a slowdown in the housing market***

If volumes of mortgage approvals decrease or there is a general housing market slowdown, the aggregate revenue earned by Home Information Group Limited, Sonas Surveyors Limited and Landmark Surveyors Ltd will likely decrease as a result of a reduced demand for home valuation services. Mortgage approvals and housing market activity are dependent on many factors which are beyond the Group's control. Any decrease in mortgage approval levels and housing market activity could lead to a reduction in revenue of the Group, which could adversely affect its business, results of operations, financial condition and growth prospects.

***The Group's insurance commission income may be affected by future changes in regulation***

A proportion of the Group's income is attributable to payments of commission made to it by insurance and other product providers linked to the value of the underlying premium. The insurance industry has been subject to a significant regulatory review and part of the FCA's consideration has been in relation to payment and commission structures. Future changes in the regulatory environment (owing to new national or EU regulations or a change in the approach of the FCA or its requirements) could impact upon the way in which such commissions or payments are structured or calculated and could have an adverse effect upon the Group's revenue sources and thus its results of operations and financial condition.

***The Group may suffer clawback of commissions on life and other protection products if an end customer fails to continue to pay its premiums***

Income received on life and other protection products depends upon the end customer continuing to pay premiums for the earnings period. Should the end customer fail to maintain payment of premiums during the earnings period, part of the commission received by the Group is reclaimed by the life or other protection provider. Whilst the Directors believe that adequate provision has been made for the Group's share of the likely level of commission clawback provision in the accounts, the level of commission that may be clawed back in the future cannot be precisely quantified. The provision in the accounts is calculated on the basis of expected lapse rates which are based upon historic data and which may not be an accurate guide to lapse rates in future periods (although there is no indication that lapse rates will not be similar to past periods). If the provision proves to be insufficient, this could have an adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

***The Group's regulated businesses are subject to heavy regulation which may increase over time***

The FCA has broad regulatory powers dealing with all aspects of financial services, including the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. The FCA has increased its regulatory scrutiny over the financial institutions it regulates over recent years and it is expected that this will continue for the foreseeable future, particularly in relation to compliance with new and existing corporate governance rules and remuneration, conduct of business, client protection, anti-money laundering, anti-terrorism laws and regulations, as well as the provisions of applicable sanctions.

The FCA and other regulators have in the past and may in the future make enquiries of companies operating under its jurisdiction regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business by the Group) and the handling and treatment of clients or conduct investigations where it is alleged that regulations (including insider trading laws) have been breached. The FCA and/or other regulators could conclude that the Group and/or its employees have breached applicable regulations or regulatory principles and/or have not undertaken corrective action as required in relation to the regulated parts of the Group's business and commence regulatory proceedings which could result in a public reprimand and/or fines and/or other regulatory sanctions being imposed upon one or more entities with the Group or their directors or employees. Regulatory proceedings could result in adverse publicity or negative perceptions regarding the Group, restrictions on business activities and/or key personnel and/or fines and other penalties, any of which could result in a loss of revenue, as well as diverting the attention of the Group's management from the day-to-day management of the Group. A significant regulatory action against a company within the Group or any of its Directors or employees could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects.

***Verbatim operates in a highly competitive environment***

The Group's principal market is the UK where the investment management industry is highly competitive. Competitors of Verbatim include global, national and local specialist asset management companies as well as banks and financial services companies, some of which are substantially larger than Verbatim. Verbatim competes on the basis of investment performance, brand recognition, business reputation, the range of products offered, quality of service and the level of fees for services. Any failure by Verbatim to compete effectively in the UK market could lead to a loss of business and/or a failure to win new business, each of which could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects.

***Verbatim could be adversely affected by operational errors or a failure of systems or controls internally and potentially on the part of third parties to whom Verbatim outsources some of its functions***

The management of retail investment fund assets involves a number of risks, including risks associated with failure to administer fund of fund structures properly, for example by making incorrect valuations or pricing decisions with regard to the underlying investments; incorrect assets being purchased or erroneous trades being placed or the failure to place trades on a timely basis or at all; and failure of the systems and controls utilised by the fund manager or its outsourced service providers to detect and prevent errors.

Verbatim is exposed to the risk that errors have been made in the design and/or the operation by the third parties to whom it has outsourced the design and operation of its products. Whilst the Group believes that Verbatim could not currently be held responsible for such errors, changes in regulation or the opinion of the FCA may result in Verbatim being deemed to be directly involved in the design and operation of its products in its role as promoter.

If any of the foregoing or any similar risks were to materialise, the Group may also be required to conduct thorough investigations of the circumstances surrounding the breach or failure and regulatory investigations might also follow. The costs involved in such investigations, including management time and professional fees, could be material to the Group.

Verbatim has entered into, and in the future may enter into, a number of material outsourcing agreements and, to the extent that these relate to activities regulated by the FCA, Verbatim retains responsibility for ensuring that the outsourced service provider complies with regulatory obligations in relation to regulatory activities. Any regulatory breach by an outsourced service provider could expose Verbatim to the risk of regulatory sanctions and reputational damage.

***Verbatim may not be able to ensure that its systems function consistently and without interruption***

The risks of error and mismanagement cannot be eliminated entirely. Verbatim's ability to maintain financial controls and provide high quality service to its customers depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems. There can be no assurance that these systems will function as designed. If serious breaches, errors or breakdowns in Verbatim's information technology systems are prolonged or occur on a regular basis then this could result in interruptions, the loss of the goodwill of Verbatim's customers, and Verbatim could also materially breach contracts it has with its customers. Additionally, such breaches could render Verbatim liable to disciplinary action by governmental and regulatory authorities, as well as to claims by its customers. Any damage to, or failure of, its management information systems could result in interruptions to Verbatim's financial controls and customer service. Such interruptions and any other operational errors or negligence by third party providers or Verbatim's employees could lead to reputational damage and financial costs, such as Verbatim being required, by contract or otherwise, to put customers back into the position in which they would have been had the error or negligence not occurred. The consequences of such operational errors or negligence could have a material adverse effect on Verbatim's business, results of operations, financial condition and growth prospects. Verbatim operates in a highly regulated industry and any regulatory non-compliance or a change in regulations in the jurisdictions in which it operates could have a material adverse effect on Verbatim.



***Verbatim may be subject to investigation by the Financial Ombudsman Service***

As Verbatim operates within the financial services sector, it falls within the scope of the Financial Ombudsman Service, an independent body set up by the government to settle disputes between consumers and businesses within the sector. The Financial Ombudsman Service has the power to order Verbatim to pay compensation to clients where their complaints are upheld, and any such sanctions could have a material adverse effect on Verbatim's business, results of operations, financial condition and growth prospects.

***Verbatim may fail to achieve a good investment performance***

When buying investment products or selecting a fund manager, one of the most important considerations for investors and intermediaries is the historical investment performance of the product or manager. As Verbatim's business focus is to generate investment outperformance against relevant benchmarks, any sustained period of underperformance across a range of its funds or by one or more of its funds could have a material adverse effect on its business, results of operations, financial condition and growth prospects. If the investment performance of Verbatim's funds were to be poor relative to the market or in absolute terms over an extended period, Verbatim would be vulnerable to redemption/cancellation of units by investors in those funds and a consequential reduction in revenues received from such activities. Investment underperformance relative to competitors or relevant benchmarks would also make it more difficult for Verbatim to attract new investors. The previous performance of a fund manager should not be seen as an indication of future performance. Any such investment underperformance could, therefore, have a material adverse effect on Verbatim business, results of operations, financial condition and growth prospects.

***Verbatim may not be able to ensure the proper performance of outsourced functions by its third party outsourced providers***

Verbatim relies on third party providers of administration and other back office functions (including valuations for certain fund and institutional mandate valuations), and trustee, depository, custodian and sub-custodian services. Any interruption in the services of these third parties or deterioration in their performance of the outsourced service could impair the timing and quality of Verbatim's services to its clients. Furthermore, if the contracts with any of these third party providers were terminated, Verbatim may not find alternative service providers on a timely basis or on as favourable terms, or may suffer disruption as a result of the transition of functions to the new service provider. The occurrence of any of these events could have a material adverse effect on Verbatim's reputation, business, results of operations, financial condition and growth prospects.

**Risks relating to the ordinary shares*****Liquidity and possible price volatility***

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations as a result of many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Group may be influenced by a number of factors, some of which may pertain to the Group and others of which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains and losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity or absence thereof in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying value. Investors may realise less than the original amount invested. The Ordinary Shares will not be listed on the Official List and although Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in Ordinary Shares. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. In addition, the market for shares in smaller public companies is less liquid than for larger public

companies. Therefore an investment in the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

***Higher risk for shares traded on AIM than on the Official List***

Application will be made for the Ordinary Shares to be admitted to trading on AIM, a market designated primarily for emerging or smaller companies. The AIM Rules for Companies are less onerous than those of the Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List.

***Conditionality of the Placing***

The Placing is condition upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission (and therefore the Placing) will not occur.

***Ken Davy will retain a significant interest in and will continue to be able to exert substantial influence over the Group following the Placing and Admission and his interests may differ from or conflict with those of other shareholders***

Immediately following Admission, Ken Davy (through his direct and indirect holdings) will continue to have an interest in approximately 39.9 per cent. of the Enlarged Share Capital. As a result, Ken Davy will possess sufficient voting power to have a significant influence over all matters requiring Shareholder approval. In addition, Ken Davy is the Chairman of the Board. The interests of Ken Davy may not always be aligned with those of other holders of Ordinary Shares. In particular, he may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of the Group. Although applicable law, the terms of Ken Davy's non-executive Director appointment letter and his Relationship Agreement contain provisions seeking to restrict Ken Davy from voting on matters in his capacity as a Shareholder where there are conflicts of interest and from using information gained from the Company for other, unconnected purposes, these and other measures may not be sufficient to protect the interests of other Shareholders.

***Price risk following expiry of lock-ins***

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following the expiry of the relevant lock-in periods, details of which are set out in paragraph 9 of Part 5 of this Document, or the expectation or belief that such sale of Ordinary Shares may occur.

***Shareholders may be diluted on future issues***

Although it has no current plans to do so, other than in connection with Admission or under the Share Incentive Plans, the Company may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. As a result, the existing Shareholders at the time of such an issue may suffer dilution in their percentage ownership or the price of the Ordinary Shares may be adversely affected.

***The Company's ability to pay dividends is not guaranteed***

As a holding company, the Company's results of operations and financial condition are entirely dependent on the trading performance of the members of the Group. The Company's ability to pay dividends in the future is affected by a number of factors, principally the Company's ability to receive sufficient dividends from its subsidiaries. The payment of dividends by subsidiaries is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in those subsidiaries. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict the Company's ability to pay dividends to Shareholders.

***Risks relating to taxation and change of legislation***

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and legislation, regulation, rules and practice may change, possibly with retrospective effect.

Any change in legislation, regulation, rules or practice, and in particular in the tax status or tax residence of the Group or the Company, may have an adverse effect on the returns available on an investment in the Company.

***Forward looking statements***

Certain statements contained in this Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law, the AIM Rules for Companies or any appropriate regulatory authority.

## PART 3

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### SECTION A – ACCOUNTANTS’ REPORT



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The Directors  
The SimplyBiz Group plc  
The John Smith's Stadium  
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Huddersfield HD1 6PG

22 March 2018

Ladies and Gentlemen

#### **The SimplyBiz Group plc**

We report on the financial information set out on pages 49 to 78 for the three years ended 31 December 2017. This financial information has been prepared for inclusion in the AIM Admission Document dated 22 March 2018 of The SimplyBiz Group plc on the basis of the accounting policies set out in notes 1 and 2. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of The SimplyBiz Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards 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.

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 this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

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

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 22 March 2018, a true and fair view of the state of affairs of The SimplyBiz Group plc as at 31 December 2015, 31 December 2016 and 31 December 2017 and of its profits and losses, cash flows and changes in equity for the three years ended 31 December 2017 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM 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 AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies

Yours faithfully

**KPMG LLP**

## SECTION B – HISTORICAL FINANCIAL INFORMATION

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
	Note			
<b>Revenue</b>	5-6	38,480	40,815	44,066
Operating expenses		(37,010)	(32,558)	(35,263)
<b>Operating profit</b>	7	1,470	8,257	8,803
Finance income	10	401	46	65
Finance costs	11	(2,393)	(3,362)	(3,387)
<b>(Loss)/profit before taxation</b>		(522)	4,941	5,481
Income tax expense	12	(151)	(864)	(694)
<b>(Loss)/profit for the period</b>		(673)	4,077	4,787
Other comprehensive income, net of tax		—	—	—
<b>Total comprehensive (loss)/income for the period, net of tax</b>		(673)	4,077	4,787
<b>Basic and diluted earnings per share</b>		(8.0p)	48.5p	56.9p

The statement of profit or loss and other comprehensive income has been prepared on the basis that all operations are continuing activities.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (Adopted IFRSs').

On 2 June 2015, The SimplyBiz Group Limited was set up as a vehicle to acquire all of the issued share capital of Simply Biz Limited for cash and shares.

Under IFRS, the combined entity has been presented as a continuance of the Simply Biz Limited group by applying the principles of reverse acquisition accounting as its owners receive the largest proportion of the voting rights in the combined entity. As a result the assets and liabilities of Simply Biz Limited have been recorded at the values at which they were included in the books of Simply Biz Limited prior to the transaction.



## Consolidated Statement of Financial Position

		31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
	Note			
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	15	390	430	384
Intangible assets	16	16,849	17,611	18,205
<b>Total non-current assets</b>		<b>17,239</b>	<b>18,041</b>	<b>18,589</b>
<b>Current assets</b>				
Trade and other receivables	18	9,426	8,702	7,505
Deferred tax asset	22	12	66	25
Cash and cash equivalents – unrestricted	19	5,003	7,096	10,998
Cash and cash equivalents – restricted	19	545	545	545
<b>Total current assets</b>		<b>14,986</b>	<b>16,409</b>	<b>19,073</b>
<b>Total assets</b>		<b>32,225</b>	<b>34,450</b>	<b>37,662</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	23	10	10	10
Share premium account		50,852	50,852	52,544
Merger reserve		(61,395)	(61,395)	(61,395)
Capital redemption reserve		8	8	8
Put and call option reserve		(1,760)	(1,760)	—
Retained earnings		157	3,008	2,982
<b>Total equity</b>		<b>(12,128)</b>	<b>(9,277)</b>	<b>(5,851)</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	20	8,093	7,142	8,161
Income tax liabilities		358	—	16
<b>Total current liabilities</b>		<b>8,451</b>	<b>7,142</b>	<b>8,177</b>
<b>Non-current liabilities</b>				
Financial liabilities – borrowings	21	33,071	33,367	33,665
Trade and other payables	20	128	129	400
Financial derivatives	25	2,701	2,824	848
Deferred tax liabilities	22	2	265	423
<b>Total non-current liabilities</b>		<b>35,902</b>	<b>36,585</b>	<b>35,336</b>
<b>Total liabilities</b>		<b>44,353</b>	<b>43,727</b>	<b>43,513</b>
<b>Total equity and liabilities</b>		<b>32,225</b>	<b>34,450</b>	<b>37,662</b>

## Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Capital redemption reserve £000	Put and call option reserve £000	Retained earnings £000	Total equity £000
<b>Balance at 1 January 2015</b>	13	66,701	(61,630)	8	(1,760)	825	4,157
Total comprehensive income for period	—	—	—	—	—	(673)	(673)
<i>Transactions with owners, recorded directly in equity</i>							
Acquisition and exchange of shares in Simply Biz Limited	(3)	(15,849)	235	—	—	5	(15,612)
Total contributions by and distribution to owners	(3)	(15,849)	235	—	—	5	(15,612)
<b>Balance at 31 December 2015</b>	10	50,852	(61,395)	8	(1,760)	157	(12,128)
Total comprehensive income for period	—	—	—	—	—	4,077	4,077
<i>Transactions with owners, recorded directly in equity</i>							
Dividends	—	—	—	—	—	(1,226)	(1,226)
Total contributions by and distribution to owners	—	—	—	—	—	(1,226)	(1,226)
<b>Balance at 31 December 2016</b>	10	50,852	(61,395)	8	(1,760)	3,008	(9,277)
Total comprehensive income for period	—	—	—	—	—	4,787	4,787
<i>Transactions with owners, recorded directly in equity</i>							
Issue of share capital	—	1,692	—	—	—	—	1,692
Dividends	—	—	—	—	—	(805)	(805)
Transfer to retained earnings	—	—	—	—	1,760	(1,760)	—
Purchase of minority interest	—	—	—	—	—	(2,248)	(2,248)
Total contributions by and distribution to owners	—	1,692	—	—	1,760	(4,813)	(1,361)
<b>Balance at 31 December 2017</b>	10	52,544	(61,395)	8	—	2,982	(5,851)

## Consolidated statement of cash flows

		Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
	Note			
<b>Net cash generated from operating activities</b>	24	7,981	7,313	10,743
<b>Cash flows from investing activities</b>				
Finance income		168	46	65
Purchase of property, plant and equipment		(208)	(252)	(174)
Development expenditure		(502)	(859)	(772)
<b>Net cash used in investing activities</b>		(542)	(1,065)	(881)
<b>Cash flows from financing activities</b>				
Finance costs		(2,298)	(2,929)	(2,907)
New loans received		33,814	—	—
Loan repayments made		(23,338)	—	(154)
Acquisition of own shares		(20,272)	—	—
Purchase of shares in subsidiaries		—	—	(3,786)
Issue of share capital		2	—	1,692
Dividends paid		(17)	(1,226)	(805)
<b>Net cash used in financing activities</b>		(12,109)	(4,155)	(5,960)
Net (decrease) / increase in cash and cash equivalents		(4,670)	2,093	3,902
Cash and cash equivalents at start of period		10,218	5,548	7,641
<b>Cash and cash equivalents at end of period</b>	19	<u>5,548</u>	<u>7,641</u>	<u>11,543</u>

Cash and cash equivalents, as at 31 December 2015, 31 December 2016 and 31 December 2017, includes £545,000 of cash in a restricted account (see Note 19).

## **Notes to the Financial Information**

### **1 General information**

The SimplyBiz Group Limited's principal activity is that of intermediary services and distribution solutions to the retail financial services sector.

The SimplyBiz Group Limited ("the Company") is a company incorporated and domiciled in the United Kingdom. The address of its registered office is The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG. The registered number is 09619906.

On 2 June 2015, The SimplyBiz Group Limited was set up as a vehicle to acquire all of the issued share capital of Simply Biz Limited for cash and shares.

Under IFRS, the combined entity has been presented as a continuance of the Simply Biz Limited group by applying the principles of reverse acquisition accounting as its owners receive the largest proportion of the voting rights in the combined entity. As a result the assets and liabilities of Simply Biz Limited have been recorded at the values at which they were included in the books of Simply Biz Limited prior to the transaction.

The financial information set out here does not constitute the company's statutory accounts for the years ended 31 December 2015, 2016 and 2017. Statutory accounts for 2015, 2016 and 2017 have been delivered to the registrar of the companies. The auditor has reported on those accounts: their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Historical Financial Information has been prepared in accordance with the requirements of the Alternative Investment Market ("AIM") Rules for Companies for the purposes of the AIM admission document.

### **2 Accounting policies**

#### ***2.1 Basis of preparation***

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the EU ("Adopted IFRS") and the International Financial Reporting Interpretations Committee interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

The financial information is presented in the Company's presentational and functional currency of Pounds Sterling ("£"), quoted to the nearest £1,000 except when otherwise indicated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 December 2017. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information.

#### ***2.2 Basis of consolidation***

The consolidated financial information includes the financial information of The SimplyBiz Group Limited and its subsidiary undertakings ("the Group"). Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

#### ***2.3 Adoption of new and revised standards***

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- **IFRS 15 – 'Revenue from contracts with customers'** This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial information about the nature, timing and uncertainty of revenue and cash flows arising from

an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and this has the ability to direct the use and obtain the benefits from the good or service. The standard is effective from 1 January 2018.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group has performed an impact assessment across all revenue lines and does not expect it to have a material impact. Management are currently finalising improvements to their financial reporting to allow deliverables on bundled contracts to be tracked for individual recognition. The Group will comply with the new disclosure requirements in the financial statements for the year ended 31 December 2018.

- **IFRS 9 – 'Financial Instruments'** This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group has performed an impact assessment and does not expect the new standard to have a material impact.
- **IFRS 16 – 'Leases'** (effective for annual periods beginning on or after 1 January 2019). Management have performed an initial assessment of the leases expected to meet the criteria of the new standard. The recognition of the lease asset and liability is expected to have a material impact on the gross value of both assets and liabilities. Management are currently assessing their transition options for the new standard;
- **IFRS 17 – 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2021);
- **IFRIC 22 – 'Foreign Currency Transactions and Advance Consideration'** (effective for annual periods beginning on or after 1 January 2021);
- **IFRIC 23 – 'Uncertainty over Income Tax Treatments'** (effective for annual periods beginning on or after 1 January 2019);
- **Annual Improvements to IFRS Standards 2014-2016 Cycle** (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IAS 40 'Transfers of Investment Property'** (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IAS 28: 'Long-term Interests in Associates and Joint Ventures'** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 4: 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 9: 'Prepayment Features with Negative Compensation'** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 2: 'Classification and Measurement of Share-based Payment Transactions'** (effective for annual periods beginning on or after 1 January 2018);

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

## ***2.4 Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will, or may, be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the

amounts presented in the financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## **2.5 Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other receivables.

### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### *Interest-bearing borrowings*

Interest-bearing 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.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

## **2.6 Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

## **2.7 Going concern**

The Group's financial position and its financial risk management objectives, as well as details of its financial instruments and its exposure to interest, credit and liquidity risk are described in Note 3.

The Group meets its day-to-day working capital requirements through operating cash flows, overdrafts and bank loan facilities. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through facilities agreed and expected to be agreed when these fall due for renewal.

The Group has net current assets of £10,896,000 and net liabilities of £5,851,000 as at 31 December 2017.

On the basis of the Group's current and forecast profitability and cash flows, notwithstanding the net liabilities position of the Group, the directors consider and have concluded that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial information. For these reasons they continue to adopt a going concern basis in the preparation of the financial information.

## **2.8 Revenue recognition**

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, when the services are delivered.

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



The following specific recognition criteria must also be met before revenue is recognised:

*Membership fee and other membership services*

Membership fee income is recognised monthly, on a time basis. Revenue from other membership services is recognised at the point at which the service is delivered.

*Product provider income*

Product provider income represents marketing support services provided to third-party financial institutions. Contracts can include a number of individual performance obligations that are recognised separately as the service is delivered.

*Software licence income, licence fees and project fees*

Revenue from software licence income and fees is recognised, in full, at the point at which control of the service is delivered, i.e. when the customer has access to the software. Annual licence income is recognised on a time basis.

Revenue from software project fees is recognised on the achievement of specific milestones reflected in the agreement with the customer. The Group has no long term projects.

*Asset management fees*

Asset management fees are accrued on a time basis, by reference to the value of assets under management. No significant judgements are involved in the valuation of the assets.

*Commission received*

Commission is recognised, in full, following the confirmation of the sale by the third party provider of underlying products, principally mortgage and insurance-related products. Revenue is recognised on a net basis, i.e. only for the commission due to the Group. No significant judgements are involved in the valuation of the commission.

*Property valuation, legal and probate services*

Revenue is recognised at the point at which the service is delivered to the customer.

## **2.9 Research and development expenditure**

Research expenditure is recognised as an expense, in profit or loss, in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

### **2.10 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- office equipment      3 to 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

### **2.11 Business combinations**

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required.

### **2.12 Non-controlling interests**

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

### **2.13 Intangible assets**

#### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is not amortised but is tested annually for impairment.

#### *Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the statement of profit or loss as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Expenditure on development activities is, in certain circumstance, capitalised, (see also Note 16). Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Amortisation*

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The basis for choosing these useful lives is with reference to the period over which they can continue to generate value for the Group.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

## **2.14 Impairment excluding inventories and deferred tax assets**

### *Financial assets (including trade and other receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **2.15 Leases**

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

## **2.16 Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill; and
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## **2.17 Pensions**

The pension costs charged in the financial information represent the contributions payable by the Group during the period on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amounts charged to the statement of profit or loss represent the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Group's liability.

## **2.18 Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at a general meeting.

## **2.19 Put option**

Put share options and agreements to forward purchase with non-controlling shareholders are recognised as a liability at the present value of the exercise price of the option or of the forward price, using the anticipated-acquisition model.

Under the anticipated-acquisition method, interests of the non-controlling shareholders, that hold the written put options or forward purchase agreements, are derecognised when the financial liability is recognised in liabilities, with the difference reflected in 'Other Equity'. Subsequent to initial recognition, changes to the carrying amount are recognised in the profit and loss account.

## **2.20 Share warrants**

Share warrants, which include a requirement to settle the obligation in cash, are reflected as a liability at fair value. Subsequent to initial recognition, changes to the carrying amount are recognised in profit or loss.

## **2.21 Exceptional items**

Exceptional items are those significant items that are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's underlying financial performance, details of which are disclosed in note 7.

## **3 Financial instruments and financial risk management**

The Group's principal financial liabilities comprise trade and other payables, borrowings, put options and share warrants. The primary purpose of these financial liabilities is to finance the operations. The Group has trade and other receivables and cash that derive directly from its operations.

### **Financial assets**

The financial assets were as follows:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Cash and cash equivalents – unrestricted	5,003	7,096	10,998
Cash and cash equivalents – restricted	545	545	545
Trade and other receivables	9,426	8,702	7,505

The directors consider that the carrying amount of all financial assets approximates to their fair value.

### **Financial liabilities**

The financial liabilities were as follows:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Trade and other payables	8,221	7,271	8,561
Borrowings	33,071	33,367	33,665
Share warrant	568	691	848
Put & call option	2,133	2,133	—

The directors consider that the carrying amount for all financial liabilities approximates to their fair value.

### **Financial risk management**

The Group is exposed to interest rate risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensure that the financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The board of directors review and agree the policies for managing each of these risks, which are summarised below:

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group accepts the risk of losing interest on deposits due to interest rate reductions.

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks and financial institutions.

#### *Trade receivables*

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk is principally managed through the use of direct debit payments. Outstanding receivables are regularly monitored and discussed at executive management and board level.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low as there is limited reliance on single, or a few customers, instead sales are typically small in size.

#### *Financial instruments and cash deposits*

Credit risk from cash balances with banks and financial institutions is managed in accordance with the Group's policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

#### *Liquidity risk*

The Group is strongly cash-generative and the funds generated by operating activities are managed to fund short-term working capital requirements. The board carefully monitors the levels of cash and is comfortable that for normal operating requirements.

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	<b>Within 1 year £000</b>	<b>1 to 2 years £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
<b>31 December 2015</b>					
Trade and other payables	2,060	128	—	—	2,188
Borrowings	—	—	—	33,071	33,071
<b>31 December 2016</b>					
Trade and other payables	2,427	129	—	—	2,556
Borrowings	—	—	—	33,367	33,367
<b>31 December 2017</b>					
Trade and other payables	2,197	400	—	—	2,597
Borrowings	—	—	—	33,665	33,665

#### *Capital risk management*

The Group manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Group consists of equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group is not subject to externally imposed capital requirements.

## **4 Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information, including carrying values, is included in Note 16.

There are no critical judgements that are considered to have a significant risk of causing a material adjustment to the financial statements.

## **5 Revenue**

The total revenue for the Group has been derived from its principal activity; the provision of intermediary services and distribution solutions to the retail financial services sector. All of this revenue relates to trading undertaken in the United Kingdom.



## 6 Segmental information

In the period covered by this Historical Financial Information, the Group was domiciled in the UK and as such all revenue is derived from external customers in the United Kingdom.

During the period under review, the information reported to the Group's joint Chief Executive Officers, who are considered to be the chief operating decision makers, was predominately based on the consolidated Group, with disaggregation where appropriate. The consolidated information is shown in the statement of profit or loss.

From 1 January 2017, the Group has established two operating segments, which are considered to be reportable segments under IFRS. The two reportable segments are:

- Intermediary Services
- Distribution Channels

Intermediary Services provides compliance and regulation services to individual financial intermediary Member Firms, including directly authorised IFSs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers.

Distribution Channels provides marketing and promotion, product panelling and co-manufacturing services to financial institutions. This division of the Group also undertakes survey panelling and surveying work for Mortgage Lenders.

The reportable segments are strategic business units that offer different products and services, by nature of the type of customers that they deal with and the manner in which the revenue is achieved. The operating and reportable segments are reported in a manner consistent with the internal reporting produced to the chief operating decision-makers.

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
<b>Intermediary Services</b>			
Revenue	20,298	21,118	22,147
Operating expenses, before amortisation and depreciation	(16,629)	(17,224)	(18,698)
Intermediary Services Adjusted EBITDA	3,669	3,894	3,449
Operating costs of exceptional nature	(2,541)	(28)	(144)
<b>Intermediary Services EBITDA</b>	<b>1,128</b>	<b>3,866</b>	<b>3,305</b>
<b>Distribution Channels</b>			
Revenue	18,182	19,697	21,919
Operating expenses, before amortisation and depreciation	(14,120)	(15,056)	(15,825)
Distribution Channels Adjusted EBITDA	4,062	4,641	6,094
Operating costs of exceptional nature	(3,541)	(38)	(198)
<b>Distribution Channels EBITDA</b>	<b>521</b>	<b>4,603</b>	<b>5,896</b>
<b>Total EBITDA</b>	<b>1,649</b>	<b>8,469</b>	<b>9,201</b>
Amortisation	—	—	(178)
Depreciation	(179)	(212)	(220)
<b>Operating profit</b>	<b>1,470</b>	<b>8,257</b>	<b>8,803</b>

In determining the trading performance of the operating segments central costs are allocated based on the divisional contribution of revenue to the Group.

The statement of financial position is not analysed between reporting segments for management and the chief decision-makers consider the Group statement of financial position as a whole.

No customer has generated more than 10 per cent. of total revenue during the period covered by the financial information.

## 7 Operating profit

Operating profit for the period has been arrived at after charging:

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Depreciation of tangible assets	179	212	220
Payments in respect of operating leases	3,404	3,904	4,340
Research expenditure	967	699	561
Operating costs of exceptional nature:			
Costs in relation to corporate restructuring and refinancing	5,170	—	303
Restructuring costs	838	66	10
Provision against loan	(27)	—	—
Customer Settlement	100	—	—
Release of deferred consideration	—	—	(129)
Write off of director's loan	—	—	89
Professional fees for acquisitions	—	—	69
	<u>6,081</u>	<u>66</u>	<u>342</u>

Auditor's remuneration:

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Audit of these financial statements	30	30	80
Amounts receivable by the Company's auditor and its associates in respect of:			
Audit of financial statements of subsidiaries	40	40	45
Taxation compliance services	30	30	47
Other services	—	—	83
	<u>—</u>	<u>—</u>	<u>83</u>

Other non audit fees of £257,000 have been committed for year ended 31 December 2018 and included in prepayments.

## 8 Reconciliation of Adjusted EBITDA

The Group uses Adjusted EBITDA as a comparable key performance measure, as it excludes the impact of one off items that are not considered part of on-going trade. Adjusted EBITDA is calculated as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Operating profit	1,470	8,257	8,803
Add back:			
Depreciation	179	212	220
Impairment of goodwill (note 16)	—	—	178
Operating costs of exceptional nature (note 7)	6,081	66	342
<b>Adjusted EBITDA</b>	<b>7,730</b>	<b>8,535</b>	<b>9,543</b>

## 9 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	Number of employees Year ended 31 December 2015	Number of employees Year ended 31 December 2016	Number of employees Year ended 31 December 2017
Directors	5	6	8
Operational	379	371	374
	<b>384</b>	<b>377</b>	<b>382</b>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Wages and salaries	15,240	15,944	16,662
Social security costs	1,500	1,662	1,759
Contributions to defined contribution plans	329	347	352
	<b>17,069</b>	<b>17,953</b>	<b>18,773</b>

## 10 Finance income

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Bank interest receivable	168	46	65
Fair value gain on financial instruments	233	—	—
	<b>401</b>	<b>46</b>	<b>65</b>

## 11 Finance expense

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Interest payable on financial liabilities at amortised cost	2,393	3,239	3,229
Fair value loss on financial instruments	—	123	158
	<u>2,393</u>	<u>3,362</u>	<u>3,387</u>

## 12 Taxation

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
<i>Current tax</i>			
Current tax on income for the year	174	890	865
Adjustments in respect of prior periods	—	(235)	(370)
Total current tax	<u>174</u>	<u>655</u>	<u>495</u>
<i>Deferred tax (see Note 23)</i>			
Origination and reversal of timing differences	(23)	209	199
Total deferred tax	<u>(23)</u>	<u>209</u>	<u>199</u>
Total tax	<u>151</u>	<u>864</u>	<u>694</u>

No income or deferred tax has been reported in other comprehensive income or has been recognised directly in equity.

## Reconciliation of effective tax rate

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Profit / (loss) for the year	(673)	4,077	4,787
Total tax charge	<u>151</u>	<u>864</u>	<u>694</u>
Profit / (loss) before taxation	(522)	4,941	5,481
Tax using the UK corporation tax rate of 19.25% (2015 & 2016: 20%)	(104)	988	1,055
Non-deductible expenses	255	283	158
Allowable development expenditure	—	(172)	(149)
Adjustments in respect of prior year	—	(235)	(370)
Total tax charge included in profit or loss	<u>151</u>	<u>864</u>	<u>694</u>

## Changes affecting the future tax charge

A reduction in the UK corporation tax rate to 19 per cent. (effective from 1 April 2017) and to 18 per cent. (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17 per cent. (effective 1 April 2020) was substantively enacted on 6 September 2016. This is expected to reduce the Group's future current tax accordingly.

Adjustments in respect of prior years result from the submission of prior period research and development claims, and the update of the tax provisioning to the year end computations.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date and therefore these have been measured at 17 per cent. to 20 per cent.

### 13 Dividends

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Dividend paid by the Company	—	1,200	800
Dividend paid by Simply Biz Limited	17	26	—
Dividend paid by Capital Reward Limited	—	—	5
	<u>17</u>	<u>1,226</u>	<u>805</u>
<b>Dividends per share (pence):</b>			
Dividend paid by the Company	—	14.3p	9.6p
Dividend paid by Simply Biz Limited	0.2p	0.3p	—
Dividend paid by Capital Reward Limited	—	—	0.9p
	<u>—</u>	<u>—</u>	<u>0.9p</u>

Dividends paid by the Simply Biz Limited include £nil for the year ended 31 December 2017 (2016: £26,000, 2015: £17,000) paid to the Simply Biz Employee Benefit Trust.

### 14 Earnings per share

#### *Current SimplyBiz Group*

Basic (loss) / profit per share, for the Current SimplyBiz Group, is calculated by dividing the net loss / (profit) for the period attributable to ordinary shareholders by the weighted number of “A” ordinary shares and “B” ordinary shares outstanding during the period. The Current SimplyBiz Group “C” ordinary shares and “D” ordinary shares do not rank for dividend and are therefore excluded.

#### *Diluted loss per share*

As the Group has no share options currently in issue, the diluted (loss) / profit per share is consistent with the basic (loss) / profit per share.

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
(Loss) / profit attributable to equity shareholders of the parent	(673)	4,077	4,787
Weighted average number of shares in issue	8,400,000	8,400,000	8,420,043
Basic (loss) / profit per share (pence)	<u>(8.0p)</u>	<u>48.5p</u>	<u>56.9p</u>

### *Illustrative earnings per share*

Illustrative earnings per Ordinary Share is presented in order to demonstrate the earnings per share attributable to the Ordinary Shares as at the date of Admission.

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
(Loss) / profit attributable to equity shareholders of the parent	(673)	4,077	4,787
Weighted average number of shares in issue (number)	150,000,000	150,000,000	150,000,000
Basic (loss) / profit per share (pence)	(0.4p)	2.7p	3.2p

## **15 Property, plant and equipment**

	Office equipment £000
<b>Cost</b>	
At 1 January 2015	695
Additions	208
At 31 December 2015	903
Additions	252
At 31 December 2016	1,155
Additions	174
Disposals	(133)
At 31 December 2017	1,196
<b>Depreciation and impairment</b>	
At 1 January 2015	334
Depreciation charge for the period	179
At 31 December 2015	513
Depreciation charge for the period	212
At 31 December 2016	725
Depreciation charge for the period	220
Depreciation on disposals	(133)
At 31 December 2017	812
<b>Net book value</b>	
At 31 December 2017	384
At 31 December 2016	430
At 31 December 2015	390



## 16 Intangible assets

	Goodwill £000	Development expenditure £000	Total £000
<b>Cost</b>			
At 1 January 2015	16,347	—	16,347
Additions	—	502	502
At 31 December 2015	16,347	502	16,849
Additions	—	859	859
Adjustments in year	(97)	—	(97)
At 31 December 2016	16,250	1,361	17,611
Additions	—	772	772
At 31 December 2017	16,250	2,133	18,383
<b>Amortisation and impairment</b>			
At 1 January 2015, 31 December 2015 and 2016	—	—	—
Charge for period	178	—	178
At 31 December 2017	178	—	178
<b>Net book value</b>			
At 31 December 2017	16,072	2,133	18,205
At 31 December 2016	16,250	1,361	17,611
At 31 December 2015	16,347	502	16,849

Capitalised development expenditure relates to the development of the software platform in Zest Technologies Limited. No amortisation has been charged on the development expenditure as the project has not yet reached commercial launch.

The goodwill impairment of £178,000 relates to a balance in a subsidiary company, where the specific service line has ended. This is separate from the goodwill that exists on consolidation, which is subject to a separate impairment review described below.

The carrying amount of goodwill is allocated across operating segments, which are groups of cash-generating units ("CGUs") as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Intermediary Services	12,920	12,823	12,823
Distribution Channels	3,249	3,249	3,249
Other	178	178	—
	16,347	16,250	16,072

Goodwill is determined to have an infinite useful economic life. The Group has determined that, for the purposes of impairment testing, each segment is a cash generating unit ("CGU"). The recoverable amounts for the CGUs are predominantly based on value in use, which is calculated on the cash flows expected to be generated using the latest projected data available over a five year period. The key assumptions in the value in use calculation are the discount rate (12.8 per cent.) (2016: 12.9 per cent., 2015: 14.8 per cent.), the growth rate (2 per cent.) (2016: 2 per cent., 2015: 2 per cent.) and projected EBITDA. The discount rate is based on the Group's pre-tax cost of capital, which is compared with other discount rates in the sector.

The projected EBITDA is built up on the Board approved budget and future projections of revenue growth rates, changes in selling prices and overhead cost growth. These changes in revenues and cost are forecast based on the knowledge and expertise of operational staff, taking into account historical trends.

The directors have reviewed the recoverable amounts of the CGUs and having performed appropriate sensitivity testing on the key assumptions described above, have considered that sufficient headroom within the value in use calculations exists at 31 December 2017.

## 17 Investment in subsidiaries

	Country of incorporation	Principal activity	Class and % of shares held as at 31 December 2017
<b><i>Subsidiary undertakings</i></b>			
Simply Biz Limited	UK	Group management	Ordinary 100%
SIFA Limited	UK	Business support services	Ordinary 100%
Simply Biz Support Limited	UK	Various business support services	Ordinary 100%
APS Legal and Associates Limited	UK	Legal services	Ordinary 100%
Simply Biz Services Limited	UK	Various business services	Ordinary 100%
Simply Biz Mortgages Limited	UK	Provision of mortgage club facility	Ordinary 100%
Capital Reward Clients Limited	UK	Holding of clients from retired IFAs	Ordinary 100%
Zest Technology Limited (formerly Staffcare Limited)	UK	Business support software	Ordinary 91.3%
Capital Reward Limited	UK	Non trading	Ordinary 99.84%
Capital Reward Plus Limited	UK	Transactional financial advice	Ordinary 100%
New Model Business Academy Limited	UK	Business services training	Ordinary 100%
Compliance First Limited	UK	Compliance consultants	Ordinary 100%
360 Legal Group Limited	UK	Business services	Ordinary 100%
Home Information Group Limited	UK	Property survey agency	Ordinary 100%
Sonas Surveyors Limited	UK	Survey and valuation services	Ordinary 100%
IKST Limited	UK	Dormant	Ordinary 100%
Verbatim Asset Management Limited	UK	Holding company	Ordinary 100%
Verbatim Portfolio Management Limited	UK	Investment planning tools	Ordinary 100%
Verbatim Adviser Services Limited	UK	Technology integration services	Ordinary 100%
Verbatim Investments Limited	UK	Asset management vehicle	Ordinary 100%
Staffcare Limited (formally Zest Technology Limited)	UK	Dormant	Ordinary 100%
Zest Benefits Limited	UK	Dormant	Ordinary 100%
Professional Finance Broking Limited	UK	Dormant	Ordinary 51%
Financial Intermediary and Broker Association Limited	UK	Trade association	Ordinary 51%

As at 31 December 2015 and 31 December 2016, there were put and call options in respect of the ordinary shares in Zest Technology Limited that the Group (through Simply Biz Limited) does not own. In January 2017, the Group acquired 16,394 shares in Zest Technology Limited in January 2017, thereby increasing the shareholding to 85 per cent. (2016: 78.57 per cent.).

On 24 July 2017, the Group entered into an agreement to settle the put and call option, and purchase the remaining shares in Zest Technology Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017, increasing the shareholding to 91.3 per cent. The remaining two tranches of shares are due to be purchased at an agreed amount in 2018 and 2019. These liabilities are included within the other payables balance at 31 December 2017.

On 11 November 2017 the Group purchased the member share of Financial Intermediary Broker Association Limited (formerly Association of Bridging Professionals Limited), a company limited by guarantee. The member share was purchased by a newly set up entity, Professional Finance Broking Limited, within which the Group has an investment of 51 per cent., which it purchased for £1. The Group has an option to purchase the remaining 49% for £1.

In December 2017, the Group purchased the shares of the remaining minority shareholders of Verbatim Asset Management for £2,248,000. No minority interest had previously been recognised on this investment. A debit of £2,248,000 has been recorded in the consolidated retained earnings of the Group as a result of this acquisition.

The registered address of all subsidiaries, with the exception of Zest Technology Limited and Compliance First Limited, is The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG. The registered addresses of the exceptions are as follows:

- Zest Technology Limited – Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG
- Compliance First Limited – First Floor, 2000 Academy Business Park, Gower Street, Glasgow, G51 1PR

## 18 Trade and other receivables

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Trade receivables	5,767	4,156	4,745
Provision against receivables	(230)	(99)	(210)
	<u>5,537</u>	<u>4,057</u>	<u>4,535</u>
Other receivables	104	202	—
Prepayments and accrued income	1,829	2,996	2,970
Corporation tax	1,956	1,447	—
	<u>9,426</u>	<u>8,702</u>	<u>7,505</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables do not carry interest.

The ageing profile of overdue trade receivables was as follows:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
31-60 days overdue	718	538	223
61-90 days overdue	684	82	308
Over 90 days	311	390	578
	<u>1,713</u>	<u>1,010</u>	<u>1,109</u>

The Group provides against trade receivables where there are serious doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

Movement in the provision for trade receivables was as follows:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Balance at beginning of period	—	230	99
Increase for trade receivables regarded as potentially uncollectable	230	52	177
Decrease in provision for trade receivables recovered, or written off, during the period	—	(183)	(66)
	<u>230</u>	<u>99</u>	<u>210</u>

## 19 Cash and cash equivalents

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Cash at banks and on hand – unrestricted	5,003	7,096	10,998
Cash at banks and on hand – restricted	545	545	545
	<u>5,548</u>	<u>7,641</u>	<u>11,543</u>

Cash and cash equivalent comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group holds £545,000 of cash in a restricted account to cover a potential claim involving a former subsidiary of the Group. The claim dates from approximately six years ago and management consider the risk of payment to be remote.

## 20 Trade and other payables

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Current liabilities</b>			
Trade payables	1,365	1,864	1,426
Other tax and social security	1,867	1,576	1,639
Other payables	695	563	771
Accruals and deferred income	4,166	3,139	4,325
	<u>8,093</u>	<u>7,142</u>	<u>8,161</u>
<b>Non-current liabilities</b>			
Other payables	128	129	400
	<u>128</u>	<u>129</u>	<u>400</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Other payables include £600,000 (£400,000 of which in non-current liabilities) for the contract to acquire the remaining shares in Zest Technology Limited, which is a contract to acquire shares at a fixed amount of cash.

## 21 Interest-bearing loans and borrowings

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Secured bank loan:</b>			
Current	—	—	—
Non-current	34,257	34,371	34,486
Less loan arrangement fees	(1,186)	(1,004)	(821)
	<u>33,071</u>	<u>33,367</u>	<u>33,665</u>

On 22 June 2015 the Group took out a loan for £35m, plus a share warrant financial instrument. This compound instrument was fair valued to be a £34.2m bank loan and £800k share warrant (Note 26). Part of the new loan was used to repay the previous borrowings of £23.3m.

The £35 million bank loan, which is denominated in Pounds Sterling, carries an interest rate of LIBOR plus 7.5 per cent. Loans are measured at amortised cost.

The £35 million bank loan is fully drawn down and repayable in full at the end of the term (June 2022).

The Group previously entered into an agreement to cap the LIBOR at 3.5 per cent. in respect of £23.3 million of the bank loan. The agreement ended on 31 August 2017.

Changes in liabilities from financing activities:

	<b>Loans and Borrowings £000</b>
Balance at 1 January 2017	33,367
<b>Other changes</b>	
Interest expense (note 11)	3,229
Movement in interest accrual (included in accruals and deferred income – note 20)	(24)
Interest paid	(2,907)
<b>Balance at 31 December 2017</b>	<u><u>33,665</u></u>

## 22 Deferred tax liabilities

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Deferred taxation</b>			
Balance at the beginning of the period	(13)	10	(199)
(Provided) / released during the period	23	(209)	(199)
<b>Balance at the end of the period</b>	<u><u>10</u></u>	<u><u>(199)</u></u>	<u><u>(398)</u></u>

	Accelerated capital allowances £000	Short term timing differences £000	Other timing differences £000	Total £000
Balance at 1 January 2015	(51)	—	38	(13)
Credit/(charge) to profit or loss	49	6	(32)	23
<b>Balance at 31 December 2015</b>	<b>(2)</b>	<b>6</b>	<b>6</b>	<b>10</b>
Credit/(charge) to profit or loss	(200)	(3)	(6)	(209)
<b>Balance at 31 December 2016</b>	<b>(202)</b>	<b>3</b>	<b>—</b>	<b>(199)</b>
Credit/(charge) to profit or loss	(193)	(6)	—	(199)
<b>Balance at 31 December 2017</b>	<b>(395)</b>	<b>(3)</b>	<b>—</b>	<b>(398)</b>

The Group has £1,136,000 (2016: £371,000, 2015: £142,000) of tax losses, on which no deferred tax assets have been recognised, due to uncertainty over the future utilisation of the losses, as they exist in specific subsidiaries and are not available for loss relief.

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Deferred taxation assets</b>			
Accelerated capital allowances	6	7	15
Short term timing differences	—	59	10
Other	6	—	—
<b>Balance at the end of the period</b>	<b>12</b>	<b>66</b>	<b>25</b>
<b>Deferred taxation liabilities</b>			
Accelerated capital allowances	—	(4)	(410)
Short term timing differences	(2)	(261)	(13)
Other	—	—	—
<b>Balance at the end of the period</b>	<b>(2)</b>	<b>(265)</b>	<b>(423)</b>
<b>Net deferred tax assets / (liabilities)</b>	<b>10</b>	<b>(199)</b>	<b>(398)</b>



## 23 Share capital

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Total
Number of fully paid shares:					
On incorporation of The Simply Biz Group Limited *	—	—	—	—	—
Issued for cash and shares	8,349,148	50,852	1,331,112	265,310	9,996,422
At 31 December 2015	8,349,148	50,852	1,331,112	265,310	9,996,422
At 1 January 2016	8,349,148	50,852	1,331,112	265,310	9,996,422
Repurchase of shares and cancellation	—	—	—	(8,336)	(8,336)
At 31 December 2016	8,349,148	50,852	1,331,112	256,974	9,988,086
At 1 January 2017	8,349,148	50,852	1,331,112	256,974	9,988,086
Issue of share capital	—	281,380	—	—	281,380
Repurchase of shares and cancellation	—	—	—	(26,075)	(26,075)
At 31 December 2017	8,349,148	332,232	1,331,112	230,899	10,243,391

\* At 1 January 2015, Simply Biz Limited had 7,239,587 shares in issue, which had a nominal value of 1p each. These shares were purchased when The Simply Biz Group Limited combined with the previous Group on 22 June 2015.

During the year the Company bought back, and cancelled 26,075 (2016: 8,336; 2015: nil) D ordinary shares. On 5 December 2017, the company issued 281,380 B ordinary shares.

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Allotted, called up and fully paid</b>			
8,349,148 A ordinary shares of £0.001 each	8,349	8,349	8,349
332,232 (2016, 2015: 50,852) B ordinary shares of £0.001 each	51	51	332
1,331,112 C ordinary shares of £0.001 each	1,331	1,331	1,331
230,899 (2016: 256,974; 2015: 265,310) D ordinary shares of £0.001 each	265	257	231
	9,996	9,988	10,243
Shares classified as liabilities	—	—	—
Shares classified in shareholders' funds	9,996	9,988	10,243
	9,996	9,988	10,243

All classes of share rank pari-passu in all respects other than the fact that C and D ordinary shares carry no right to dividend.

On 22 June 2015, the Company issued a warrant instrument to subscribe for ordinary B shares comprising 1.2 per cent. of the Company's capital. The warrant instrument is exercisable on a sale or a share listing. Following the 4th anniversary of the instrument, and prior to the 7th anniversary, the warrant holders may surrender warrants for a cash price.

## 24 Notes to the cash flow statement

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
<b>Cash flow from operating activities</b>			
Profit / (loss) after taxation	(673)	4,077	4,787
<i>Add back:</i>			
Finance income	(168)	(46)	(65)
Finance cost	2,393	3,239	3,229
Fair value (gains) / losses on derivative financial instruments	(233)	123	158
Taxation	151	864	694
	1,470	8,257	8,803
<i>Adjustments for:</i>			
Impairment of goodwill	—	—	178
Depreciation of property, plant and equipment	179	212	220
	1,649	8,469	9,201
<b>Operating cash flow before movements in working capital</b>			
(Increase) / decrease in receivables	6,052	(79)	(446)
(Decrease) / increase in trade and other payables	280	(604)	1,017
	7,981	7,786	9,772
<b>Cash generated from operations</b>			
Income taxes (paid) / received	—	(473)	971
	7,981	7,313	10,743

## 25 Financial instruments

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Share Warrant	568	691	848
Put & Call Option (note 17)	2,133	2,133	—
	2,701	2,824	848

On 24 July 2017, the Group entered into an agreement to settle the put and call option, and purchase the remaining shares in Zest Technology Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017, increasing the shareholding to 91.3 per cent. The remaining two tranches of shares are due to be purchased at an agreed amount in 2018 and 2019. As these tranches are fixed payments, at a fixed amount, the liabilities are recognised in other payable as at 31 December 2017.

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under level 3 valuation method.

## Derivative financial liabilities

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
<b>Derivative liabilities (level 3)</b>			
Share Warrant	568	691	848

Movement in Fair Value of Share Warrant:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
As at start of period	800	568	691
Charged / (credited) to profit or loss	(232)	123	157
Balance at the end of the period	568	691	848

### Share warrant

On 22 June 2015, the Company issued a warrant instrument to subscribe for B ordinary shares comprising 1.2 per cent. of the Company's fully diluted share capital. The warrant instrument is exercisable on a sale or a share listing. Following the 4<sup>th</sup> anniversary of the instrument, and prior to the 7<sup>th</sup> anniversary, the warrant holders may surrender warrants for a cash price equivalent to 1.2 per cent. of the fair market value of the Company.

## 26 Financial commitments

### Operating leases

Obligations under non-cancellable operating lease rentals are as follows:

	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Less than one year	2,007	2,000	1,496
Between one and five years	3,487	1,877	609
More than five years	—	—	—
	5,494	3,877	2,105

During the year £4,340,000 (2016: £3,904,000, 2015: £3,404,000) was recognised as an expense in profit or loss in respect of operating leases.

## 27 Pension and other post-retirement benefit commitments

### Defined contribution

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. At the period end, pension contributions of £80,119 (31 December 2016: £40,060, 31 December 2015: £43,597) were outstanding.

## 28 Related party relationships and transactions

### *Transactions with key management personnel*

The remuneration of key management personnel, which includes the directors of the Group, is set out below in aggregate for each of the categories specified in IAS 24: Related Party Disclosures

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Remuneration for qualifying services	751	980	1,186
Group pension contributions to defined contribution schemes	203	12	7

The aggregate of remuneration of the highest paid director was £291,000 and Group pension contributions of £2,000 were made to a money purchase scheme on his behalf.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016: 4, 2015: 4).

### *Dividends to directors*

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
K E Davy	—	609	388
K E Davy trusts	—	132	88
S C Turvey	—	217	144
M L Timmins	—	22	15
N M Stevens	—	22	15
G J Kershaw	—	2	1
	—	1,004	651

### *Identity of related parties with which the Group has transacted*

Sandringham Financial Partners Limited, a company in which N Stevens and M Timmins are shareholders. Clear View Assured Limited is also a shareholder in Sandringham Financial Partners Limited, in which various directors of the Company are shareholders, and in which both S Turvey and N Stevens are directors: The Group paid expenses on behalf of Sandringham Financial Partners Limited of £20,000. The balance at the end of the year held in debtors was £nil of which provision was £nil.

Kirklees Stadium Development Limited (a company of which Ken Davy is a director): Kirklees Stadium Development Limited was paid £115,000 by the Group for property costs and other services during the period. Amounts owed at the period end totalled £nil.

MMUNIC Limited (a company controlled by Matt Timmins and Neil Stevens): the Group made purchases from MMUNIC Limited for £7,000 during the period and owed £nil to the Company at the period end.

During the period the Group paid Trotter & Co Limited an amount of £25k in respect of consultancy services. T Trotter is a shareholder and director of Trotter & Co Limited and also a director of the Company. £nil is outstanding at the period end.

During the period the Group paid Quantum Strategic Consultancy Services Limited an amount of £32,000 in respect of consultancy services. D Etherington is a shareholder and director of Quantum Strategic Consultancy Services Limited and also a director of the Company. £nil is outstanding at the period end.

During the period the Group paid Park Place Corporate Finance Limited an amount of £26,000 in respect of consultancy services. T Clarke is a shareholder and director of Park Place Corporate Finance Limited and also a director of the Company. £nil is outstanding at the period end.

## 29 Ultimate controlling party

The ultimate controlling party is deemed to be K E Davy by virtue of shareholding.

## 30 Subsequent events

On 23 January 2018 the Group purchased 100 per cent. of the share capital of Landmark Surveyors Limited for £4,835,000. The principal activity of the company is residential surveying and the purchase price includes £1,450,000 of deferred consideration, which is payable in two equal tranches on the 1st and 2nd anniversary of the acquisition.

The following fair values have been determined on a provisional basis:

	<b>Provisional Fair Value £000</b>
<b>Net assets acquired</b>	
Property, plant & equipment	138
Trade and other receivables	296
Cash and cash equivalents	1,052
Trade and other payables	(924)
Income tax liabilities	(68)
	<hr/> 494 <hr/>
<b>Consideration paid</b>	
Initial cash price paid	3,385
Deferred consideration	1,450
	<hr/> 4,835 <hr/>
Goodwill and intangible assets	<hr/> 4,341 <hr/> <hr/>

Goodwill and intangible assets acquired on the acquisition relate to customer relationships, the brand and the assembled workforce. The Group will perform a valuation assessment of the separately identifiable intangible assets.

## **PART 4**

### **PRO FORMA FINANCIAL INFORMATION**

#### **Introduction**

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Placing and Refinancing on the net liabilities of the Group as if the Placing and Refinancing had taken place on 31 December 2017. The unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net (liabilities)/assets of the Group is based on the consolidated net liabilities of the Group as at 31 December 2017 and has been prepared on the basis that the Placing and Refinancing was effective as of 31 December 2017 and in a manner consistent with the accounting policies adopted by the Group in preparing the Historical Financial Information for the three years ended 31 December 2017.

Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Rules.

The pro forma statement of financial information does not constitute financial statements within the meaning of section 434 of the 2006 Act.



**Unaudited pro forma statement of net (liabilities) / assets as at 31 December 2017**

	31 December 2017 £000 <sup>(1)</sup>	Adjustments			31 December 2017 £000 <sup>(5)</sup>
		Placing £000 <sup>(2)</sup>	Refinancing £000 <sup>(3)</sup>	Refinancing £000 <sup>(4)</sup>	
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant & equipment	384	—	—	—	384
Intangible assets	18,205	—	—	—	18,205
<b>Total non-current assets</b>	<b>18,589</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>18,589</b>
<b>Current assets</b>					
Trade and other receivables	7,505	—	—	—	7,505
Deferred tax asset	25	—	—	—	25
Cash and cash equivalents – unrestricted	10,998	26,300	10,000	(34,513)	12,785
Cash and cash equivalents – restricted	545	—	—	—	545
<b>Total current assets</b>	<b>19,073</b>	<b>26,300</b>	<b>10,000</b>	<b>(34,513)</b>	<b>20,860</b>
<b>Total assets</b>	<b>37,662</b>	<b>26,300</b>	<b>10,000</b>	<b>(34,513)</b>	<b>39,449</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	8,161	—	—	—	8,161
Income tax liabilities	16	—	—	—	16
<b>Total current liabilities</b>	<b>8,177</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,177</b>
<b>Non-current liabilities</b>					
Financial liabilities – borrowings	33,665	—	10,000	(33,665)	10,000
Trade and other payables	400	—	—	—	400
Financial derivatives	848	—	—	(848)	—
Deferred tax liabilities	423	—	—	—	423
<b>Total non-current liabilities</b>	<b>35,336</b>	<b>—</b>	<b>10,000</b>	<b>(34,513)</b>	<b>10,823</b>
<b>Total liabilities</b>	<b>43,513</b>	<b>—</b>	<b>10,000</b>	<b>(34,513)</b>	<b>19,000</b>
<b>Net (liabilities) / assets</b>	<b>(5,851)</b>	<b>26,300</b>	<b>—</b>	<b>—</b>	<b>20,449</b>

**Notes:**

- (1) The financial information as at 31 December 2017 has been extracted, without material adjustment, from the Historical Financial Information for the year ended 31 December 2017 contained within section B of Part 3 of this Document.
- (2) The adjustment reflects the net proceeds from the Placing receivable by the Company (gross proceeds of £30,000,000 less cash expenses payable by the Company relating to the Placing of approximately £3,700,000).
- (3) The adjustment reflects the draw-down of a £10,000,000 loan under a new revolving credit facility.
- (4) The adjustment reflects the repayment of all amounts outstanding under the existing facilities agreement with Alcentra, including both the loan (£33,665,000 at 31 December 2017) and share warrant (£848,000 at 31 December 2017).
- (5) No adjustment has been made to reflect the trading results of the Group since 31 December 2017 or any other change in its financial position in that period.

## PART 5

### ADDITIONAL INFORMATION

#### 1 Responsibility

The Company and the Directors whose names and functions are set out on page 8 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies.

#### 2 Incorporation and general

- (a) The Company was incorporated in England on 2 June 2015 under the name of The SimplyBiz Group Limited with registered number 09619906 as a private company with limited liability under the 2006 Act. The Company was re-registered as a public company and changed its name to The SimplyBiz Group plc on 21 March 2018. Its registered office, principal place of business and head office is at The John Smiths Stadium, Stadium Way, Huddersfield HD1 6PG. The Company is domiciled in the United Kingdom.
- (b) The Company is the ultimate holding company of the Group, and has the following significant subsidiary undertakings, being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group. Subsidiary undertakings are wholly owned unless stated otherwise.

Name	Registered office	Principal activity	Issued share capital (fully paid)
APS Legal & Associates	The Company's registered office	Activities of patent and copyright agents	£16,000
Financial Intermediary and Broker Association Limited <sup>1</sup>	The Company's registered office	Management consultancy activities other than financial management	Not applicable – company limited by guarantee
Home Information Group Limited	The Company's registered office	Activities of head office	£1,258
Landmark Surveyors Ltd	The Company's registered office	Management of real estate on a fee or contract basis	£1
New Model Business Academy Limited	The Company's registered office	Education	Not applicable – company limited by guarantee
SIFA Limited	The Company's registered office	Business support services	£90
Simply Biz Limited	The Company's registered office	Activities of a financial services holding company	£72,897.36
Simply Biz Mortgages Limited	The Company's registered office	Activities auxiliary to insurance and pension funding	£1,000
Simply Biz Services Limited	The Company's registered office	Activities of financial services holding companies	£50,000
Simply Biz Support Limited	The Company's registered office	Financial intermediation	£2

<sup>1</sup> Professional Finance Broking Limited is the sole member of Financial Intermediary and Broker Association Limited. Simply Biz Services Limited owns 51 per cent. of the shares in Professional Finance Broking Limited.

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Issued share capital (fully paid)</b>
Sonas Surveyors Limited	The Company's registered office	Business support services	£3,126
Verbatim Adviser Services Limited	The Company's registered office	Activities of financial services holding companies	£1
Verbatim Asset Management Limited	The Company's registered office	Activities of financial services holding companies	£90,728
Verbatim Investments Limited	The Company's registered office	Activities of financial services holding companies	£1
Verbatim Portfolio Management Limited	The Company's registered office	Activities of financial services holding companies	£1
Zest Technology Limited <sup>2</sup>	Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG	Business and domestic software development	£255.03

### **3 Share capital**

- (a) As at 31 December 2017, being the most recent balance sheet date in the financial information contained in Part 3 of this Document, the issued and fully paid share capital of the Company was £10,258.391 divided into 8,349,148 A ordinary shares of £0.001 each, 332,232 B ordinary shares of £0.001 each, 1,331,112 C ordinary shares of £0.001 and 245,899 D ordinary shares of £0.001 each. The Company did not have any limit on its authorised share capital as the concept of authorised share capital does not exist in the 2006 Act under which the Company is incorporated.
- (b) The Company has granted warrants to subscribe for shares in the Company amounting to 1.2 per cent. of the fully diluted share capital of the Company immediately prior to the Placing to be exercised in accordance with the warrant instrument dated 22 June 2015 and made between (1) the Company and (2) Alcentra UK Direct Lending No.1 Limited Partnership, Alcentra European Direct Lending Fund No.1 Limited Partnership, Alcentra ECOF S.a.r.L, KS Alcentra Europe S.a.r.L. and ECOF II ParentCo SV S.a.r.L. (together the "Alcentra Funds"). The Company is in receipt of a letter confirming that conditional upon Admission, repayment of the monies owed to the Alcentra Funds under the agreement referred to at paragraph 10(i) below and payment of £1,192,939 on Admission, the Alcentra Funds waive their entitlement to the warrants.
- (c) As at the date of this Document, no options to subscribe for Ordinary Shares have been granted to any employee or Director pursuant to the CSOP. It is intended that options will be granted pursuant to the CSOP on, or shortly after, Admission over Ordinary Shares with an aggregate market value (by reference to the Placing Price) of approximately £400,000.
- (d) The following alterations in the share capital of the Company have taken place since the incorporation of the Company:
- (i) on 2 June 2015, the Company was incorporated with share capital totalling £8,349.148 made up of 8,349,148 A ordinary shares of £0.001 each;
  - (ii) on 22 June 2015, the share capital of the Company was increased from £8,349.148 to £9,750.00 by issue of 50,852 B ordinary shares of £0.001 each and 1,350,000 C ordinary shares of £0.001 each, each such share being credited as fully paid pursuant to a share for share exchange agreement;

<sup>2</sup> Simply Biz Limited owns 91 per cent. of the share capital of Zest Technology Limited

- (iii) on 30 November 2015, 18,888 C ordinary shares of £0.001 each were re-designated as D ordinary shares of £0.001 each;
- (iv) on 7 December 2015, the share capital of the Company was increased from £9,750.00 to £9,997.422 by the issue of 247,422 D ordinary shares of £0.001 each;
- (v) on 28 November 2016, the share capital of the Company was decreased from £9,997.422 to £9,994.675 by the cancellation of 2,747 D ordinary shares of £0.001 each which had been bought back by the Company;
- (vi) on 7 December 2016, the share capital of the Company was decreased from £9,994.675 to £9,988.082 by the cancellation of 6,593 D ordinary shares of £0.001 each which had been bought back by the Company;
- (vii) on 24 February 2017, the share capital of the Company was decreased from £9,988.082 to £9,983.821 by the cancellation of 4,261 D ordinary shares of £0.001 each which had been bought back by the Company;
- (viii) on 24 April 2017, the share capital of the Company was decreased from £9,983.821 to £9,982.77 by the cancellation of 1,051 D ordinary shares of £0.001 each which had been bought back by the Company;
- (ix) on 12 May 2017, the share capital of the Company was decreased from £9,982.77 to £9,982.582 by the cancellation of 188 D ordinary shares of £0.001 each which had been bought back by the Company;
- (x) on 26 July 2017, the share capital of the Company was decreased from £9,982.582 to £9,981.849 by the cancellation of 733 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xi) on 10 August 2017, the share capital of the Company was decreased from £9,981.849 to £9,979.358 by the cancellation of 2,491 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xii) on 25 October 2017, the share capital of the Company was decreased from £9,979.358 to £9,977.803 by the cancellation of 1,555 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xiii) on 3 November 2017, the share capital of the Company was decreased from £9,977.803 to £9,977.50 by the cancellation of 303 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xiv) on 5 December 2017, the share capital of the Company was increased from £9,977.50 to £10,258.88 by the allotment and issue of 281,380 B ordinary shares of £0.001 each;
- (xv) on 14 December 2017, the share capital of the Company was decreased from £10,258.88 to £10,258.391 by the cancellation of 489 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xvi) on 16 February 2018, the share capital of the Company was decreased from £10,258.391 to £10,243.391 by the cancellation of 15,000 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xvii) on 1 March 2018, the share capital of the Company was decreased from £10,243.391 to £10,242.298 by the cancellation of 1,093 D ordinary shares of £0.001 each which had been bought back by the Company;
- (xviii) on 19 March 2018 the Company increased its share capital from £10,242.298 to £102,422.980 by capitalising its share premium account and issuing 75,142,332 A ordinary shares of £0.001 each, 2,990,088 B ordinary shares of £0.001 each, 11,980,008 C ordinary shares of £0.001 each and 2,068,254 D ordinary shares of £0.001 by way of bonus issue whereby each shareholder received 9 shares of the same class for every share held by them;
- (xix) immediately following the bonus issue of shares referred to in paragraph (xviii) above the Company undertook a consolidation of each of its classes of shares whereby every 10 shares in the capital of the Company are consolidated into 1 share with a nominal value of £0.01;
- (xx) on 20 March 2018 the Company undertook a reduction of its share capital by cancelling £45,000,000 of its share premium account;

- (xxi) on 22 March 2018 the Company increased its share capital from £102,422.980 to £588,235.294 by capitalising its share premium account and issuing 45,295,624.072 A ordinary shares of £0.01 each, 1,802,418.136 B ordinary shares of £0.01 each, 1,275,070.200 C ordinary shares of £0.01 each and 208,119.003 D ordinary shares of £0.01 each by way of bonus issue whereby each holder of A ordinary shares received 5.425 A ordinary shares of £0.01 each for each such share held by them, each holder of B ordinary shares received 5.425 B ordinary shares of £0.01 each for each such share held by them, each holder of C ordinary shares received 0.958 C ordinary shares of £0.01 each for each such share held by them and each holder of D ordinary shares received 0.906 D ordinary shares of £0.01 each for each such share held by them;
- (xxii) immediately following the bonus issue of shares referred to in paragraph (xxi) above the Company re-designated 53,644,767 A ordinary shares of £0.01 each, 2,134,642 B ordinary shares of £0.01 each, 2,606,181 C ordinary shares of £0.01 each and 437,849 D ordinary shares of £0.01 each as ordinary shares of £0.01 each and subdivided and re-designated 5.072 A ordinary shares of £0.01 each, 8.136 B ordinary shares of £0.01 each, 1.200 C ordinary shares of £0.01 each and 76.003 D ordinary shares of £0.01 into 904.118 deferred shares of £0.001 each;
- (xxiii) immediately following the re-designation of shares as deferred shares referred to in paragraph (xxii) above all of the deferred shares were transferred to Sarah Turvey acting as a nominee of Company and as such the Company immediately cancelled 904.118 deferred shares of £0.001 each thereby reducing its share capital from £588,235.294 to £588,234.390.
- (e) (i) Pursuant to an ordinary resolution passed by written resolution on 22 March 2018 the directors of the Company were generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert securities into such shares up to an aggregate nominal amount of: (a) £176,471.49 pursuant to the Placing; (b) £38,235.30 pursuant to the MSOP; (c) £2,352.95 pursuant to the CSOP; (d) £254,647.06 (representing approximately 33.3 per cent. of the Enlarged Share Capital) on a non-pre-emptive basis; and (e) £509,294.12 (representing approximately 66.6 per cent. of the Enlarged Share Capital) on a pre-emptive basis, such authority to expire on the earlier of the date falling 15 months after the passing of the resolution or the conclusion of the Company's annual general meeting in 2019; and
- (ii) Pursuant to special resolutions passed by written resolution on 22 March 2018 the directors of the Company were empowered (pursuant to section 570 of the 2006 Act) to allot equity securities (as defined in section 560 of the 2006 Act) for cash pursuant to the authority described in paragraph 3(e)(i) above as if section 561(1) of the 2006 Act did not apply to such allotment, such power being limited to: (a) the allotment of equity securities by way of rights in proportion to the respective number of shares held by or deemed to be held by the holders of equity securities or other persons entitled to participate in the issue on the relevant record date; (b) the allotment of Ordinary Shares up to a nominal amount of £176,471.49 in connection with the Placing; (c) the allotment of Ordinary Shares up to a nominal amount of £38,235.30 in connection with the MSOP; (d) in respect of any other issue up to an aggregate nominal amount of £38,235.30 (representing 5 per cent. of the Enlarged Share Capital); and (e) in respect of an issue in connection with the financing or refinancing of a transaction which the Board determines to be an acquisition or another capital investment up to an aggregate nominal value of £38,235.30 (representing 5 per cent. of the Enlarged Share Capital), such power being expressed to expire on the earlier of the expiry of 15 months of the date of the passing of the resolutions or the conclusion of the Company's annual general meeting in 2019.
- (f) Conditional on Admission, the Company was authorised in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of up to 7,647,059 Ordinary Shares (being approximately 10 per cent. of the Enlarged Share Capital) on such terms and in such manner as the directors of the Company may from time to time determine provided that the maximum price which may be paid for each share (exclusive of expenses) shall be not more than: (a) five per cent. above the average mid-market price of the Ordinary Shares for the five business days before the date on which the



contract for the purchase is made; and (b) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the trading venue where the purchase was carried out.

- (g) Save for the allotments referred to in paragraph 3(d) above, since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash.
- (h) Save as disclosed in paragraphs 3(b) and 3(c) above and save for the issue of the Placing Shares, and the grant of options or the acquisition of other rights under the Share Incentive Plans, no capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.
- (i) The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- (j) The Ordinary Shares are in registered form and capable of being held in uncertificated form. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission. The Ordinary Shares to be issued pursuant to the Placing are being issued at a price of 170p per share, representing a premium of 169p over the nominal value of 1p each. The expected issue date is 4 April 2018.
- (k) The currency of the issue is pounds sterling.

#### **4 Articles**

The Articles contain, *inter alia*, provisions to the following effect:

(a) *Objects*

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the 2006 Act, the Company's objects are unrestricted.

(b) *Voting rights*

Subject to paragraph (g) below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or by a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(c) *Variation of rights*

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares (excluding any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(d) *Alteration of capital*

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the 2006 Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the 2006 Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.



(e) *Transfer of shares*

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The directors may in their absolute discretion refuse to register a transfer of any share held in certificated form which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. In the case of uncertificated shares, the directors may only refuse to register a transfer in accordance with the CREST Regulations. The directors may also refuse to register a transfer of shares (whether fully paid or not) if the transfer is in favour of more than four persons jointly. Subject to that and to paragraph (g) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(f) *Dividends*

- (i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the directors. The directors may from time to time pay such interim dividends as appear to the directors to be justified.
- (ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph (f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (iii) All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the directors so resolve be forfeited and shall revert to the Company.
- (iv) The directors may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

(g) *Suspension of rights*

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class) the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

(h) *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the 2006 Act, divide amongst the members in specie or in kind the whole or any part of the

assets of the Company, those assets to be set at such value as he deems fair. A liquidator with the sanction of a special resolution may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(i) *Pre-emption rights*

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(j) *Shareholder meetings*

Annual general meetings should be held within the time periods specified by the 2006 Act. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the 2006 Act. Two members present in person or by proxy (or, being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings or a meeting at which it is proposed to pass a resolution requiring special notice are called on at least 21 days' notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days' notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

(k) *Directors*

Save as provided in the Articles or by the terms of any authorisation given by the directors, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he (or any person connected with him) has any interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) and which conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

The directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
- (ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (iii) the granting of any indemnity or provision of funding pursuant to the Company's articles of association unless the terms of such arrangement confer upon such director a benefit not generally available to any other director; or
- (iv) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter; or
- (v) any other company in which he or any person connected with him has a direct or indirect interest, (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent., or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances); or
- (vi) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- (vii) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £400,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the directors or any committee authorised by the directors may determine.

The directors (including alternate directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the directors, committee meetings or general meetings.

A director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine. No director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, if the director has disclosed his interest in accordance with the 2006 Act.

Save as provided by the Articles or by the terms of authorisation given by the directors, a director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts or may conflict with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the directors or by any committee appointed by the directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Any statutory provision which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

- (l) Under sections 974 to 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

## **5 Share Incentive Plans**

The principal provisions of the Share Incentive Plans are as follows:

### **(a) The SimplyBiz Group plc Company Share Option Plan (“CSOP”)**

#### ***Status of the CSOP***

The CSOP consists of two parts. The first part being a set of rules designed to meet the requirements of a Schedule 4 CSOP Scheme (“Tax Advantaged Part”) pursuant to which options may be granted which attract the benefit of the tax reliefs available in respect of such a Schedule 4 CSOP Scheme. The second part being a set of rules which do not meet the requirements of a Schedule 4 CSOP Scheme (“Unapproved Part”) pursuant to which options may be granted which do not attract the benefit of the tax reliefs available in respect of a Schedule 4 CSOP Scheme.

Unless otherwise stated below, the terms set out below apply in respect of options granted under the Tax Advantaged Part of the CSOP and the Unapproved Part of the CSOP.

The CSOP is currently scheduled to be adopted by the Company on, or shortly before, Admission.

#### ***Eligibility***

All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the Tax Advantaged Part of the CSOP provided that they are not prohibited under the relevant legislation relating to Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company.

All employees (including any executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the Unapproved Part of the CSOP.

#### ***Grant***

The Remuneration Committee has absolute discretion to select the persons to whom options are to be granted and, subject to the limits set out below, in determining the number of Ordinary Shares subject to each option.

Options may be granted during the period of 42 days commencing on: (a) the date the CSOP is adopted by the Company; (b) the Admission Date; (c) the Dealing Day immediately following the

date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (d) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the AIM Rules for Companies, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute, then such option may be granted during the period of 40 days commencing immediately after the Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

### ***Scheme Limits***

On any date on or after the Admission Date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted or rights obtained during the previous ten years under the CSOP or any other employees' share scheme adopted by the Company would exceed ten per cent. of the nominal value of the ordinary share capital of the Company in issue on that date.

For the purposes of the limit set out above:

- any Ordinary Shares which were subject to an option or other right (whether granted under the CSOP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limit set out above;
- any Ordinary Shares issued or then capable of being issued pursuant to any options or rights obtained prior to the Admission Date (whether under the CSOP or any other employees' share scheme adopted by the Company) shall not count towards the limit set out above;
- where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company, or some person other than the Company, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the CSOP or any other employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the CSOP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Association to be so included for the purposes of such limit.

### ***Individual Limit***

Each individual's participation under the Tax Advantaged Part of the CSOP is limited so that the aggregate market value of Ordinary Shares subject to all options (calculated as at the date of grant of each option) held by that individual and granted under the Tax Advantaged Part of the CSOP or any other Schedule 4 CSOP Scheme operated by the Company or any associated company, shall not exceed £30,000 (or such other amount as may be permitted by HMRC from time to time).

Generally, each individual's participation under the Unapproved Part of the CSOP is limited so that, no option may be granted under the Unapproved Part of the CSOP after the Admission Date in any financial year of the Company to an eligible employee if the sum of the aggregate market value of Ordinary Shares subject to the proposed option (calculated as at the date of grant) when taken together with the aggregate market value of Ordinary Shares subject to all options (calculated as at the date of grant of each option) granted to the individual under the Unapproved Part of the CSOP in that financial year, would exceed 100 per cent. of the individual's annual base salary at the date of grant. This individual limit will not apply to options granted under the Unapproved Part of the CSOP on or prior to the Admission Date and options granted under the CSOP or otherwise on or prior to the Admission Date will not be included for the purpose of this limit.

The individual limit under the Unapproved Part of the CSOP can be exceeded in circumstances (including, but not limited to, those in connection with any recruitment of an employee) which the Remuneration Committee consider to be exceptional.



### ***Exercise Price***

The exercise price per Ordinary Share under an option is determined by the Remuneration Committee at the time of grant.

In respect of any option granted under the Tax Advantaged Part of the CSOP, the exercise price per Ordinary Share may not be less than the greater of (i) the market value of an Ordinary Share as at the date of grant and (ii) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

In respect of any option granted under the Unapproved Part of the CSOP, the exercise price per Ordinary Share may be set at any price (including the nominal value of an Ordinary Share) or nil, at the discretion of the Remuneration Committee, save that the Committee may not specify an exercise price per Ordinary Shares which is less than the nominal value of an Ordinary Share in respect of an option to subscribe for Ordinary Shares.

The exercise price (other than where this is nil) as well as the number of Ordinary Shares under option and their description may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made to an option granted under the Tax Advantaged Part of the CSOP if they would result in the requirements of Schedule 4 of ITEPA not being met in relation to the option and any adjustments made to such an option must secure that the total market value of the Ordinary Shares which may be acquired by the exercise of the option and the total price at which those Ordinary Shares may be acquired is immediately after such adjustments substantially the same as what they were immediately before the adjustments.

The restrictions on adjustments to options granted under the Tax Advantaged Part of the CSOP as described in the preceding sentence do not apply to the adjustment of options granted under the Unapproved Part of the CSOP.

### ***Performance Conditions***

The exercise of options granted under the CSOP may be made conditional upon the achievement of one or more objective performance targets set at the time of grant. In the event that a performance target or targets apply to an option, each performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("Performance Period"). Subject to the satisfaction of any performance target, the option will become capable of exercise following a date ("Vesting Date") specified at the time of grant which occurs after the expiry of all relevant Performance Periods applicable to the option. The Vesting Date for an option may not occur before the third anniversary of the date of grant.

If any event occurs which causes the Remuneration Committee reasonably to consider that different or amended targets would be a fairer measure of performance or that the original performance targets should be waived, the Remuneration Committee may waive or amend the original performance targets in such manner as it deems fit provided that any such amended targets are not materially more challenging to achieve than the original performance targets would have been to achieve but for the event or events in question.

A performance target, applying to an option, may be measured over an abbreviated period less than the relevant Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee deems fair and reasonable, having regard to the abbreviated performance period and in such a way as may not cause the achievement of the modified target to be materially more difficult to perform or harder to achieve than the original target prior to such modification.

The Remuneration Committee has the right to determine and set performance targets in relation to any option granted under the CSOP. It is proposed that the options to be initially granted under the CSOP on, or shortly after, the Admission Date shall not be subject to any performance targets.



### **Exercise of Options**

Normally, an option may only be exercised following the occurrence of the Vesting Date to the extent that the relevant performance targets (if any) have been satisfied and the participant is still an employee within the Group.

No option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Options may not be exercised at any time when such exercise would be in breach of the AIM Rules for Companies, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute.

In certain circumstances, options may be exercised earlier than the Vesting Date if the option holder ceases to be an employee of the Group. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the option holder by reason of his death, his personal representatives will be entitled to exercise the option within 12 months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover of the Company, a scheme of arrangement under Part 26 of the 2006 Act being sanctioned by the court which is applicable to or affects the Company's share capital, the demerger of the Company, a non UK company reorganisation (where applicable) or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless (subject to any modification of the performance target in accordance with the rules of the CSOP) the performance targets, if any, to which it is subject have been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any option is capable of exercise shall, subject to the discretion of the Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option, to ignore the prescribed pro-rating of the Ordinary Shares over which such option may be exercised.

In the event of a takeover of the Company, an option holder may be allowed to exchange his option for a new option over shares in the acquiring company on terms compliant with a Schedule 4 CSOP Scheme, provided that the acquiring company agrees to such exchange and the rights under the new option are equivalent to those under the old option.

### **Other Option Terms & Issue of Ordinary Shares**

The CSOP provides the facility for the exercise of an option to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Ordinary Shares are admitted to trading on AIM, the Company will make an

application to the London Stock Exchange so that upon the issue of Ordinary Shares to satisfy the exercise of an option (or as soon thereafter as reasonably practicable) such Ordinary Shares shall be admitted to trading on AIM.

Benefits obtained under the CSOP are not pensionable.

### ***Administration & Amendment***

The CSOP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the CSOP from time to time in such manner as it deems appropriate. However, no amendment to a key feature of the Tax Advantaged Part of the CSOP may be made which would result in the requirements of Schedule 4 of ITEPA not being met in relation to the Tax Advantaged Part of the CSOP.

In addition, no amendment may be made to subsisting options which will have an adverse effect on such options except with the written consent of the option holders who hold options over at least 75 per cent. of the total number of Ordinary Shares subject to all such affected subsisting options under the CSOP or unless the amendment is a minor amendment to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder or any Group company.

### ***Termination***

The CSOP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the CSOP after such termination. Termination shall not affect the outstanding rights of existing option holders.

## **(b) The SimplyBiz Group plc Management Incentive Plan (“MIP”)**

### ***Eligibility***

All employees (including full time executive Directors) of the Company and any of its subsidiaries may be invited to participate under the MIP.

However, it is intended that only four senior employees will be invited to participate in the MIP.

### ***Invitations***

Under the MIP an invitation may be issued to any eligible employee inviting such employee to subscribe either for a specified number of A1 Shares, a specified number of A2 Shares or a specified number of A3 Shares at a specified price per share. An individual may only be invited to subscribe for (and may only subscribe for) one class of A Shares.

The Remuneration Committee has absolute discretion to select the persons to whom invitations are to be issued and in determining the class and number of A Shares which may be acquired pursuant to each invitation.

Invitations may be issued during the period of 42 days commencing on: (a) the date the MIP is adopted by the Company; or (b) the Admission Date; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (d) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the issue of invitations.

If the issue of an invitation on any of the above days would be prohibited by virtue of the AIM Rules for Companies, any relevant share dealing code adopted by the Company or any statute or regulation or any order made pursuant to such statute or any governmental directive, then such invitation may be issued during the period of 40 days commencing immediately after the Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the issue of an invitation.

No person can be issued with more than one invitation. An invitation is personal to the eligible employee to whom it is issued and is not capable of assignment.

### ***Price Payable for an A Share***

The price payable for an A Share pursuant to an invitation (“Acquisition Price”) is determined by the Remuneration Committee on or prior to the issue of the invitation concerned but cannot be less

than the nominal value of the A Share concerned. The Acquisition Price as determined by the Remuneration Committee will be stated in the invitation.

### ***Acceptance of an Invitation and Allotment of A Shares***

Each invitation will be accompanied by a subscription agreement and a Tax Election.

An allotment of A Shares to an eligible employee pursuant to an invitation shall be conditional upon the receipt by the Company of: (i) a validly completed subscription agreement for such A Shares; (ii) a payment from such eligible employee equal to the aggregate of the Acquisition Price payable for all of the A Shares concerned and any income tax and employee's national insurance contributions estimated by the Remuneration Committee to be payable in respect of the allotment of such A Shares; and (iii) unless the Remuneration Committee determines otherwise, a validly completed Tax Election.

An allotment of A Shares to an eligible employee shall be made as soon as practicable on or following the closing date specified by the Remuneration Committee for the receipt of the aforementioned funds and completed subscription agreement and Tax Election.

### ***Other Terms***

Benefits obtained under the MIP are not pensionable.

### ***Administration & Amendment***

The MIP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the MIP from time to time in such manner as it deems appropriate.

### ***Termination***

The MIP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further invitations can be issued under the MIP after such termination. Termination shall not affect the outstanding rights of any person holding an existing invitation at the time of such Termination.

### ***A Share Rights***

A Shares allotted to an eligible employee and the rights attaching to such A Shares shall be subject to the articles of association of Simply Biz Limited ("Issuing Company"). The principal rights attaching to the A Shares are summarised as follows. It should be noted that all rights and restrictions attaching to the A1 Shares, the A2 Shares and the A3 Shares are identical and that the only difference between the A1 Shares, the A2 Shares and the A3 Shares is their nominal value.

#### ***Rights to put the A Shares to the Company***

Each holder of A Shares ("A Shareholder") will, in the absence of any event described under the heading "Exit Events" below or the cessation of such A Shareholder's employment with the Group, normally have one opportunity to put their A Shares to the Company so as to obtain value for such A Shares.

Accordingly, an A Shareholder may at any time from the date falling 36 months after the acquisition of the A Shares by such A Shareholder ("Vesting Date") until the tenth anniversary of such date of acquisition, normally be entitled to require the Company to purchase all of the A Shares which that A Shareholder then holds.

An A Shareholder may exercise his entitlement to require the Company to purchase the relevant number of A Shares ("Put Right") during the period described above by delivering a written notice ("Put Notice") to the Company.

However, unless otherwise stated below, any such Put Notice shall be of no effect (and shall be ignored) unless the Average Market Capitalisation of the Company on the relevant Determination Date (as described below) exceeds the Equity Hurdle.

For these purposes:

- the "Equity Hurdle" is such amount as is equal to the IPO Market Capitalisation of the Company multiplied by a factor of 1.4;

- the “IPO Market Capitalisation” of the Company is the market capitalisation of the Company at the time of Admission (being such amount as is equal to the number of Ordinary Shares in issue at Admission multiplied by the Placing Price);
- the “Determination Date” shall in the case that:
  - a Put Right is exercised, be the date that the A Shareholder concerned delivers an effective Put Notice to the Company (during the period outlined above) requiring the Company to purchase A Shares from such A Shareholder;
  - a Call Right (as defined below) is exercised, be the date that an effective notice exercising such Call Right is delivered by the Company upon an A Shareholder;
- the “Average Market Capitalisation” of the Company on any given Determination Date shall:
  - if the Ordinary Shares are traded on a recognised stock exchange on the Determination Date in question, be equal to the average market capitalisation of the Company calculated over the 90 Dealing Days immediately preceding the Determination Date in question; or
  - if the Ordinary Shares are not traded on a recognised stock exchange on the Determination Date in question, be the market capitalisation of the Company as determined by the Remuneration Committee (with such professional assistance as it requires) as at the Determination Date in question.

An A Shareholder does not have to exercise his/her Put Right during the period specified above. However, if an A Shareholder elects not to exercise such right in respect of any A Shares which he/she holds prior to the tenth anniversary of the date on which he/she acquired such A Shares, then the Company can require the A Shares then held by such A Shareholder to be transferred to the Company, for a price per A Share equal to its nominal value.

#### *Growth in Value & Price Payable for A Shares*

The price payable for each A Share put to the Company pursuant to the exercise of a Put Right by an A Shareholder shall be calculated in accordance with a formula set out in the articles of association of the Issuing Company, which is summarised as follows.

Subject to the provisions described below in relation to cessation of employment of an A Shareholder within the Group, provided that the Equity Hurdle has been exceeded at the relevant Determination Date, the A Shareholders (as a class) will be entitled to benefit from the MIP Percentage of the amount by which the Fair Value as at the relevant Determination Date exceeds the MIP Threshold.

For these purposes:

- the “MIP Threshold” shall be such amount as is equal IPO Market Capitalisation of the Company multiplied by a factor of 1.05;
- the “Fair Value” shall be Average Market Capitalisation of the Company (if no Exit Event – as described below, has occurred) or the Exit Value (as defined below, if an Exit Event has occurred); and
- the “MIP Percentage” shall:
  - in any case where the aggregate number of A Shares held by the A Shareholders at the relevant Determination Date is equal to the original number of A Shares issued to them, be 15 per cent.
  - in any case where the aggregate number of A Shares held by the A Shareholders at the relevant Determination Date is less than the original number of A Shares issued to them, be such percentage as is equal to 15 per cent. multiplied by the fraction A/B, where “A” is the aggregate number of A Shares in issue at the relevant Determination Date and “B” is the aggregate number of A Shares originally issued to the A Shareholders.

Any payment made to an individual A Shareholder in respect of the A Shares which he/she puts to the Company shall be determined by dividing the amount to which the A Shareholders (as a class) are entitled to receive in respect of such Determination Date, as determined in accordance with the foregoing provisions, by the aggregate number of A Shares held at such Determination Date by all A Shareholders and multiplying the resulting sum by the number of A Shares then being

transferred by the individual A Shareholder concerned pursuant to the exercise of his/her Put Right.

Payment of the consideration for the A Shares due in respect of the exercise of any Put Right by an A Shareholder requiring the Company to buy those A Shares may, at the discretion of the Board, either be settled in cash or by the issue or transfer of Ordinary Shares to the A Shareholder.

In any case where the payment to the A Shareholder concerned is to be settled in Ordinary Shares, the number of Ordinary Shares to be delivered to such A Shareholder, shall, subject to the Dilution Cap and Value Limit (described below), be such number of Ordinary Shares as have a market value (measured as at the Determination Date relating to the exercise of the relevant Put Right) which is as near as possible equal to (but not greater than) the consideration payable for the relevant A Shares as determined in accordance with the provisions summarised above. For these purposes, the market value of an Ordinary Share on any day shall (whilst the Ordinary Shares are traded on a recognised stock exchange) be the closing price of such an Ordinary Share as quoted on the recognised stock exchange concerned for the Dealing Day immediately preceding such day, and in any other case be such amount as is determined by the Remuneration Committee to be the market value on the day in question (with such professional assistance as it requires) in accordance with the principles set out in Part VIII of the Taxation of Chargeable Gains Act 1992.

Any Ordinary Shares issued or transferred to an A Shareholder shall rank *pari passu* with all other Ordinary Shares then in issue.

#### *Dilution Cap and Value Cap*

The maximum number of Ordinary Shares which the Company may issue or transfer from treasury in aggregate to A Shareholders in consideration of the transfer of A Shares by the A Shareholders to the Company is capped at such number of Ordinary Shares (rounded down to the nearest whole number) as is equal to 7.35 per cent. of the Enlarged Share Capital ("Plan Limit").

The maximum amount of value that may be paid in consideration of the transfer of A Shares by the A Shareholders to the Company is also capped by reference to the Plan Limit. Accordingly, in no circumstances on any day can the aggregate amount of: (i) any cash paid to the A Shareholders in consideration of the transfer of A Shares by the A Shareholders to the Company; and (ii) the monetary value of Ordinary Shares transferred to the A Shareholders in consideration of the transfer of A Shares by the A Shareholders to the Company, exceed such amount as is equal to the Plan Limit (as calculated on the day in question) multiplied by the market value of an Ordinary Share on the day in question ("Value Limit"). For the purpose of operating the Value Limit, the monetary value of an Ordinary Share shall be the market value of such an Ordinary Share on the Determination Date relating to the Put Notice pursuant to which the A Shares are to be transferred.

In no circumstances may the Company issue Ordinary Shares or pay cash to any A Shareholder in consideration of the transfer of A Shares by such A Shareholder to the Company, if such issue or payment of cash would either alone or together cause the Plan Limit or the Value Limit to be exceeded.

The Plan Limit will be apportioned as between the A Shareholders at the time that they subscribe for A Shares, *pro rata* to their holdings of A Shares and will remain fixed for each A Shareholder throughout their period of ownership of the A Shares.

#### *Exit Events*

In relation to A Shares, an Exit Event is:

- the completion of the acquisition (for cash or other consideration) by a third party (or parties acting in concert) of a controlling interest in the Issuing Company or the Company ("Share Sale");
- the sale of all or substantially all of the assets of the Issuing Company and its subsidiaries to a third party or the sale of all or substantially all of the assets of the Company and its subsidiaries to a third party ("Asset Sale");
- a distribution of assets to shareholders of the Issuing Company on a liquidation, dissolution or winding up of the Issuing Company or on a return of capital (other than a conversion, redemption or purchase of shares in the Issuing Company by the Issuing Company) ("Issuing Company Liquidation");



- a distribution of assets to shareholders of the Company on a liquidation, dissolution or winding up of the Company or on a return of capital (other than a conversion, redemption or purchase of shares in the Company by the Company) (“Company Liquidation”); or
- the effective admission of any shares in the Issuing Company to trading on the Official List, AIM or any other stock exchange (“Listing”).

If the Remuneration Committee reasonably believes that an Exit Event will occur, then each A Shareholder shall have an opportunity from the date that the Remuneration Committee forms such belief to the earlier of the date of completion of the Exit Event or the date that the Remuneration Committee determines that such Exit Event is no longer likely to occur, to require all of their A Shares to be purchased by the Company.

In the event that an offer (as defined in the Takeover Code) is made for the Company (other than an offer for the Company made by way of a scheme of arrangement solely for the purpose of an internal reorganisation), then during the period beginning with the date that such offer is made and ending on the date that the offer is declared unconditional in all respects, each A Shareholder shall have an opportunity to require all of their A Shares to be purchased by the Company. In any case where an A Shareholder exercises his/her opportunity to require all of their A Shares to be purchased by the Company during this period, the purchase of the A Shares concerned shall only take effect conditionally upon the occurrence of the acquisition of control of the Company by the offeror.

In the event that a resolution is passed for the voluntary winding up of the Company, then during the period beginning with the date that such resolution is passed and ending six months thereafter, each A Shareholder shall have an opportunity to require all of their A Shares to be purchased by the Company.

An A Shareholder’s entitlement in any of the circumstances described under the heading “Exit Events” shall be exercised by the delivery of a Put Notice to the Company by the A Shareholder concerned. Any such Put Notice shall only take effect if the Exit Value (as defined below) on the relevant Determination Date exceeds the Equity Hurdle.

For these purposes the “Exit Value” shall in respect of:

- a Share Sale, be the consideration actually paid for the shares being sold in accordance with the terms of the sale concerned;
- an Asset Sale, be the consideration actually paid for the assets being sold in accordance with the terms of the Asset Sale concerned;
- an Issuing Company Liquidation, be the surplus assets of the Issuing Company remaining after the payment of all of its liabilities available for distribution to the Issuing Company’s shareholders;
- a Company Liquidation, be the surplus assets of the Company remaining after the payment of all of its liabilities available for distribution to the Company’s shareholders;
- a Listing, will be the market capitalisation of the Issuing Company on the date of its admission to the relevant recognised stock exchange.

#### *Cessation of Employment*

If an A Shareholder ceases to be employed within the Group because of fraud or gross misconduct he/she shall be a “Bad Leaver”. If an A Shareholder ceases to be employed within the Group and is not a Bad Leaver, he/she shall be a “Good Leaver”. If the A Shareholder is a Good Leaver, a number of their A Shares will be treated as vested (“Vested A Shares”). The number of Vested A Shares will be determined in the following manner (without taking any account of any A Shares which may have been transferred by the A Shareholder):

- if the Date of Cessation (as described below) occurs prior to the expiry of 36 months following the A Shareholder’s acquisition of the A Shares then the number of Vested A Shares shall be such number (rounded down to the nearest whole number of A Shares) as is equal to the number of A Shares originally issued to the A Shareholder multiplied by the fraction  $A/B$  where:

A = the number of days that have elapsed from the date of acquisition of the A Shares by the A Shareholder concerned to the Date of Cessation (inclusive); and

B = 1095 days;



- if the Date of Cessation occurs on or after the expiry of 36 months following the A Shareholder's acquisition of the A Shares then the number of Vested A Shares shall be such number as is equal to the number of A Shares originally issued to the A Shareholder.

For these purposes the Date of Cessation of an A Shareholder's employment within the Group shall be the earlier of:

- the date that the A Shareholder concerned is given or receives notice of termination of his/her employment; and
- the date that the A Shareholder concerned ceases to be employed by any member of the Group.

In any case where the Date of Cessation occurs before the Vesting Date and the A Shareholder concerned is a Good Leaver he/she may exercise his Put Right to require the Company to purchase such number of A Shares as is equal to the lower of the number of Vested A Shares and the A Shares then held by the Good Leaver, by delivering a Put Notice to the Company on or after the Vesting Date. If the Fair Value on the relevant Determination Date relating to such Put Notice exceeds the Equity Hurdle, then all of the A Shares subject to the exercise of the Put Right shall be transferred to the Company for the same consideration as would have been received for such A Shares had the A Shareholder not ceased to be an employee within the Group. However if such Put Notice is of no effect by virtue of the Fair Value on the relevant Determination Date relating to such Put Notice not exceeding the Equity Hurdle, then the Good Leaver concerned may deliver a Put Notice to the Company in respect of the lower of the number of Vested A Shares and the A Shares then held by the Good Leaver, immediately after the first date on which the Fair Value exceeds the Equity Hurdle.

In any case where the Date of Cessation occurs on or after the Vesting Date but before the tenth anniversary of the date of acquisition of the A Shares by the A Shareholder and the A Shareholder concerned is a Good Leaver he/she may exercise his Put Right to require the Company to purchase such number of A Shares as is equal to the lower of the number of Vested A Shares and the A Shares then held by the Good Leaver, by delivering a Put Notice to the Company on or after the Date of Cessation. If the Fair Value on the relevant Determination Date relating to such Put Notice exceeds the Equity Hurdle, then all of the A Shares subject to the exercise of the Put Right shall be transferred to the Company for the same consideration as would have been received for such A Shares had the A Shareholder not ceased to be an employee within the Group. However if such Put Notice is of no effect by virtue of the Fair Value on the relevant Determination Date relating to such Put Notice not exceeding the Equity Hurdle, then the Good Leaver concerned may deliver a Put Notice to the Company in respect of the lower of the number of Vested A Shares and the A Shares then held by the Good Leaver, immediately after the first date on which the Fair Value exceeds the Equity Hurdle.

At any time after the Date of Cessation of an A Shareholder who is a Good Leaver, the Company may exercise a right to require such A Shareholder to transfer all of the A Shares which are held by such Good Leaver at the Date of Cessation but which are not Vested A Shares to the Company for a consideration per A Share equal to its nominal value.

A Bad Leaver shall be required to exercise his Put Right to require the Company to purchase all of the A Shares then held by the Bad Leaver, by delivering a Put Notice to the Company on the Date of Cessation. Any Put Notice issued in these circumstances shall be effective even if the Fair Value on the relevant Determination Date relating to such Put Notice does not exceed the Equity Hurdle. The consideration payable for each A Share to be transferred to the Company pursuant to the exercise of such Put Right shall be its nominal value.

The board of the Issuing Company shall also have a right to require any A Shareholder who ceases to be employed within the Group to offer his/her A Shares for sale to the other shareholders, the Issuing Company or any other suitable warehouse on the Date of Cessation (or on the Vesting Date in respect of any A Shareholder who is a Good Leaver). In these circumstances, the amount payable to the A Shareholder concerned shall:

- in respect of a Good Leaver, be the same amount that would have been received for his/her A Shares had he/she exercised his/her Put Right;
- in respect of a Bad Leaver, be the nominal value per A Share held by the Bad Leaver.

### *Company's Call Rights*

In any of the circumstances summarised above in which an A Shareholder can (or is required to) exercise a Put Right to require the Company to purchase A Shares held by the A Shareholder (including in respect of an Exit Event), the Company shall have a corresponding right ("Call Right") to require the A Shareholder concerned to transfer A Shares to the Company.

A Call Right shall:

- be capable of exercise in respect of the exact same number of A Shares in respect of which the corresponding Put Right is capable of exercise;
- be capable of exercise at any time during which the corresponding Put Right is capable of exercise;
- require, upon exercise, the Company to pay to the A Shareholder the same amount of consideration that would have been payable to the A Shareholder for their A Shares had the corresponding Put Right been exercised by the A Shareholder concerned.

### *Limits on the exercise of Put & Call Rights*

No right to put A Shares to the Company may be exercised at any time by an A Shareholder when to do so would be prohibited by virtue of the AIM Rules for Companies, any relevant share dealing code adopted by the Company or any statute or regulation or any order made pursuant to such statute or any governmental directive. Similarly no Call Right requiring a transfer of A Shares from an A Shareholder may be exercised by the Company at a time when to do so would be prohibited by virtue of the AIM Rules for Companies, any relevant share dealing code adopted by the Company or any statute or regulation or any order made pursuant to such statute or any governmental directive.

### *Drag & Tag Along Rights*

The A Shares will be subject to the following drag along and tag along rights.

No transfer of shares in the capital of the Issuing Company which would result in a person (or persons acting in concert) ("Buyer") obtaining a controlling interest in the Issuing Company will be made unless the Buyer makes an offer to purchase all the shares (including A Shares) held by the shareholders of the Issuing Company ("Approved Offer") on the basis that the consideration due to the shareholders of the Issuing Company, shall be distributed such that the A Shareholders (as a class) will receive the same consideration that they would have received had each A Shareholder exercised their Put Right.

If the Buyer makes an Approved Offer, the Company shall, (subject to the exercise of any Put Right or Call Right over A Shares), have the right to require all of the other shareholders of the Issuing Company (including A Shareholders) to accept the Approved Offer.

### *Capital Rights*

On a return of capital following a liquidation of the Issuing Company or a capital reduction relating to the Issuing Company, the surplus assets of the Issuing Company remaining after the payment of all of its liabilities (including any declared but unpaid dividends) ("Proceeds") shall be applied as follows:

- any amount of the Proceeds up to and including the amount of the MIP Threshold shall be distributed solely to the holders of the ordinary shares in the capital of the Issuing Company;
- any amount of the Proceeds exceeding the MIP Threshold ("Excess Proceeds") shall be distributed as between the A Shareholders and the holders of the ordinary shares in the capital of the Issuing Company such that:
  - the A Shareholders (as a class) shall, provided that the Proceeds exceed the Equity Hurdle, be entitled to receive such amount of the Excess Proceeds as do not exceed an amount equal to the MIP Percentage of the Excess Proceeds; and
  - the holders of the ordinary shares in the capital of the Issuing Company (as a class) shall receive the balance of any Excess Proceeds remaining.

The above capital provisions will also apply in the event of an Exit to determine the amount payable to A Shareholders (as a class), save that if an Exit occurs, the Proceeds shall be such amount as is equal to the Exit Value achieved by virtue of the Exit concerned.

#### *Dividend rights attaching to A Shares*

In the event that there is to be a distribution to shareholders of the Issuing Company as a result of the liquidation of the Issuing Company or a sale of assets of the Issuing Company (for the purpose of distributing the proceeds of such asset sale) (“an Exit Distribution”), the A Shareholders who are holders of A Shares at the record date for the Exit Distribution concerned shall be entitled to participate in such Exit Distribution. In no circumstances shall the amount of the Exit Distribution available to be paid to all shareholders of the Issuing Company exceed the Average Market Capitalisation of the Company at the time of such Exit Distribution.

In respect of any distribution of the Company other than an Exit Distribution, an A Shareholder may only receive dividends in respect of their A Shares if the resolution by which that dividend is approved specifically states that the dividend is declared in respect of A Shares. An A Shareholder will not therefore be entitled by right to receive a dividend in any case where the dividend concerned is declared on shares in the Issuing Company other than A Shares.

Any decision of the board of the Issuing Company to declare a dividend in respect of A Shares, will be subject to the Board giving its prior written consent to such dividend being declared. In relation to any vote of the Board as to whether to give such written consent, any member of the Board who holds A Shares shall not be entitled to vote on whether such consent is provided to the Issuing Company.

Other than an Exit Distribution, no dividend shall be declared at any time in respect of an A Share which is greater than a dividend declared at the same time in respect of an ordinary share in the Issuing Company.

#### *Voting and Other Rights attaching to A Shares*

A Shareholders are, in respect of their A Shares, entitled to receive notice of, to attend, to speak and to vote at any general meeting of the Issuing Company.

However, the A Shares, as a class, shall only entitle the holders of such A Shares to cast 20 per cent. of the total number of votes that may be cast at a general meeting of the Issuing Company and such 20 per cent. shall be split such that each of the four A Shareholders shall be entitled to cast 5 per cent. of the total number of votes that may be cast at a general meeting of the Issuing Company, irrespective of the number of A Shares which such A Shareholder holds.

Except as set out above (and in order to allow an A Shareholder’s legal personal representatives to exercise any rights on A Shares that were held by a person who has died), holders of A Shares are restricted from transferring, assigning, charging or otherwise disposing of their A Shares prior to the exercise of any Put or Call Right (as described above) in respect of those A Shares.

#### *Adjustments*

The Remuneration Committee has a discretion to rebase or adjust the Equity Hurdle, the MIP Threshold, the MIP Percentage and the manner in which the Average Market Capitalisation of the Company is calculated, in the event of:

- any subsequent issues of ordinary shares in the capital of the Issuing Company or A Shares;
- the acquisition or disposal by or out of the Group of any company, assets or business;
- any new financing or refinancing arrangement being introduced which affects any member of the Group;
- any reorganisation of share capital relating to any member of the Group;
- the admission to trading of any shares in the capital of any member of the Group to a recognised stock exchange; and/or
- any objective change in circumstances affecting any member of the Group.

However, any such rebasing or adjustment must be made on a just and reasonable basis and with a view to ensuring that the A Shareholders are neither unfairly disadvantaged nor unfairly benefitted as a result of such rebasing or adjustment.

#### **(c) The SimplyBiz Group plc Member Share Option Plan (“MSOP”)**

On 19 March 2018, the Company made an offer of options over unissued Ordinary Shares under the MSOP to Eligible Members, being those Members who are directly authorised and who have been selected by the Company to be eligible to participate in the MSOP.

Pursuant to the MSOP each Eligible Member is entitled to apply to receive the grant of an option over unissued Ordinary Shares, such option being granted at nil value. The options over unissued Ordinary Shares granted to each Eligible Member will have an exercise price which is equal to the Placing Price. Each Eligible Member will be able to exercise their option over Ordinary Shares in stages allowing them to acquire one third of the Ordinary Shares which are subject to their option on or after each of the second anniversary, the third anniversary and the fourth anniversary of Admission.

Eligible Members are not permitted to assign or otherwise transfer their option over unissued Ordinary Shares to any other person. The Ordinary Shares under option pursuant to the MSOP will not exceed 5 per cent. of the Enlarged Share Capital.

## 6 Directors' and other interests

The names of the Directors are set out under "Directors, Secretary and Advisers" on page 8 of this Document.

- (a) The interests of each Director all of which are beneficial (except as noted below), in the share capital of the Company are as follows:

	Present		Immediately following the Placing	
	Ordinary Shares	%	Ordinary Shares	%
Ken Davy*	33,357,423	56.71	30,533,895	39.93
Neil Stevens	2,326,115	3.95	1,511,975	1.98
Matt Timmins	2,326,115	3.95	1,511,975	1.98
Gareth Hague	Nil	Nil	Nil	Nil
Tim Trotter	Nil	Nil	26,470	0.03
Tim Clarke	Nil	Nil	8,823	0.01
David Etherington	Nil	Nil	26,470	0.03

\*Ken Davy currently holds 1,483,657 Ordinary Shares as trustee of the Kenneth Ernest Davy Discretionary Settlement 1997, 1,483,657 Ordinary Shares as trustee of the Kenneth Ernest Davy Number 2 (Children's) Settlement 1997, 1,483,657 Ordinary Shares as trustee of the Jennifer Davy Discretionary Settlement 1997 and 1,483,643 Ordinary Shares as trustee of the Jennifer Davy Number 2 (Children's) Settlement 1997. Ken Davy indirectly holds 1,285,035 Ordinary Shares through Huddersfield Giants Limited. Ken Davy is also the executor and sole beneficiary of the estate of the late Jennifer Davy which holds 9,712,216 Ordinary Shares. Immediately following the Placing, Ken Davy will hold 895,422 Ordinary Shares as trustee of the Kenneth Ernest Davy Discretionary Settlement 1997, 895,422 Ordinary Shares as trustee of the Jennifer Davy Discretionary Settlement 1997 and 895,408 Ordinary Shares as trustee of the Jennifer Davy Number 2 (Children's) Settlement 1997. Immediately following the Placing, Ken Davy will indirectly hold 814,447 Ordinary Shares through Huddersfield Giants Limited. Immediately following the Placing, the estate of the late Jennifer Davy will hold 9,712,216 Ordinary Shares.

- (b) It is intended that the following option over Ordinary Shares will be granted under the CSOP to the Director identified in the table below, on or shortly after, Admission:

	Exercise Price per Ordinary Share	Maximum value of Ordinary Shares to be placed under Option*	Earliest vesting date
Gareth Hague	Placing Price	£30,000	Third anniversary of the date of grant

\*The actual number of Ordinary Shares subject to the option will be calculated by reference to the Placing Price.

On or shortly after Admission it is proposed to issue invitations under the MIP to the persons specified below pursuant to which they may subscribe for the number of A Shares as specified below. Depending on the extent of the growth in the market capitalisation of the Company (amongst other things) a holder of A Shares shall be entitled to transfer those shares to the Company in exchange for a number of Ordinary Shares. Further details of the rights attaching to the A Shares are set out in paragraph 5(b) above. In no circumstances, however, shall the value delivered to the holders of the A Shares exceed 7.35 per cent. of the Enlarged Share Capital.

<b>Name</b>	<b>Number and class of shares in Simply Biz Limited which may be subscribed for pursuant to the invitation</b>
Neil Stevens	750 A1 Shares
Matt Timmins	750 A1 Shares
Sarah Turvey	525 A2 Shares
Gary Kershaw	225 A3 Shares

The subscription price for A Shares to be paid on acquisition by the relevant persons shall be set at a price which is not less than the nominal value of such a share.

- (c) Save as disclosed above and in paragraph (h) below, no Director has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 252 of the 2006 Act) have any such interests, whether beneficial or non-beneficial.
- (d) The Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this Document:

#### **Ken Davy**

<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
APS Legal & Associates Limited	Compliance First Services Limited
Compliance First Limited	Rosenbauer UK Limited
Easy Biz Limited	Tansley Wills Limited
Huddersfield Giants Limited	
Huddersfield Sporting Pride Limited	
Kirklees Stadium Development Limited	
Money Education Limited	
Provident Healthcare Services Limited	
SIFA Limited	
Simply Biz Limited	
Simply Biz Services Limited	
Simply Biz Support Limited	
Super League (Europe) Limited	
The SimplyBiz Group plc	
The KEJ LLP	
Verbatim Asset Management Limited	

#### **Neil Stevens**

<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
360 Legal Group Limited	Bespoke Compliance Solutions Limited
APS Legal & Associates Limited	Capital Reward Plus Limited
Capital Reward Clients Limited	Compliance 24/7 Ltd
Clear View Assured Limited	Compliance First Services Limited
Compliance First Limited	Gateway Panel Management Limited
Elder & Oakley Limited	Journey Properties LLP
Financial Intermediary and Broker Association Limited	Professional Financial Centres Limited
Home Information Group Limited	SC Surveyors Limited
IKST Limited	
New Model Business Academy Limited	
Professional Finance Broking Limited	
SIFA Limited	
Simply Biz Limited	
Simply Biz Services Limited	
Sonas Surveyors Limited	



<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
The SimplyBiz Group plc Verbatim Adviser Services Ltd Verbatim Asset Management Limited Verbatim Investments Limited Verbatim Portfolio Management Limited Zest Technology Limited	
<b>Matt Timmins</b>	
<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
360 Legal Group Limited Capital Reward Limited Elder & Oakley Limited Home Information Group Limited Journey Properties LLP Landmark Surveyors Ltd SIFA Limited Simply Biz Limited Simply Biz Mortgages Limited Simply Biz Services Limited Sonas Surveyors Limited Staffcare Limited The SimplyBiz Group plc Zest Benefits Limited Zest Technology Limited	Association of Professional Financial Advisers Broker Support Services Limited Clear View Assured Limited Gateway Panel Management Limited Gateway Surveyors Limited Professional Financial Centres Limited SC Surveyors Limited Verbatim Adviser Services Ltd Verbatim Asset Management Limited Verbatim Investments Limited Verbatim Portfolio Management Limited
<b>Gareth Hague</b>	
<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
The SimplyBiz Group plc	None
<b>Tim Trotter</b>	
<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
Alpha FMC Bidco Limited Alpha FMC Midco Limited Alpha FMC Midco 2 Limited Alpha Financial Markets Consulting plc Alpha FMC Group Holdings Limited Alpha FMC Group Limited Baird Capital Partners Europe Bfinance Group Holdings Limited CCGRoup Communications Limited CCGroup Marketing Communications Limited MSQ Partners Group Limited MSQ Partners Ltd Nigel Wright Group Holdings Limited PEI Group Topco Limited SHOO 802AA Limited Simply Biz Limited Tadpole Bagheera Limited The SimplyBiz Group plc The SR Group Holding Company Limited Trotter & Co Limited	2020 Delivery Limited Blackrock Expert Services Limited Delta Display Holdings Limited LPQRPQ Limited Martello Bidco Limited Martello Topco Limited Seven Publishing Group Limited Seven Squared North America Limited Smithfield Consultants Limited Smithfield Financial Limited The SR Group Investments Limited



**Tim Clarke**

<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
Park Place Corporate Finance Limited Simply Biz Limited The SimplyBiz Group plc	BDO LLP

**David Etherington**

<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
EBS Pensions Limited Embark Group Limited Embark Investment Services Limited Embark Services Limited Quantum Strategic Consultancy Services Limited Rowanmoor Executive Pensions Limited Rowanmoor Personal Pensions Limited Simply Biz Limited The SimplyBiz Group plc	None

Tim Trotter resigned as a director of Pytrone Limited on 28 November 2010. On 9 August 2011 Pytrone Limited was placed into creditors voluntary liquidation with an estimated deficit to creditors of £777,466.

Whilst there was no criticism and/or sanction of Ken Davy personally, in the interests of disclosure the following matters are disclosed in respect of DBS Financial Management plc ("DBS") of which Ken was Executive Chairman and a shareholder. In June 1993 DBS was fined £60,000 by FIMBRA for failing to control the activities of an appointed representative. In September 1997 DBS was fined £425,000 by the PIA in respect of Pension Review failings, as were a large number of other operators in the pensions industry. In March 2003 DBS was fined £100,000 by the FSA in respect of an advertisement issued by an appointed representative.

In the interest of full disclosure and transparency, such disclosure not required under UK Law, Matthew Timmins has voluntarily disclosed that he was convicted of a driving offence in 2015 and was disqualified from driving for the minimum term (9 months).

In the interests of full disclosure and transparency, such disclosure not required under UK Law, Neil Stevens has voluntarily disclosed that as a teenager he was convicted of a driving offence and two charges of common assault, all of which are spent.

- (e) Save as disclosed above, no Director:
- (i) has any unspent convictions in relation to indictable offences;
  - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director;
  - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors;
  - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset;
  - (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
  - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- (f) The Company entered into relationship agreements with Ken Davy and Sarah Turvey on 22 March 2018, which include, amongst other things, provisions intended to ensure that the Company will, following Admission, be able to operate independently of Ken Davy and Sarah Turvey for so long as Ken Davy and his associated persons together with Sarah Turvey together hold not less than 20 per cent. of the voting rights attaching to the Ordinary Shares. Amongst other things, the Relationship Agreements provide that Ken Davy and Sarah Turvey, so far as they are able to as Shareholders shall, conditional upon Admission exercise their respective voting rights at a general meeting and, in the case of Ken Davy only, use his best endeavours to ensure that his associated persons exercise their voting rights to ensure that:
- (i) the Group will be managed for the benefit of shareholders as a whole; and
  - (ii) all transactions and agreements between the Group and Ken Davy, his associates and Sarah Turvey are on an arm's length basis and normal commercial terms.
- In addition, Ken Davy and Sarah Turvey agree that they will not (and in the case of Ken Davy only, use his best endeavours to procure that his associated persons do not) exercise their voting rights in respect of matters where they have a conflict of interest or a potential conflict of interest.
- Further, Ken Davy agrees to that he will not (and will use his best endeavours to procure that his associated persons (excluding Sarah Turvey) will not) exercise his voting rights to:
- (i) approve the appointment of a non-executive director of the Company who has not been approved by a majority of the Board; and
  - (ii) approve the removal of a director of the Company except where that director is in breach of his/her fiduciary duties or the terms of his/her service agreement and Ken Davy has given notice to the Board and Zeus Capital of his intention to propose such a resolution and Zeus Capital (acting reasonably) agrees that such director is in breach.
- (g) So far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- (h) Save as disclosed in paragraph 6(a) above, and as set out below, the Company is not aware of any person as at the date of this Document who is directly or indirectly interested in 3 per cent. or more of the issued share capital or voting rights of the Company:

	Ordinary Shares held at the date of this Document		Ordinary Shares which will be held immediately following the Placing	
	Number	%	Number	%
Sarah Turvey <sup>3</sup>	10,777,724	18.32	1,731,964	2.26
The estate of the late Jennifer Davy <sup>4</sup>	9,712,216	16.51	9,712,216	12.70
Karen Commons <sup>5</sup>	8,740,119	14.86	2,269,531	2.97
Liontrust Asset Management	Nil	Nil	7,617,647	9.96
FIL Holdings (UK) Limited	Nil	Nil	6,352,940	8.31
Funds of Lombard Odier	Nil	Nil	4,705,882	6.15
Franklin Templeton Fund Management Limited	Nil	Nil	2,488,735	3.25

- (i) None of the Company's major holders of shares listed above has voting rights which are different from other holders of Ordinary Shares.
- (j) There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

<sup>3</sup> Sarah Turvey is Ken Davy's daughter.

<sup>4</sup> Ken Davy is the sole executor and beneficiary of the estate. This shareholding is also included in Ken Davy's shareholding in paragraph 6 above.

<sup>5</sup> Karen Commons is Ken Davy's daughter.

- (k) Save as disclosed in this Part 5, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- (l) The Company understands that, pursuant to the relevant definition contained within the Takeover Code, the Panel considers the following Shareholders to be acting in concert (the “**Concert Party**”) for the purposes of the Takeover Code:

<b>Name</b>	<b>Ordinary Shares held immediately following Admission</b>	<b>Maximum number of Ordinary Shares capable of being issued pursuant to the MIP</b>	<b>Maximum number of Ordinary Shares held in the event that all Ordinary Shares capable of being issued, to the persons listed below, pursuant to the MIP are issued</b>
Ken Davy	16,425,558	0	16,425,558
Ken Davy as the trustee of the Kenneth Ernest Davy Discretionary Settlement 1997	895,422	0	895,422
Ken Davy as the trustee of the Kenneth Ernest Davy Number 2 (Children’s) Settlement 1997	895,422	0	895,422
Ken Davy as the trustee of the Jennifer Davy Discretionary Settlement 1997	895,422	0	895,422
Ken Davy as the trustee of the Jennifer Davy Number 2 (Children’s) Settlement 1997	895,408	0	895,408
The estate of the late Jennifer Davy	9,712,216	0	9,712,216
Karen Commons	2,269,531	0	2,269,531
Sarah Turvey	1,731,964	1,415,511	3,147,475
Huddersfield Giants Limited	814,447	0	814,447

Immediately following Admission the Concert Party will be interested in, in aggregate, 34,535,390 issued Ordinary Shares representing approximately 45.2 per cent. of the Enlarged Share Capital.

On the basis that the maximum number of Ordinary Shares which can be issued to the members of the Concert Party pursuant to the MIP, are issued and assuming that no other shares had been issued, the total holding of the Concert Party will be 35,950,901 representing 46.2 per cent. of the Enlarged Share Capital following the issue of the Ordinary Shares to members of the Concert Party pursuant to the MIP.

## 7 Director’s service contracts

- (a) Matt Timmins has entered into a service agreement with the Company dated 22 March 2018, conditional upon Admission. The service agreement has an initial term of 12 months and thereafter is subject to termination upon 12 months’ notice by either party. The agreement provides for an annual salary of £230,000, income protection cover, critical illness cover, life

assurance cover and pension contributions of up to 3 per cent. of his salary. The service agreement contains typical restrictive covenants for a period of 12 months following the termination of employment.

- (b) Neil Stevens has entered into a service agreement with the Company dated 22 March 2018, conditional upon Admission. The service agreement has an initial term of 12 months and thereafter is subject to termination upon 12 months' notice by either party. The agreement provides for an annual salary of £230,000, income protection cover, critical illness cover, life assurance cover and pension contributions of up to 3 per cent. of his salary. The service agreement contains typical restrictive covenants for a period of 12 months following the termination of employment.
- (c) Gareth Hague has entered into a service agreement with the Company dated 22 March 2018, conditional upon Admission. The service agreement has an initial term of 12 months and thereafter is subject to termination upon 12 months' notice by either party. The agreement provides for an annual salary of £125,000, income protection cover, critical illness cover, life assurance cover and pension contributions of up to 3 per cent. of his salary. The service agreement contains typical restrictive covenants for a period of 12 months following the termination of employment.
- (d) The services of Ken Davy as non-executive Director and Chairman are provided under the terms of an agreement between the Company and Ken Davy dated 22 March 2018. The agreement is subject to termination upon at least 6 months' notice, and provides for a fee of £100,000 per annum.
- (e) The services of Tim Trotter as non-executive Director are provided under the terms of an agreement between the Company and Tim Trotter dated 22 March 2018. The agreement is subject to termination upon at least 6 months' notice, and provides for a fee of £45,000 per annum.
- (f) The services of Tim Clarke as non-executive Director are provided under the terms of an agreement between the Company and Tim Clark dated 22 March 2018. The agreement is subject to termination upon at least 6 months' notice, and provides for a fee of £45,000 per annum.
- (g) The services of David Etherington as non-executive Director are provided under the terms of an agreement between the Company and David Etherington dated 22 March 2018. The agreement is subject to termination upon at least 6 months' notice, and provides for a fee of £45,000 per annum.
- (h) Save as set out in paragraphs 7 (a), (b), (c), (d) and (e) above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

## 8 The Board and corporate governance

Directors' details

The Board comprises the following persons:

Name	Position	Age
Kenneth Ernest Davy	Non-Executive Chairman	76
Neil Martin Stevens	Joint Chief Executive Officer	40
Matthew Lloyd Timmins	Joint Chief Executive Officer	39
Gareth Richard Hague	Group Finance Director	36
Timothy Hugh Southcombe Trotter	Non-Executive Director	59
Timothy Paul Clarke	Non-Executive Director	54
David John Etherington	Non-Executive Director	60

### Corporate governance

The Board intends to implement appropriate measures (having regard to the current stage of development of the Company) to comply with the QCA Code.

Immediately following Admission, the Board will comprise 7 directors, 3 of whom shall be executive directors and 4 of whom shall be non-executive directors (including the Chairman), reflecting a

blend of different experience and backgrounds. Tim Clarke and David Etherington will be considered to be independent. The board intends to appoint an additional NED within six months of admission, to further strengthen the NED profile.

### **Committee details**

The Board has established three committees, the remuneration, audit and nomination committees, each with written terms of reference. If the need should arise, the Board may set up additional committees as appropriate.

The Audit Committee will be chaired by Tim Clarke, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least twice a year. Ken Davy, David Etherington and Tim Trotter will be the other members of the Audit Committee.

The Nomination Committee will be chaired by Tim Trotter, and will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required. Tim Clarke, Ken Davy and David Etherington will be the other members of the Nomination Committee.

The Remuneration Committee will be chaired by David Etherington, and will review the performance of the executive Directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Tim Clarke, Ken Davy and Tim Trotter will be the other members of the Remuneration Committee.

### **Related party transactions**

Kirklees Stadium Development Limited, a company of which Ken Davy is a director, has been paid £18,700 by the Group for property costs and other services since 31 December 2017. The arrangement is on normal, commercial and arms' length terms.

Park Place Corporate Finance is due or has been paid an amount of £35,000 by the Group in respect of consultancy services provided by Tim Clarke to the Group since 31 December 2017. Park Place Corporate Finance Limited provided corporate finance advice to the Group pursuant to an engagement letter dated 28 September 2017 in respect of the acquisition by Simply Biz Limited of Landmark Surveyors Limited. A fee of £25,000 has been paid by Simply Biz Limited in respect of such services. Tim Clarke is a director and shareholder in Park Place Corporate Finance Limited. Both of these arrangements are on normal commercial arms' length terms.

Trotter & Co Limited is due or has been paid an amount of £5,000 by the Group in respect of consultancy services provided by Tim Trotter to the Group since 31 December 2017. In addition, on Admission Trotter & Co Limited will become entitled to be paid £1,745,100 as a success fee under the terms of the consultancy agreement between Trotter & Co Limited and Simply Biz Limited dated 30 October 2013, the terms of which are described in further detail in paragraph 10(h) below. Tim Trotter is a director and shareholder in Trotter & Co Limited. Both of these arrangements are on normal commercial arms' length terms.

Quantum Strategic Consultancy Services Limited is due or has been paid an amount of £5,000 by the Group in respect of consultancy services provided by David Etherington to the Group since 31 December 2017. The arrangement is on normal commercial arms' length terms.

Details of related party transactions during the period covered by the Historical Financial Information are contained in note 28 to the Historical Financial Information in section B of Part 3 of this Document.

## **9 Placing arrangements**

### **Placing Agreement**

A placing agreement dated 22 March 2018 between the Company (1), the Directors (2), the Selling Shareholders (3) and Zeus Capital (4) pursuant to which Zeus Capital has agreed to use all its reasonable endeavours to arrange for Placees to subscribe for and/or purchase, in aggregate, 38,009,377 Placing Shares at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 4 April 2018 or such later date as Zeus Capital and the

Company may agree but in any event not later than 27 April 2018. The Company will pay to Zeus Capital a fee of approximately £816,000, together with all costs and expenses and VAT thereon where appropriate. The Selling Shareholders will pay Zeus Capital a fee of approximately £952,000. The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains: (i) warranties given to Zeus Capital by the Company and the Directors as to the accuracy of the information contained in this Document and other matters relating to the Group and its business; and (ii) a general indemnity from the Company in favour of Zeus Capital, such warranties and indemnity being in a form which is customary for an agreement of this kind. In addition, the Placing Agreement contains warranties given to Zeus Capital by the Selling Shareholders.

Zeus Capital may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a failure to comply in any material respect with any obligation under the placing agreement or breach of any of the warranties contained in it in any material respect or in the opinion of Zeus Capital an event has occurred or is likely to occur which constitutes a material new factor, mistake or inaccuracy relating to the information contained in this Document or will be material in the context of any assumption or other matter relating to an estimate or statement about the prospects of the Group in this Document, or where any change in national or international, financial, monetary, economic, political or market conditions which in the opinion of Zeus Capital renders the Placing impracticable or inadvisable.

#### Lock-In and Orderly Market Agreement

Under the terms of a lock-in and orderly market agreement dated 22 March 2018, each Locked-In Shareholder has agreed with the Company and Zeus Capital not to dispose of any interest in their Ordinary Shares for the period expiring on the first anniversary of Admission save in the event of, *inter alia*, an intervening court order, a takeover offer relating to the Company's share capital becoming or being declared to be unconditional, or the death of the relevant Locked-In Shareholder.

In addition, each Locked-In Shareholder has agreed not to dispose of any interest in their Ordinary Shares except with the consent of Zeus Capital and using Zeus Capital as broker for such disposal during the period beginning on the first anniversary of Admission and expiring on the second anniversary of Admission.

#### Selling Shareholders

The name and business address of each Selling Shareholder together with the number of Ordinary Shares to be sold by each Selling Shareholder pursuant to the Placing is set out below:

Name	Business Address	Relationship to the Company	Number of Ordinary Shares to be sold
Karen Commons	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Connected person of Ken Davy	6,470,588
Ken Davy as trustee of the Kenneth Ernest Davy Discretionary Settlement 1997	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Director	588,235
Ken Davy as the trustee of the Kenneth Ernest Davy Number 2 (Children's) Settlement 1997	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Director	588,235
Ken Davy as the trustee of the Jennifer Davy	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way,	Director	588,235



<b>Name</b>	<b>Business Address</b>	<b>Relationship to the Company</b>	<b>Number of Ordinary Shares to be sold</b>
Discretionary Settlement 1997	Huddersfield HD1 6PG		
Ken Davy as the trustee of the Jennifer Davy Number 2 (Children's) Settlement 1997	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Director	588,235
Huddersfield Giants Limited	The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Connected person of Ken Davy	470,588
David Kershaw	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Employee of the Company	180,060
Gary Kershaw	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Senior manager	214,012
Neil Stevens	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Director	814,140
Matt Timmins	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Director	814,140
Sarah Turvey	c/o Simply Biz Limited, The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG	Senior manager and connected person of Ken Davy	9,045,760

## 10 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years preceding the date of this Document and are or may be material or have been entered into by a member of the Group and contain a provision under which a member of the Group has an obligation or entitlement which are or may be material to the Group as at the date of this Document:

- (a) A nominated adviser and broker agreement dated 22 March 2018 between the Company (1), Zeus Capital (2) and the Directors (3) pursuant to which the Company has appointed Zeus Capital to act as nominated adviser and stockbroker to the Company for an initial period of 12 months commencing on the date of the agreement. The Company has agreed to pay to Zeus Capital a fee of £75,000 plus VAT per annum. Subject to certain exceptions, the agreement is terminable on 3 months' notice by any party such notice not to expire sooner than 12 months from the date of the agreement.
- (b) The Placing Agreement and the Lock-In and Orderly Market Agreement referred to in paragraph 9 above.
- (c) A revolving credit facility agreement entered into on 22 March 2018 between the Company (1) and Clydesdale Bank plc (trading as Yorkshire Bank) (the "Lender") (2) in respect of a revolving credit facility of £15,000,000 to be made available to the Company. Pursuant to the facilities agreement the Company may draw down individual loans in order to, *inter alia*, fund costs associated with Admission, refinance the Group's existing debt facility (together with payment of any fees, costs or expenses incurred in connection with such refinancing), fund acquisitions and pay costs and expenses incurred in connection with such acquisitions and for general corporate and working capital purposes. The facilities agreement also provides for an uncommitted accordion facility. The facilities agreement contains representations, warranties,

undertakings and events of default which are usual for an agreement of this nature, together with certain financial covenants. Members of the Group other than the Company have entered into the facilities agreement to guarantee the obligations of the Company.

Interest is payable on the amounts drawn at a rate of 1.80 per cent. above the London interbank offered rate (ratchet dependent on adjusted leverage calculation but margin could rise and fall to between 1.60 and 2.00 per cent.). A commitment fee computed at the rate of 40 per cent. of the applicable margin per annum on the available commitment for the availability period is payable. An arrangement fee of £150,000 is also payable.

The term of the facilities agreement is 3 years from the date of the agreement but there is an ability to request an additional year prior to the first anniversary of the date of the agreement and to request a further additional year (following the first extension) before the second anniversary of the date of the agreement, should that be required. Such extensions are granted at the sole discretion of the Lender.

All amounts become immediately repayable and undrawn amounts cease to be available for drawdown in the event of an obligor ceasing to own at least the same percentage of shares in an obligor as on the date of the agreement, except as a result of a disposal which is a permitted disposal or a permitted transaction.

- (d) The Relationship Agreements referred to in paragraph 6(f) above.
- (e) A deed of agreement dated 10 November 2017 between Professional Financial Broking Limited (1) and Mouhammad Mulki (2) pursuant to which Professional Finance Broking Limited is admitted to and Mouhammad Mulki resigns from the membership of Financial Intermediary and Broker Association Limited (previously known as Association of Bridging Professionals Limited). The consideration under the deed of agreement was £1.00 and the issue of 49 B ordinary shares in the capital of Professional Finance Broking Limited. The agreement contained limited warranties given by Mouhammad Mulki as to the membership and business of Financial Intermediary and Broker Association Limited as well as an indemnity.
- (f) A share purchase agreement dated 23 January 2018 between Simply Biz Limited (1) and Andrews & Partners Limited (2) relating to the sale and purchase of the entire issued share capital of Landmark Surveyors Ltd. The consideration under the agreement consists of initial consideration of £4,350,000, subject to a net cash adjustment, followed by two equal payments of £725,000 on the first and second anniversaries of the date of the agreement. The Company has guaranteed the obligation of Simply Biz Limited to pay the deferred consideration pursuant to a deed of guarantee entered into between the Company (1) and Andrews & Partners Limited (2) dated 23 January 2018. The share purchase agreement contains customary warranties given by Andrews & Partners Limited in respect of the shares and business of Landmark Surveyors Ltd. The agreement also contains an indemnity given by Andrews & Partners Limited in respect of liability for pre-completion professional indemnity claims which are brought against Landmark Surveyors Ltd following completion, subject to various exclusions and limitations.
- (g) A deed of amendment to a put and call option agreement dated 24 July 2017 between Simply Biz Limited (1) and Philip Hollingdale (2) pursuant to which the put and call options in respect of Philip Hollingdale's shares in Zest Technology Limited were amended. Philip Hollingdale has two unexercised put options in respect of his remaining shares in Zest Technology Limited which are exercisable on the first and second anniversaries of the date of the deed of amendment.
- (h) A consultancy and success fee agreement dated 30 October 2013 between Simply Biz Limited (1) and Trotter & Co Limited (2) in respect of the advisory services of Tim Trotter to Ken Davy and the board of directors of Simply Biz Limited. The consultancy agreement provides for a fee of £2,083.33 per calendar month excluding VAT. In addition there is a success fee payable to Trotter & Co Limited in circumstances where Ken Davy and his family sell or realise all or part of their holdings in the Group. The rate and amount of the success fee depends upon the valuation of the Group. The agreement provides that admission to trading on AIM will constitute an event under which the success fee becomes payable. The amount of the success fee payable on Admission is set out in paragraph 16(k)(i) below.

- (i) A senior facilities agreement dated 19 June 2015 between the Company (1), various members of the Group (2), Alcentra European DLF S.A R.L., Alcentra ECOF S.A R.L., KS Alcentra Europe S.A R.L., ECOF II SV S.A R.L. and Alcentra UK DLF S.A R.L (3) and Sanne Fiduciary Services Limited (4) in respect of a £35,000,000 term loan facility. The agreement provides that the term loan facility will be cancelled and all amounts due under the agreement will become immediately due and payable upon the admission of any part of the issued share capital of the Company on AIM. Please also refer to paragraph 3(b) above in respect of the cash payment being made in lieu of the exercise of the shares warrants under which Ordinary Shares would otherwise be issued to the lenders on Admission.

## **11 Taxation**

The comments in this paragraph 11 are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this Document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK, who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this paragraph 11. Such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section.

### *(a) Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing is regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder, give rise to a liability to UK taxation on chargeable gains.

### Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,300 for 2017/18 and £11,700 for 2018/19) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 10 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2017/18 £45,000 and £46,350 for 2018/19). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 20 per cent.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

### Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (19 per cent. for the financial year 1 April 2017 to 31 March 2018 and the financial year 1 April 2018 to 31 March 2019). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

*(b) Taxation of dividends*

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

Individuals

With effect from 6 April 2016, individual Shareholders have the benefit of an annual dividend allowance of £5,000; this is reduced to £2,000 with effect from 6 April 2018. Dividends falling within this allowance will effectively be taxed at the rate of 0 per cent.

If an individual receives dividends in excess of this allowance, the excess will be taxed at the dividend ordinary rate of 7.5 per cent. for basic rate taxpayers, at the dividend higher rate of 32.5 per cent. for higher rate taxpayers, and at the dividend additional rate of 38.1 per cent. for additional rate taxpayers.

Companies

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class.

*(c) Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

An exemption from stamp duty and SDRT came into effect on 28 April 2014 in respect of securities admitted to trading on certain recognised growth markets (presently including AIM) and which are not listed on a recognised stock exchange. The Company anticipates that this exemption will apply to dealings in the Ordinary Shares such that from Admission, no liability to stamp duty or SDRT should arise in respect of any transfer on sale of the Ordinary Shares.

Absent an exemption from stamp duty and SDRT, transfers of existing UK shares (being shares of a company that is incorporated in the UK or which maintains its share register here) will normally be subject to stamp duty or SDRT as described below.

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5, if necessary) of the amount or value of the consideration given by the purchaser is generally payable on an instrument transferring UK shares. However, an exemption from stamp duty is available on an instrument transferring UK shares where the amount or value of the consideration is £1,000 or less and it is certified 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.

An unconditional agreement to transfer UK shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable by the purchasers for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped (or exempt) instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. Both stamp duty and SDRT will normally be the liability of the purchaser or transferee of the UK shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by CREST.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and

account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements.

*(d) Inheritance Tax*

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (“**IHT**”) on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (“**BPR**”) may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company’s shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

**Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.**

## **12 Investments**

There are no investments being made by the Company or to be made in the future in respect of which firm commitments have been made.

## **13 Environmental issues**

The Directors are not aware of any environmental issues at any of the properties used or occupied by the Group.

## **14 Working capital**

In the opinion of the Directors, having made due and careful enquiry, and in the opinion of the Company, taking into account the bank facilities available to the Group and the net proceeds of the Placing receivable by the Company, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months from the Admission Date.

## **15 Litigation**

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of this Document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

## **16 General**

- (a) Save as disclosed in paragraph 10(f) of Part 5 of this Document there has been no significant change in the financial or trading position of the Group since 31 December 2017, the date to which the Group’s most recent audited accounts have been drawn up.
- (b) KPMG LLP, Chartered Accountants and registered auditors, of 1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA, has given and has not withdrawn to the inclusion of its Accountant’s report on the Historical Financial Information of The SimplyBiz Group plc in Section A of Part 3 of this Document in the form and context in which it appears, and has authorised its report for the purposes of Schedule Two of the AIM Rules for Companies.
- (c) Zeus Capital Limited of 82 King Street, Manchester M2 4WQ, which is regulated by the Financial Conduct Authority, has given and has not withdrawn its written consent to the inclusion in this Document of its name in the form and context in which it appears.
- (d) The total expenses of and incidental to Admission and the Placing, are estimated to amount to approximately £3.7m (excluding VAT).
- (e) There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group’s business.



- (f) There are no arrangements under which future dividends are waived or agreed to be waived.
- (g) The annual accounts of the Company and its subsidiaries have been audited in accordance with national law for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 by KPMG LLP, Chartered Accountants, of 1 Sovereign Square, Sovereign Street, Leeds LS1 4DA.
- (h) The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. Statutory accounts have been delivered to the Registrar of Companies for the periods ended 31 December 2015, 31 December 2016 and 31 December 2017. Auditors' reports in respect of each statutory accounts have been made under section 495 of the 2006 Act and each such report was an unqualified report and did not contain any statement under section 498(2) or (3) of the 2006 Act.
- (i) The Ordinary Shares will only be traded on AIM.
- (j) The Company's registrar and paying agent for the payment of dividends is Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- (k) Except for fees payable to the professional advisers whose names are set out on page 8 of this Document, payments to trade suppliers, and except as set out below, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission:
  - (i) £1,745,100 payable to Trotter & Co Limited as a success fee as described in paragraph 8 above;
  - (ii) £19,500 payable to BDO LLP in respect of support provided in relation to the financial modelling work undertaken by the Group.
- (l) Figures 3, 4 and 5 and table 6 in paragraph 6 of Part 1 have been sourced from a report prepared by CIL for the Company dated 21 December 2017. These items are accurately reproduced from that report and do not omit anything. CIL has given and not withdrawn its written consent to the inclusion in this Document of figures 3, 4 and 5 and table 6 in paragraph 6 of Part 1.

## **17. Availability of documents**

Copies of this document will be available free of charge to the public on the Company's website [www.simplybizgroup.co.uk](http://www.simplybizgroup.co.uk), from the registered office of the Company and at the offices of Zeus Capital at 10 Old Burlington Street, London W1S 3AG and 82 King Street, Manchester M2 4WQ during normal business hours on any weekday (public holidays excepted) for a period of one month from the Admission Date.

Date: 22 March 2018



## PART 6

### GLOSSARY

appointed representatives	a firm or person who runs regulated activities and acts as an agent for a principal firm which is directly authorised; and is an exempt person in relation to the regulated activity
automatic enrolment	under the Pensions Act 2008, every employer in the UK is required to automatically enrol certain workers, known as eligible jobholders, into a pension scheme that meets specific conditions to be an “automatic enrolment compliant scheme”
bps	basis points (equal to 0.01 per cent.)
consumer credit brokers	firms which offer credit or finance solutions to consumers, which are regulated by the FCA
directly authorised	directly authorised and regulated by the FCA
GABRIEL reporting system	“Gathering Better Regulatory Information Electronically”, the online regulatory reporting system operated by the FCA. The purpose of the system is to collect, validate and store regulatory data for authorised and regulated financial services firms in the UK
Inducements and Conflicts of Interest regulations	regulations issued by the FCA concerning inducements and conflicts of interest
mortgage advisers	advisers holding permissions allowing them to advise on mortgage products
network	an appointed representative network holding regulatory liability for activities undertaken by its appointed representatives
principal authorised firm	the authorised firm, which is party to a contract with the appointed representative, and which takes full responsibility for ensuring that the appointed representative complies with FCA rules
product providers	firms which are:  (i) a long-term insurer;  (ii) a friendly society;  (iii) the operator of a regulated collective investment scheme or an investment trust savings scheme; or  (iv) the operator of a personal pension scheme or stakeholder pensions scheme
regulatory capital	the capital reserves a directly authorised firm is required to hold pursuant to the FCA’s capital adequacy requirements
retail client	a client who is not a professional or eligible counterparty
retail financial services	advisory services provided to retail clients in relation to investments, pensions, mortgages and insurance by intermediary firms operating under FSMA and those credit brokers that require authorisation under the consumer credit categories of the FCA
robo-advice	advice or guidance provided online with moderate to minimal human intervention
Senior Managers & Certification Regime	the regulation to be introduced in 2018 by the FCA, which replaces the current Approved Persons Regime

Standards of Professionalism

the standards of professionalism that inspire consumer confidence and build trust, as outlined by the FCA

workplace consultants

firms or individuals providing consultancy services in relation to workplace benefits

## PART 7

### DEFINITIONS

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

“2006 Act”	the Companies Act 2006, as amended
“A Shares”	any of the following shares: (i) A1 Shares; (ii) A2 Shares; and/or (iii) A3 Shares, as the context requires
“A1 Shares”	A1 ordinary shares of £7.00 each in the capital of Simply Biz Limited
“A2 Shares”	A2 ordinary shares of £10.00 each in the capital of Simply Biz Limited
“A3 Shares”	A3 ordinary shares of £23.00 each in the capital of Simply Biz Limited
“Admission”	the admission of the ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with AIM Rules for Companies
“Adjusted EBITDA”	has the meaning given to it on page 4
“Admission Date”	the date of Admission
“AIM”	a market operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange, as amended
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended
“Articles”	the articles of association of the Company which were adopted by special resolution dated 22 March 2018, conditional upon and immediately prior to Admission
“AUA”	assets under advice
“Audit Committee”	the audit committee established by the Board which is described in further detail in paragraph 8 of Part 5 of this Document
“AUM”	assets under management
“Board” or “Directors”	the board of directors of the Company
“CAGR”	compounded annual growth rate
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Company”	The SimplyBiz Group plc
“Concert Party”	as defined at paragraph 6(l) of Part 5 of this Document
“Control”	has the meaning given to that term by section 995 of the Income Tax Act 2007
“CPD”	continuing professional development
“CREST”	the computerised settlement system operated by Euroclear UK & Ireland Limited which facilitates the transfer of shares
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI2001/3755)
“CRM”	customer relationship management software
“CSOP”	The SimplyBiz Group plc Company Share Option Plan, the principal terms of which are described in paragraph 5(a) of Part 5 of this Document

“Davy Family Trusts”	the Kenneth Ernest Davy Discretionary Settlement 1997, the Kenneth Ernest Davy Number 2 (Children’s) Settlement 1997, the Jennifer Davy Discretionary Settlement 1997 and the Jennifer Davy Number 2 (Children’s) Settlement 1997 of which Ken Davy is the sole trustee of each
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“Distribution Channels Division”	the division of the Group providing services to product providers as described in Part 1 of this Document
“Document”	this admission document
“DWP”	Department for Work and Pensions
“Employee Share Incentive Plans”	the CSOP and the MIP
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission
“Eligible Member”	a Member who has been selected by the Company to participate in the MSOP
“Existing Shares”	the 58,823,439 Ordinary Shares in issue as at the date of this Document
“FCA”	the Financial Conduct Authority
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FY”	financial year
“GDPR”	the General Data Protection Regulation (regulation (EU) 2016/679)
“Group”	the Company and its Subsidiaries
“Historical Financial Information”	the historical financial information relating to the Group set out in Part 3 of this Document
“HMRC”	HM Revenue & Customs
“ICO”	the Office of the Information Commissioner
“IFA”	independent financial adviser
“IFRS”	International Financial Reporting Standards, as adopted for use in the European Union
“Intermediary Services Division”	the division of the Group providing services to Members as described on Part 1 of this Document
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“Locked-In Shareholders”	the Selling Shareholders and Ken Davy in his capacity as sole executor and beneficiary of the estate of the late Jennifer Davy
“Lock-In and Orderly Market Agreement”	the lock-in and orderly market agreement described in paragraph 9 of Part 5 of this Document
“London Stock Exchange”	London Stock Exchange plc
“Member”	a directly authorised IFA, mortgage adviser, workplace consultant or directly authorised consumer credit broker who subscribes to the services of the Group’s Intermediary Services Division and references to the Group’s “Membership” is to all of Group’s members collectively
“MiFID II”	the Markets in Financial Instruments Directive II 2014/65/EU
“MIP”	The SimplyBiz Group plc Management Incentive Plan, the principal terms of which are described in paragraph 5(b) of Part 5 of this Document

“Mortgage Market Review”	the Mortgage Market Review 2014
“MSOP”	The SimplyBiz Group plc Member Share Option Plan the terms of which are described in paragraph 5(c) of Part 5 of this Document
“New Ordinary Shares”	the 17,647,149 new Ordinary Shares to be issued and allotted pursuant to the Placing
“Nomination Committee”	the nomination committee established by the Board which is described in further detail in paragraph 8 of Part 5 of this Document
“NPS”	net promoter score
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company, ISIN no. GB00BG1THS43
“Panel”	the Panel on Takeovers and Mergers
“Placees”	the subscribers for and/or purchasers of the Placing Shares pursuant to the Placing
“Placing”	the placing of the Placing Shares by Zeus Capital, as agent for the Company and the Selling Shareholders, pursuant to the terms of the Placing Agreement
“Placing Agreement”	agreement dated 22 March 2018 between the Company, the Directors, the Selling Shareholders and Zeus Capital, details of which are set out in paragraph 9 of Part 5 of this Document
“Placing Price”	170p per Placing Share
“Placing Shares”	the 20,362,228 Existing Shares and 17,647,149 New Ordinary Shares to be purchased and/or subscribed for pursuant to the Placing
“Prospectus Directive”	The Prospectus Directive 2003/71/EC
“Prospectus Rules”	the prospectus rules issued by the FCA
“QCA Code”	Corporate Governance Code for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance
“Refinancing”	the repayment of the facility referred to in paragraph 10(i) of Part 5 of this Document and the entry into the new facility agreement the terms of which are described in paragraph 10(c) of Part 5 of this Document
“Relationship Agreements”	the relationship agreements described in paragraph 6(f) of Part 5 of this Document
“Remuneration Committee”	the remuneration committee established by the Board which is described in further detail in paragraph 8 of Part 5 of this Document
“Retail Distribution Review”	the Retail Distribution Review, implemented by the FSA (being the predecessor regulatory body to the FCA) on 1 January 2013
“RIS”	Regulatory Information Service
“Schedule 2 Share Incentive Plan”	a scheme which means the requirements of Parts 2 to 9 (inclusive) of Schedule 2 ITEPA
“Schedule 3 Save as You Earn Scheme”	a scheme which meets the requirements of Parts 2 to 7 (inclusive) of Schedule 3 ITEPA
“Schedule 4 CSOP Scheme”	a scheme which meets the requirements of Parts 2 to 6 (inclusive) of Schedule 4 ITEPA
“Selling Shareholders”	those persons (including any trustees) who will be selling Existing Shares pursuant to the Placing as set out in paragraph 9 of Part 5 of this Document
“Shareholder(s)”	the holder(s) of Ordinary Shares from time to time

“Share Incentive Plans”	the Employee Share Incentive Plans and the MSOP
“SIPP”	self-invested pension plan
“SSAS”	small self-administered scheme
“Subsidiary”	any subsidiary of the Company within the meaning of section 1159 of the 2006 Act over which the Company has Control
“Takeover Code”	the City Code on Takeovers and Mergers published by the Panel, as amended
“Tax Election”	an election made (or to be made) pursuant to section 431(1) of ITEPA
“TPR”	the Pensions Regulator
“Verbatim”	the Group’s asset management business operated through Verbatim Asset Management Limited, Verbatim Investments Limited, Verbatim Portfolio Management Limited and Verbatim Adviser Services Limited
“uncertificated” or “in uncertificated form”	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Zeus Capital”	Zeus Capital Limited, regulated by the FCA



